THOMAS INDUSTRIES INC
Form 10-K
March 28, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the transition period from ------------------

Commission File Number 1-5426

THOMAS INDUSTRIES INC.

(Exact name of Registrant as specified in its Charter)

DELAWARE	61-0505332
(State of incorporation)	(I.R.S. Employer Identification Number)
4360 BROWNSBORO ROAD, LOUISVILLE, KENTUCKY	40207
(Address of principal executive offices)	(Zip Code)

502/893-4600

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, $1 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes X No

As of February 28, 2003, 17,144,420 shares of the registrant's Common Stock were outstanding (net of treasury shares and including directors' and executive officers' shares).

The aggregate market value of the voting stock held by non-affiliates of the Registrant at June 30, 2002, was approximately $425,100,000. The aggregate market value was computed by using the closing price of the common stock as of that date on the New York Stock Exchange. (For purposes of calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

Portions of the Proxy Statement for the Annual Meeting of Shareholders on April 17, 2003, are incorporated by reference in Part III of this report.

Portions of the Annual Report to Shareholders for fiscal year ended December 31, 2002, are incorporated by reference in Parts I and II of this report.

PART I.

ITEM 1. BUSINESS

a. General Development of Business.

The company that was eventually to become known as Thomas Industries Inc. ("Thomas"or the "Company") was founded in 1928 as the Electric Sprayit Company. Electric Sprayit manufactured paint spraying machines, blowers, and air compressors in Chicago, Illinois. In 1948, Mr. Lee B. Thomas and a group of investors acquired Moe Brothers Manufacturing of Fort Atkinson, Wisconsin, a manufacturer of residential lighting products. In 1953, Moe Lighting and The Electric Sprayit Company merged to become Thomas Industries Inc.

Although its roots are in lighting products and air compressors, Thomas began to diversify further in the 1960's and 1970's, acquiring different types of consumer products along with tools, hardware, and specialty products. A new strategic focus that began in the 1980's was finalized in 1994 and led the Company to divest its non-core businesses and concentrate on Lighting and Pumps and Compressors.

Significant additions to the Lighting business included the Lumec and Day-Brite Lighting acquisitions in 1987 and 1989. On August 30, 1998, Thomas and The Genlyte Group ("Genlyte") formed a lighting joint venture that combined substantially all of the assets and liabilities of Genlyte and substantially all of the lighting assets and related liabilities of Thomas to create Genlyte Thomas Group LLC (GTG), estimated to be the third largest manufacturer of lighting fixtures and controls in North America. Thomas owns a 32% interest in the joint venture, and Genlyte owns a 68% interest. Since the formation of the joint venture, GTG has made several acquisitions to fill product voids, including Fibre Light, Ledalight, Translite, Chloride and Vari-Lite.

Significant additions to the Pump and Compressor business include ASF, Pneumotive, Brey, WISA, Welch and Oberdorfer, which were made from 1987 through 1999. On August 29, 2002, the Company purchased substantially all the assets and liabilities of Werner Rietschle Holding GmbH ("Rietschle"), a privately held company based in Schopfheim, Germany. Rietschle is a world leader in vacuum and pressure technology, which includes dry-running and oil-lubricated pumps, blowers, compressors, and pressure/vacuum pumps utilizing rotary vane, screw, roots and claw technologies. With the newly-launched Rietschle Thomas brand, Thomas intends to pursue further opportunities in markets such as printing, packaging, woodworking and many other applications that fit Rietschle technologies, including fuel cells.

Website Access to Company Reports
We make available free of charge through our website, www.thomasind.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. Our internet website and the

ITEM 1. (Continued)

information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

b. Financial Information about Segments.

The information required by this item is set forth in Exhibit 13 under the heading "Notes to Consolidated Financial Statements," which information is contained in the Company's Annual Report to Shareholders and incorporated herein by reference

c. Narrative Description of Business.

Pump and Compressor Segment

Since the formation of the lighting joint venture, Thomas is now focused on its Pump and Compressor business. Thomas is a leading supplier of pumps and compressors to the original equipment manufacturer (OEM) market in such applications as medical equipment, gasoline vapor and refrigerant recovery, automotive and transportation applications, printing, packaging, tape drives, laboratory equipment, and many other applications for consumer, commercial, and industrial uses. The Company designs, manufactures, markets, sells and services these products through worldwide operations. Pump and Compressor Group headquarters are as follows: North American Group--Sheboygan, Wisconsin; European Group--Puchheim, Germany; and Asia Pacific Group--Hong Kong, China.

The Company has four manufacturing operations in the United States which manufacture rotary vane, linear, piston, and diaphragm pumps and compressors, and various liquid pump technologies. These products are directly sold worldwide to OEM's, as well as through fluid power and industrial distributors.

Four German operations manufacture a complementary line of rotary vane, piston, linear, diaphragm, gear, side channel, radial, claw, screw, and rotary lobe pump and compressors, as well as various liquid pump technologies, air-centers and centralized systems. These products are distributed worldwide.

The Company also maintains sales and service offices in Germany, U.S.A., Switzerland, Ireland, England, Italy, Switzerland, Sweden, France, Denmark, Netherlands, China, Japan, Taiwan, Mexico, Korea, New Zealand, Australia and Brazil. In many of these countries systems sales and production for end users for industrial, chemical and hospitals also takes place. The Corporate Office is in Louisville, Kentucky.

The Company offers a wide selection of standard air compressors and vacuum pumps and will modify or design its products to meet exacting OEM applications. For the OEM market, the Company's pump and compressor products are now marketed under the Rietschle Thomas name worldwide. Other products are marketed under the brand names Welch (high vacuum systems for laboratory and chemical markets), Air-Pac (pnueumatic

ITEM 1. (Continued)

construction equipment), Vakuumatic (leakage detection systems), Medi-Pump (respiratory products), and Oberdorfer (liquid pumps).

The medical equipment market, which includes oxygen concentrators, nebulizers, aspirators, and other devices, is important to the Company. Excluding Rietschle, company sales to medical equipment OEM's were approximately $67 million in 2002, $69 million in 2001, and $65 million in 2000. Oxygen concentrator OEM's represent a significant portion of the Company's sales in the medical equipment market. The Company believes it has the leading market share in the oxygen concentrator OEM market worldwide.

No single customer of the Company accounted for 10 percent or more of the Company's net sales in 2002.

Excluding the Rietschle acquisition, the backlog of unshipped orders was $47 million at December 31, 2002, and $38 million at December 31, 2001. The increase in backlog included $3.6 million of orders from Asia Pacific locations, which previously had not been tracking this activity, as well as an additional $5 million, which primarily related to increased activity in the automotive market. Not included above is another $15 million of backlog at December 31, 2002 related to our newly acquired Rietschle business. The Company believes substantially all of such orders are firm, although some orders are subject to cancellation. Substantially all of these orders are expected to be filled in 2003.

The Company believes that it has adequate sources of materials and supplies for its business.

There is no significant seasonal impact on the business of the Company.

Lighting Segment

On August 30, 1998, Thomas and Genlyte formed a lighting joint venture that combined substantially all of the assets and liabilities of Genlyte and substantially all of the lighting assets and related liabilities of Thomas to create GTG, estimated to be the third largest lighting fixture manufacturer in North America. Thomas owns a 32% interest in the joint venture and Genlyte owns a 68% interest.

GTG designs, manufactures, markets, and sells lighting fixtures for a wide variety of applications in the commercial, industrial, and residential markets. GTG operates in these three industry segments through the following divisions: Lightolier, Day-Brite, Crescent, Capri/Omega, Choride Systems, Controls, Hadco, Gardco, Wide-Lite, Stonco and Thomas Residential in the United States and Mexico; and Canlyte, Thomas Lighting Canada, Lumec, and Ledalite in Canada.

GTG's products primarily utilize incandescent, fluorescent, and high-intensity discharge (HID) light sources and are marketed primarily to distributors who resell the products for use in new residential, commercial, and industrial construction as well as in remodeling

ITEM 1. (Continued)

existing structures. Because GTG does not principally sell directly to the end user of its products, it's management cannot determine precisely the percentage of its revenues derived from the sale of products installed in each type of building, nor the percentage of its products sold for new construction versus remodeling. GTG's sales, like those of the lighting fixture industry in general, are partly dependent on the level of activity in new construction and remodeling.

GTG designs, manufactures, markets, and sells the following types of products:

Indoor fixtures - Incandescent, fluorescent, and HID lighting fixtures and lighting controls for commercial, industrial, institutional, medical, sports, entertainment, and residential markets, and task lighting for all markets.

Outdoor fixtures - HID, fluorescent, and incandescent lighting fixtures and accessories for commercial, industrial, institutional, sports, and residential markets.

GTG's products are marketed by independent sales representatives and GTG direct sales personnel who sell to distributors, electrical wholesalers, mass merchandisers, and national accounts. In addition, GTG's products are promoted through architects, engineers, contractors, and building owners. GTG's products are principally sold throughout the United States, Canada, and Mexico.

Thomas' investment in GTG is accounted for using the equity method of accounting. Under the terms of the LLC Agreement, any time on or after January 31, 2002, Thomas has the right (a "put right"), but not the obligation, to require the Joint Venture (GTG) to purchase all, but not less than all, of Thomas' ownership interest in GTG at the applicable purchase price. The purchase price shall be equal to the "Fair Market

Value" of GTG multiplied by Thomas' ownership percentage in GTG. The "Fair Market Value" means the value of the total interests in GTG computed as a going concern, including the control premium.

Also under the terms of the LLC Agreement, on or after the the final settlement or disposition of Genlyte's case related to the Keene Creditors Trust lawsuit against Genlyte and others, either Thomas or Genlyte has the right, but not the obligation to buy the other parties' interest in GTG (the "Offer Right"). If Thomas and Genlyte cannot agree on the terms, then GTG or the business of GTG shall be sold to the highest bidder. Either party may participate in bidding for the purchase of GTG or the business of GTG. On March 14, 2003, the Southern District of New York Federal District Court dismissed the Genlyte case noted above. The Creditors Trust has not indicated its intentions with respect to appeal; however, the Federal Rules of Civil Procedure provide for appeal as a matter of right with respect to any final judgment. The time for filing a Notice of Appeal by the Creditors Trust shall expire on the 30th day following entry of the Court's judgment, absent some other procedural action being taken by any party, which could suspend or delay the running of the time for a filing by the Creditors Trust of a Notice of Appeal. Therefore, as of March 28, 2003, no final settlement or disposition has occurred and neither party has the ability to exercise this right.

ITEM 1. (Continued)

In the event of a Change of Control (i) of Thomas, GTG has the right, but not the obligation, to purchase Thomas' interest for a purchase price equal to the Fair Market Value of GTG multiplied by Thomas' ownership interest in GTG or (ii) of Genlyte, Thomas has the right, but not the obligation, to sell its interest to the Joint Venture for a purchase price equal to Fair Market Value of GTG multiplied by Thomas' ownership interest in GTG. The definition of "Change of Control" includes the acquisition by any person of 25% or more of Thomas' outstanding common stock.

In the event of a Deadlock (as defined below), Thomas may exercise its Put Right in accordance with the LLC Agreement or Genlyte may, in its sole discretion, cause the entire Joint Venture or business of GTG to be sold. A "Deadlock" shall be deemed to exist if (i) the Management Board of GTG fails to agree on a matter for which Special Approval is required in accordance with the LLC Agreement and (ii) such disagreement continues for 90 days. The definition of "Special Approval"includes the approval of at least a majority of the management board representatives, including, in all instances, approval by at least one representative appointed by Thomas.

d. Other

The Company has a $120 million committed revolving line of credit with its banks through August 28, 2005, of which $78 million was being used at December 31, 2002. The Company also had uncommitted short-term borrowing arrangements being used by some of its foreign offices which totaled $1.5 million at December 31, 2002. The Company expects to fund working capital requirements from a combination of available cash balances, internally generated funds, and from the borrowing arrangements mentioned above.

The Company has various patents and trademarks but does not consider its business to be materially dependent upon any individual patent or trademark. The majority of patents and trademarks resulted from the Rietschle acquisition.

The Company competes across all of its product lines with many large and varied manufacturers, both domestic and foreign. Some of our competitors are publicly-held companies and some are private companies. The Company competes on the basis of quality, performance, service, and price. Thomas believes that it is able to maintain its competitive position because of the quality and breadth of its products and services and its global presence.

During 2002, the Company spent $11,789,000 on research activities relating to the development of new products and the improvement of existing products. Substantially all of this amount was Company-sponsored activity. During 2001, the Company spent $10,369,000 on these activities and during 2000, $9,721,000.

ITEM 1. (Continued)

Continued compliance with present and reasonably expected federal, state, and local environmental regulations is not expected to have any material effect upon capital expenditures, earnings, or the competitive position of the Company and its subsidiaries.

The Company employed approximately 2,260 people at December 31, 2002, of which 1,170 relate to Rietschle's operations.

e. Financial Information about Geographic Areas.

See Notes to Consolidated Financial Statements, as set forth in Exhibit 13, which information is contained in the Company's 2002 Annual Report to Shareholders, and incorporated herein by reference, for financial information about foreign and domestic operations.

f. Executive Officers of the Registrant.

Name	Office or Position with Company	Age	Year First Elected as an Officer
Timothy C. Brown (A)	Chairman of the Board, President, Chief Executive Officer, and Director	52	1984
Phillip J. Stuecker (B)	Vice President of Finance, Chief Financial Officer, and Secretary	51	1984
Bernard R. Berntson (C)	Vice President; General Manager, North American Pump and Compressor Group	63	1992
Peter H. Bissinger	Vice President; General	57	1992

(D)	Manager, European Pump and Compressor Group		
Dieter W. Rietschle (E)	General Manager, TIWR Holding GmbH & Co. KG	56	2002

(A) Timothy C. Brown was elected Chairman of the Board on April 20, 1995, in addition to his other duties of President and Chief Executive Officer. Prior to this, Mr. Brown held various management positions in the Company including Chief Operating Officer, Executive Vice President, and Vice President and Group Manager of the Specialty Products Group.

(B) Phillip J. Stuecker was elected Vice President of Finance, Chief Financial Officer, and Secretary on October 23, 1989. Prior to this, Mr. Stuecker held various management positions in the Company including Vice President and Treasurer.

ITEM 1. (Continued)

(C) Bernard R. Berntson was elected an officer effective December 14, 1992. Mr. Berntson had held the position of General Manager of the North American Pump and Compressor Group since 1987. Mr. Berntson has retired effective March 1, 2003.

(D) Peter H. Bissinger was elected an officer effective December 14, 1992, in addition to his position of President of ASF Thomas GmbH, a wholly owned subsidiary of the Company. Mr. Bissinger had held the position of President of ASF Thomas GmbH since 1979.

(E) Dieter W. Rietschle was appointed a General Manager of TIWR Holding GmbH and Co. KG, a wholly owned subsidiary of the Company, effective August 30, 2002. This was the date Mr. Rietschle joined the Company as a result of the acquisition of substantially all of the assets of Werner Rietschle Holding GmbH. Prior to this date, Mr. Rietschle was General Manager of Werner Rietschle Holding GmbH. On December 10, 2002, Mr. Rietschle was appointed director of the Company in accordance with the terms of the Rietschle acquisition agreement.

ITEM 2. PROPERTIES

The Corporate offices of the Company are located in Louisville, Kentucky. Due to the large number of individual locations and the diverse nature of the operating facilities, specific description of the properties owned and leased by the Company is not necessary to an understanding of the Company's business. All of the buildings are of steel, masonry, and concrete construction, are in generally good condition, provide adequate and suitable space for the operations at each location, and are of sufficient capacity for present and foreseeable future needs.

The following listing summarizes the Company's properties.

Segment	Number of Facilities Owned	Leased	Combined Square Feet	Nature of Facilities

Pump and Compressor	7	6	924,000	Manufacturing plants
	7	46	308,000	Distribution and service centers
Corporate	--	1	6,900	Corporate headquarters
	2	--	160,000	Leased to third parties

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is a party to legal proceedings and claims. When costs can be reasonably estimated, appropriate liabilities for such matters are recorded. While management currently believes the amount of ultimate liability, if any, with respect to these actions will not materially affect the financial position, results of operations, or liquidity of the Company, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur, the impact could be material to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The information required by this item is set forth in Exhibit 13 under the headings "Common Stock Market Prices and Dividends," and "Notes to Consolidated Financial Statements," which information is contained in the Company's 2002 Annual Report to Shareholders and incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is set forth in Exhibit 13 under the heading "Five-Year Summary of Operations and Statistics," which information is contained in the Company's 2002 Annual Report to Shareholders and incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is set forth in Exhibit 13 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," which information is contained in the Company's 2002 Annual Report to Shareholders and incorporated herein by reference.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's long-term debt bears interest at fixed rates, with the exception of the $1.25 million Industrial Revenue Bond and the $78.0 million revolving line of credit facility that accrue interest at variable rates, which can be fixed for six month intervals. Short-term borrowings of $1.5 million at December 31, 2002, are priced at variable interest rates. The Company's results of operations and cash flows, therefore, would only be affected by interest rate changes to its variable rate debt. At December 31, 2002, $80.7 million was outstanding. A 100 basis point movement in the interest rate on the variable rate debt of $80.7 million would result in an $807,000 annualized effect on interest expense and cash flows ($516,000 net of tax).

ITEM 7a. (Continued)

The Company also has short-term investments, including cash equivalents, of $13.5 million as of December 31, 2002 that bear interest at variable rates. A 100 basis point movement in the interest rate would result in an approximate $135,000 annualized effect on interest income and cash flows ($86,000 net of tax).

The fair value of the Company's long-term debt is estimated based on current interest rates offered to the Company for similar instruments. A 100 basis point movement in the interest rate would result in an approximate $260,000 annualized effect on the fair value of long-term debt ($166,000 net of tax).

The Company has significant operations consisting of sales and manufacturing activities in foreign countries. As a result, the Company's financial results could be significantly affected by factors such as changes in currency exchange rates or changing economic conditions in the foreign markets in which the Company manufactures or distributes its products. Currency exposures for our Pump and Compressor Segment are concentrated in Germany but exist to a lesser extent in other parts of Europe, Asia and South America. Our Lighting Segment currency exposure is primarily in Canada.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and notes to consolidated financial statements of the registrant and its subsidiaries are set forth in Exhibit 13 under the headings "Consolidated Financial Statements" and "Notes to Consolidated Financial Statements," which information is contained in the Company's 2002 Annual Report to Shareholders and incorporated herein by reference. The Report of Independent Auditors is also set forth in Exhibit 13 and is hereby incorporated herein by reference. In addition, financial statements of GTG are included in this Form 10-K on pages F-1 to F-23.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On May 21, 2002, on the recommendation of the Audit Committee, the Board of Directors appointed Ernst & Young LLP ("Ernst & Young ") as the Corporation's independent auditors for the 2002 fiscal year, replacing Arthur Andersen LLP ("Arthur Andersen").

Arthur Andersen's report on the financial statements for the fiscal year preceding dismissal contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal year and interim period preceding the dismissal, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or audit scope or procedure.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

a. Directors of the Company

The information required by this item is set forth in registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 17, 2003, under the headings "Election of Directors" and "Section 16(a), Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

b. Executive Officers of the Company

Reference is made to "Executive Officers of the Registrant" in Part I, Item 1.f.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is set forth in registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 17, 2003, under the headings "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Board of Directors," which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is set forth in registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 17, 2003, under the heading "Securities Beneficially Owned by Principal Shareholders and Management," which information is incorporated herein by reference.

Additionally, the following table is included regarding equity compensation plan information:

EQUITY COMPENSATION PLAN INFORMATION

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number remaini future equity (exclud reflect
Equity compensation plans approved by security holders	1,616,359	$19.34	45
Equity compensation plans not approved by security holders	0	0	

Total	1,616,359	$19.34	45

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The primary information required by this item is set forth in registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on April 17, 2003, under the headings "Securities Beneficially Owned by Principal Shareholders and Management", "Election of Directors", "Executive Compensation", "Board of Directors" and "Compensation Committee Interlocks and Insider Participation," which information is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation within 90 days of the filing date of this report, that our disclosure controls and procedures are effective in all material respects in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the previous mentioned evaluation.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

a. (1) Financial Statements

The following consolidated financial statements of Thomas Industries Inc., included in the Company's 2002 Annual Report to Shareholders, are included in Part II, Item 8:

Consolidated Balance Sheets -- December 31, 2002 and 2001
Consolidated Statements of Income -- Years ended December 31, 2002, 2001, and 2000
Consolidated Statements of Shareholders' Equity -- Years ended December 31, 2002, 2001, and 2000
Consolidated Statements of Cash Flows -- Years ended December 31, 2002, 2001, and 2000
Notes to Consolidated Financial Statements -- December 31, 2002

(2) Financial Statement Schedule

Schedule II -- Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) Listing of Exhibits

Exhibit No.	Exhibit
2(a)	Agreement for Purchase of Equity Interests and Shares (English translation) dated August 29, 2002, by and among Thomas Industries Inc., Werner Rietschle Holding GmbH, TIWR Holding GmbH & Co. KG, TIWR Netherlands Holdings C.V., TIWR U.K. Limited, TI France SAS, Thomas Industries Australia Pty. Ltd. and TI Luxembourg S.A.R.L., filed as Exhibit 2.1 to Form 8-K filed September 12, 2002, herein incorporated by reference.
3(a)	Restated Certificate of Incorporation, as amended, filed as Exhibit 3(a) to Form 10-Q filed November 13, 2002, herein incorporated by reference.
3(b)	Bylaws, as amended December 10, 2002, filed herewith.
4(a)(1)	Thomas Industries Holdings, Inc., Thomas Industries Inc. Note Agreement Amended and Restated as of November 6, 1998, filed herewith.

ITEM 15. (Continued)

Exhibit No.	Exhibit
4(a)(2)	Thomas Industries Holdings, Inc., Thomas Industries Inc. First Amendment dated as of July 30, 2002 to Note Agreement Amended and Restated as of November 6, 1998.
	Copies of debt instruments for which the related debt is less than 10% of consolidated total assets will be furnished to the Commission upon request.
4(b)	Amended and Restated Rights Agreement filed as Exhibit 4(b) to registrant's report on Form 10-Q dated August 14, 2000, hereby incorporated by reference.

4(c)	First Amendment to Rights Agreement filed as Exhibit 4(c) to registrant's report on Form 10-K dated March 26, 2001, hereby incorporated by reference.
10(a)	Employment Agreements with Timothy C. Brown and Phillip J. Stuecker filed as Exhibit 3(j) to registrant's report on Form 10-Q dated November 11, 1988, hereby incorporated by reference.
10(b)	Trust Agreement, filed as Exhibit 10(1) to registrant's report on Form 10-Q dated November 11, 1988, hereby incorporated by reference.
10(c)	Form of Indemnity Agreement and Amendment thereto entered into by the Company and each of its Executive Officers filed as Exhibits 10 (g) and (h) to registrant's report on Form 10-K dated March 23, 1988, hereby incorporated by reference.
10(d)	Severance pay policy of the Company, effective October 1, 1988, covering all Executive Officers, filed as Exhibit 10(d) to registrant's report on Form 10-K dated March 23, 1989, hereby incorporated by reference. registrant's

ITEM 15. (Continued)

Exhibit No.	Exhibit
10(e)	Nonemployee Director Stock Option Plan as Amended and Restated as of February 5, 1997, filed as Exhibit 10(h) to registrant's report on Form 10-K dated March 20, 1997, hereby incorporated by reference.
10(f)	1995 Incentive Stock Plan as Amended and Restated as of April 15, 1999, filed as Exhibit 10(h) to registrant's report on Form 10-Q dated November 12, 1999, hereby incorporated by reference.
10(g)	Employment Agreement with Timothy C. Brown dated January 29, 1997, filed as Exhibit 10(j) to registrant's report on Form 10-K dated March 20, 1997, hereby incorporated by reference.
10(g)(1)	Service Agreement with Dieter Rietschle (English translation) dated September 20, 2002, filed herewith.

10(g)(2)	Employment Agreement with Peter Bissinger (English translation) dated January 1, 2003, filed herewith.
10(h)	Master Transaction Agreement by and between Thomas Industries Inc. and The Genlyte Group Incorporated dated April 28, 1998, filed as Exhibit 2.1 to registrant's report on Form 8-K dated July 24, 1998, hereby incorporated by reference.
10(i)	Limited Liability Company Agreement of GT Lighting, LLC, dated April 28, 1998, filed as Exhibit 2.2 to registrant's report on Form 8-K dated July 24, 1998, hereby incorporated by reference.
10(j)	Capitalization Agreement among GT Lighting, LLC, and Thomas Industries Inc., Tupelo Holdings Inc., Thomas Industries Holdings Inc., Gardco Manufacturing, Inc., Capri Lighting, inc., Thomas Imports, Inc., and TI Industries Corporation dated April 28, 1998, filed as Exhibit 2.3 to registrant's report on Form 8-K dated July 24, 1998, hereby incorporated by reference.
10(k)	Capitalization Agreement between GT Lighting, LLC, and The Genlyte Group Incorporated dated April 28, 1998, filed as Exhibit 2.4 to registrant's Form 8-K dated July 24, 1998, hereby incorporated by reference.

ITEM 15. (Continued)

Exhibit No.	Exhibit
10(l)	Credit Agreement dated August 28, 2002 among Thomas Industries Inc., Bank One, Kentucky, N.A., National City Bank of Kentucky, Sun Trust Bank, HVB Banque Luxembourg Societe Anonyme, and Wells Fargo Bank, N.A., as Lenders (the "Lenders"); Bank One, Kentucky, N.A., as Administrative Agent for itself and the other Lenders; National City Bank of Kentucky as Syndication Agent; Sun Trust Bank and HVB Banque Luxembourg Societe Anonyme as Co-Documentation Agents; and Banc One Capital Markets, Inc. as Lead Arranger and Sole Book Runner, filed as Exhibit 10.1 to Form 10-Q filed November 13, 2002, herein incorporated by reference.

13	Certain portions of the Company's 2002 Annual Report to Shareholders as specified in Parts I and II, hereby incorporated by reference in this Annual Report on Form 10-K, filed herewith.
16	Letter regarding change in certifying accountant of the registrant from Arthur Andersen LLP dated May 21, 2002, filed as Exhibit 16.1 to the registrant's Form 8-K dated May 21, 2002, hereby incorporated by reference.
21	Subsidiaries of the Registrant, filed herewith.
23(a)	Consent of Ernst & Young LLP, filed herewith.
23(b)	Information regarding consent of Arthur Andersen LLP, filed herewith.
23(c)	Consent of Ernst & Young LLP, filed herewith.
23(d)	Information regarding consent of Arthur Andersen LLP, filed herewith.
99.1	Certifications Pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

b. Reports on Form 8-K

A form 8-K/A was filed November 12, 2002 related to the Rietschle acquisition, which amended the Form 8-K filed September 12, 2002 to include financial statements of Rietschle and certain pro forma financial information.

c. Exhibits

The exhibits filed as part of this Annual Report on Form 10-K are as specified in Item 14(a)(3) herein.

S I G N A T U R E S

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THOMAS INDUSTRIES INC.

Date: March 28, 2003

By /s/ Timonthy C. Brown

Timothy C. Brown, Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Timothy C. Brown Timothy C. Brown	Chairman of the Board; President; Chief Executive Officer; Director (Principal Executive Officer)	3/28/03
/s/ Phillip J. Stuecker Phillip J. Stuecker	Vice President of Finance; Chief Financial Officer; Secretary (Principal Financial Officer)	3/28/03
/s/ Roger P. Whitton Roger P. Whitton	Controller (Principal Accounting Officer)	3/28/03
/s/ Wallace H. Dunbar Wallace H. Dunbar	Director	3/28/03
/s/ H. Joseph Ferguson H. Joseph Ferguson	Director	3/28/03
/s/ Lawrence E. Gloyd Lawrence E. Gloyd	Director	3/28/03

Signatures (Continued)

Signature	Title	Date

/s/ William M. Jordan William M. Jordan	Director	3/28/03
/s/ Franklin J. Lunding, Jr. Franklin J. Lunding, Jr.	Director	3/28/03
/s/ Anthony A. Massaro Anthony A. Massaro	Director	3/28/03
/s/ Dieter W. Rietschle Dieter W. Rietschle	Director	3/28/03

CERTIFICATIONS

I, Timothy C. Brown, certify that:

1. I have reviewed this annual report on Form 10-K of Thomas Industries Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit

committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ Timothy C. Brown

Timothy C. Brown
Chairman, President and CEO

CERTIFICATIONS

I, Phillip J. Stuecker, certify that:

1. I have reviewed this annual report on Form 10-K of Thomas Industries Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ Phillip J. Stuecker

Phillip J. Stuecker
Vice President and Chief Financial Officer

On August 30, 1998, Thomas and Genlyte formed a lighting joint venture that combined substantially all of the assets and liabilities of Genlyte and substantially all of the lighting assets and related liabilities of Thomas to create Genlyte Thomas Group LLC ("GTG"), estimated to be the third largest lighting fixture manufacturer in North America. Thomas owns a 32% interest in the joint venture, and Genlyte owns a 68% interest.

Following are audited financial statements of GTG for the years ended December 31, 2002, 2001, and 2000.

REPORT OF INDEPENDENT AUDITORS

To the Members of Genlyte Thomas Group LLC:

We have audited the accompanying consolidated balance sheet of Genlyte Thomas Group LLC and Subsidiaries (the Company) as of December 31, 2002 and the related consolidated statements of income, members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2001 and for each of the two years in the period ended December 31, 2001 were audited by other auditors who have ceased operations and whose report dated January 18, 2002 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genlyte Thomas Group LLC and Subsidiaries at December 31, 2002, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2, in 2002 the Company changed its method of accounting for goodwill and other intangible assets.

As discussed above, the financial statements of the Company as of December 31, 2001 and for each of the two years in the period ended December 31, 2001 were audited by other auditors who have ceased operations. As discussed in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, "Goodwill and Other Intangible Assets", which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 2 with respect to 2001 and 2000 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income. In our opinion, the disclosures for 2001 and 2000 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such adjustments related to Note 2, and accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

/s/ Ernst & Young, LLP

Louisville, Kentucky
January 22, 2003

THIS REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP AS ARTHUR ANDERSEN LLP CEASED OPERATIONS IN AUGUST 2002.

THE FOLLOWING REPORT IS A COPY OF THE PREVIOUSLY ISSUED ARTHUR ANDERSEN LLP REPORT.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Members of Genlyte Thomas Group LLC:

We have audited the accompanying consolidated balance sheets of Genlyte Thomas Group LLC (a Delaware limited liability company) and Subsidiaries (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of income, members' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Genlyte Thomas Group LLC and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Louisville, Kentucky
January 18, 2002

GENLYTE THOMAS GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands)

	For the years ended December 31,		
	2002	2001	2

Net sales	$970,304	$ 985,176	$ 1,
Cost of sales	630,433	636,582	
Gross profit	339,871	348,594	
Selling and administrative expenses	239,730	248,005	
Amortization of goodwill	-	5,211	
Amortization of other intangible assets	851	796	
Operating profit	99,290	94,582	
Interest expense, net of interest income	606	3,699	
Minority interest	240	(54)	
Income before income taxes	98,444	90,937	
Income tax provision	7,804	6,064	
Net income	$ 90,640	$ 84,873	$

The accompanying notes are an integral part of these consolidated financial statements.

GENLYTE THOMAS GROUP LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	As of December 31,	
	2002	2001
Assets:		
Current Assets:		
Cash and cash equivalents	$ 111,539	$ 59,69
Accounts receivable, less allowances for doubtful accounts of $10,616 and $10,111, respectively	148,279	141,65
Inventories	136,470	132,93
Other current assets	8,850	8,76
Total current assets	405,138	343,04
Property, plant and equipment, at cost:		
Land and land improvements	7,447	6,49
Buildings and leasehold improvements	81,764	83,31
Machinery and equipment	276,353	273,15
Total property, plant and equipment	365,564	362,96
Less: Accumulated depreciation and amortization	257,988	252,51
Net property, plant and equipment	107,576	110,44
Goodwill, net of accumulated amortization	134,231	135,41
Other intangible assets, net of accumulated amortization	22,195	22,28
Other assets	3,841	7,93

Total Assets	$ 672,981	$ 619,12
Liabilities & Members' Equity:		
Current Liabilities:		
Current maturities of long-term debt	$ 4,100	$ 3,28
Accounts payable	87,201	82,15
Related-party payables	30,483	19,70
Accrued expenses	65,427	65,40
Total current liabilities	187,211	170,54
Long-term debt	33,028	36,98
Deferred income taxes	4,459	3,99
Accrued pension	25,406	15,92
Minority interest	677	(19
Other long-term liabilities	6,225	5,86
Total liabilities	257,006	233,11
Commitments and contingencies (See notes (12) and (13))		
Members' Equity:		
Accumulated other comprehensive income (loss)	(26,965)	(9,07
Other members' equity	442,940	395,07
Total members' equity	415,975	386,00
Total Liabilities & Members' Equity	$ 672,981	$ 619,12

The accompanying notes are an integral part of these consolidated financial statements.

GENLYTE THOMAS GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000
(Amounts in thousands)

	Accumulated Other Comprehensive Income (Loss)	Other Members' Equity	
Members' equity, December 31, 1999	$ 3,158	$ 306,010	$ 30
Net income	-	83,537	
Increase in minimum pension liability	(277)	-	
Foreign currency translation adjustments	(2,006)	-	
Total comprehensive income	(2,283)	83,537	

Distributions to members	-	(43,116)	
Members' equity, December 31, 2000	875	346,431	
Net income	-	84,873	
Increase in minimum pension liability	(6,424)	-	
Foreign currency translation adjustments	(3,527)	-	
Total comprehensive income	(9,951)	84,873	
Distributions to members	-	(36,225)	
Members' equity, December 31, 2001	(9,076)	395,079	
Net income	-	90,640	
Increase in minimum pension liability, before tax	(18,450)	-	
Related tax effect	541	-	
Increase in minimum pension liability, after tax	(17,909)	90,640	
Foreign currency translation adjustments	20	-	
Total comprehensive income	(17,889)	90,640	
Contribution from Thomas	-	299	
Distributions to members	-	(43,078)	
Members' equity, December 31, 2002	$ (26,965)	$ 442,940	$

The accompanying notes are an integral part of these consolidated financial statements.

GENLYTE THOMAS GROUP LLC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the years end	
	2002	
Cash Flows From Operating Activities:		
Net income	$ 90,640	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,169	
Net loss (gain) from disposals of property, plant and equipment	1,010	
Provision for doubtful accounts receivable	2,170	
Provision (benefit) for deferred income taxes	(134)	

Changes in assets and liabilities, net of effect of acquisitions:		
(Increase) decrease in:		
Accounts receivable	(7,640)	
Related-party receivables	-	
Inventories	2,069	
Other current assets	24	
Intangible and other assets	8,195	
Increase (decrease) in:		
Accounts payable	4,261	(
Related-party payables	10,598	
Accrued expenses	(560)	
Deferred income taxes, long-term	581	
Minority interest	874	
Other long-term liabilities	(8,059)	
All other, net	(977)	
Net cash provided by operating activities	126,221	1
Cash Flows From Investing Activities:		
Acquisitions of businesses, net of cash received	(10,641)	
Purchases of property, plant and equipment	(18,912)	(
Proceeds from sales of property, plant and equipment	1,807	
Net cash used in investing activities	(27,746)	(
Cash Flows From Financing Activities:		
Proceeds from long-term debt	-	
Reductions of long-term debt	(3,318)	(
Distributions to members	(43,078)	(
Net cash used in financing activities	(46,396)	(
Effect of exchange rate changes on cash and cash equivalents	(231)	
Net increase in cash and cash equivalents	51,848	
Cash and cash equivalents at beginning of year	59,691	
Cash and cash equivalents at end of year	$ 111,539	$

The accompanying notes are an integral part of these consolidated financial statements.

Genlyte Thomas Group LLC and Subsidiaries
Notes to Consolidated Financial Statements
(Dollars in thousands)

(1) DESCRIPTION OF BUSINESS

Genlyte Thomas Group LLC ("GTG" or the "Company"), a Delaware limited liability company, is a United States based multinational company. The Company designs, manufactures, and sells lighting fixtures and controls for a wide variety of applications in the commercial, residential, and industrial markets in North America. The Company's products are marketed primarily to distributors who resell the products for use in commercial, residential, and industrial construction and remodeling. The Company is the result of the business combination discussed in note (3) "Formation of Genlyte Thomas Group LLC."

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of GTG and all majority-owned subsidiaries, and also include other entities that are jointly owned by The Genlyte Group Incorporated ("Genlyte") and Thomas Industries Inc. ("Thomas"), all of which entities in total operationally comprise GTG. Intercompany accounts and transactions have been eliminated. Investments in affiliates owned less than 50%, and over which the Company exercises significant influence, are accounted for using the equity method, under which the Company's share of these affiliates' earnings is included in income as earned.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from the estimates.

REVENUE RECOGNITION: The Company records sales revenue when products are shipped, which is when legal title passes to the customer and the risks and rewards of ownership have transferred. A provision for estimated returns and allowances is recorded as a sales deduction.

CUSTOMER REBATES: In 2001, the Company began classifying all customer rebates as sales deductions. Prior to 2001, the Company had been classifying most rebates paid to customers as sales deductions, but certain rebates were classified as selling and administrative expenses. The effect in 2001 was to reclassify $3,007 to net sales (decrease) from selling and administrative expenses (decrease). The 2000 statement of income has not been reclassified to conform to the 2001 and 2002 classification, because the amount, $3,125, is not considered material.

SHIPPING AND HANDLING COSTS: In compliance with Emerging Issues Task Force issue 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company includes in net sales all amounts billed to customers that relate to shipping and handling. Shipping and handling costs billed to customers and included in net sales were $7,372 in 2002, $7,502 in 2001, and $7,664 in 2000. Shipping and handling costs included in selling and administrative expenses were $45,724 in 2002, $50,552 in 2001, and $52,805 in 2000.

STOCK-BASED COMPENSATION COSTS: At December 31, 2002, Genlyte had two stock-based compensation (stock option) plans, which are described more fully in note (14) "Stock Options." Genlyte accounts for those plans using the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. As a consolidated subsidiary of Genlyte, GTG is also required to apply APB 25 to stock-based compensation for stock options granted by Genlyte to employees of GTG. Therefore, GTG also accounts for those plans using the intrinsic value method. Because all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant, no stock-based compensation cost has been recognized in the consolidated statements of income.

Had stock-based compensation cost for the plans been determined using the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the effect on the Company's net income for the years ended December 31 would have been as follows:

	2002	2001	2000
Net income, as reported	$ 90,640	$ 84,873	$ 83,537
Stock-based compensation cost using fair value method	3,123	2,042	751
Net income, pro forma	$ 87,517	$ 82,831	$ 82,786

ACCOUNTING FOR STOCK-BASED COMPENSATION INCURRED BY INVESTORS: Thomas has also granted stock options to certain employees of GTG. According to Emerging Issues Task Force issue 00-12, "Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee," an investee should recognize the costs of the stock-based compensation incurred by an investor on its behalf, and a corresponding capital contribution. Therefore, in 2002, the Company (the investee) recorded $299 of stock-based compensation expense in selling and administrative expenses and the same amount as a contribution from Thomas (the investor) in the consolidated statement of members' equity.

ADVERTISING COSTS: The Company expenses advertising costs principally as incurred. Certain catalog, literature, and display costs are amortized over their useful lives, from 6 to 24 months. Total advertising expenses, classified as selling and administrative expenses, were $8,538 in 2002, $10,373 in 2001, and $12,221 in 2000.

RESEARCH AND DEVELOPMENT COSTS: Research and development costs are expensed as incurred. These expenses, classified as selling and administrative expenses, were $8,521 in 2002, $9,359 in 2001, and $8,510 in 2000.

CASH EQUIVALENTS: The Company considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE: The Company maintains allowances for doubtful accounts receivable for estimated uncollectible invoices resulting from the customer's inability to pay (bankruptcy, out of business, etc.) as well as the customer's refusal to pay (returned products, billing errors, disputed amounts, etc.). Management's estimated allowances are based on the aging of the invoices, historical collections, amounts disputed by customers, and the customer's financial status.

CONCENTRATION OF CREDIT RISK: Assets that potentially subject the Company to concentration of credit risk are cash and cash equivalents and accounts receivable. The Company invests its cash primarily in high-quality institutional money market funds with maturities of less than three months and limits the amount of credit exposure to any one financial institution. The Company provides credit to most of its customers in the ordinary course of business, and collateral or other security may be required in certain situations. The Company conducts ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Concentration of credit risk with respect to accounts receivable is limited due to the wide variety of customers and markets to which the Company sells. As of December 31, 2002, management does not consider the Company to have any significant concentration of credit risk.

INVENTORIES: Inventories are stated at the lower of cost or market and include materials, labor, and overhead. Inventories at December 31 consisted of the following:

	2002	2001
Raw materials	$ 53,428	$ 51,595
Work in process	15,104	13,582
Finished goods	67,938	67,755
Total inventories	$ 136,470	$ 132,932

Inventories valued using the last-in, first-out ("LIFO") method represented approximately 83% of total inventories at December 31, 2002 and 2001. Inventories not valued at LIFO (primarily inventories of Canadian operations) are valued using the first-in, first-out ("FIFO") method. On a FIFO basis, which approximates current cost, inventories would have been $2,337 and $2,616 lower than reported at December 31, 2002 and 2001, respectively.

During each of the last three years, certain inventory quantity reductions caused partial liquidations of LIFO inventory layers (in some cases including the base), the effects of which increased 2002 pre-tax income by $114, increased 2001 pre-tax income by $1,047, and decreased 2000 pre-tax income by $591.

PROPERTY, PLANT AND EQUIPMENT: The Company provides for depreciation of property, plant and equipment, which also includes amortization of assets recorded under capital leases, on a straight-line basis over the estimated useful lives of the assets. Useful lives vary among the items in each classification, but generally fall within the following ranges:

Land improvements	10 - 25 years
Buildings and leasehold improvements	10 - 40 years
Machinery and equipment	3 - 10 years

Leasehold improvements are amortized over the terms of the respective leases, or over their estimated useful lives, whichever is shorter. Depreciation and amortization of property, plant and equipment, including assets recorded under capital leases, was $22,318 in 2002, $22,165 in 2001, and $21,048 in 2000. Accelerated methods of depreciation are used for income tax purposes, and appropriate provisions are made for the related deferred income taxes for the foreign subsidiaries.

When the Company sells or otherwise disposes of property, plant and equipment, the asset cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in selling and administrative expenses in the consolidated statements of income.

Maintenance and repairs are expensed as incurred. Renewals and improvements that extend the useful life of an asset are capitalized and depreciated or amortized over the remaining useful lives of the respective assets.

TRANSLATION OF FOREIGN CURRENCIES: Balance sheet accounts of foreign subsidiaries are translated into U.S. dollars at the rates of exchange in effect as of the balance sheet date. The cumulative effects of such adjustments are charged to the foreign currency translation adjustment component of accumulated other comprehensive income (loss) in members' equity. Income and expenses are translated at the average exchange rates prevailing during the year. Net gains or (losses) resulting from foreign currency transactions of $151 in 2002, $88 in 2001, and ($80) in 2000 are included in selling and administrative expenses.

COLLECTIVE BARGAINING AGREEMENTS: As of December 31, 2002, the Company had 2,569 employees, or 50.6% of the total employees, who were members of various collective bargaining agreements. Several of these collective bargaining agreements, covering 799 employees, which is 31.1% of the collective bargaining employees and 15.8% of the total employees, will expire in 2003. Management does not expect the expiration and renegotiation of these agreements to have a significant impact on 2003 production.

FAIR VALUE OF FINANCIAL INSTRUMENTS: The carrying amounts of cash equivalents and long-term debt approximate fair value because of their short-term maturity and/or variable market-driven interest rates.

ADOPTION OF NEW ACCOUNTING STANDARD REGARDING GOODWILL AND OTHER INTANGIBLE ASSETS: On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead are subject to an assessment for impairment on a reporting unit basis by applying a fair-value-based test annually, and more frequently if circumstances indicate a possible impairment.

If a reporting unit's net book value is more than its fair value, and the reporting unit's net book value of its goodwill and intangible assets with indefinite lives exceeds the fair value of those assets, an impairment loss is recognized in an amount equal to the excess net book value of the goodwill and intangible assets. Separate intangible assets that are not deemed to have an indefinite life continue to be amortized over their useful lives.

The Company tested the goodwill of all of its reporting units, which are a level below the reportable segments disclosed in note (17) "Segment Reporting," for impairment during the fourth quarter of 2002 using a present value of future cash flows valuation method. This process did not result in any impairment to be recorded.

Prior to the adoption of SFAS No. 142, the Company had $4,922 of goodwill acquired prior to 1971 that was not amortized and $165,928 of goodwill acquired after 1970 that was amortized on a straight-line basis over periods ranging from 10 to 40 years. Had the Company accounted for goodwill in accordance with SFAS No. 142 in 2001 and 2000, net income for the years ended December 31 would have been as follows:

	2002	2001	2000
Reported net income	$ 90,640	$84,873	$ 83,537
Add back: Goodwill amortization *	-	4,991	4,059
Adjusted net income	$ 90,640	$89,864	$ 87,596

* Goodwill amortization is after tax effects.

The changes in the net carrying amounts of goodwill by segment for the year ended December 31, 2002 were as follows:

	Commercial	Residential	Indu and
Balance as of January 1, 2002	$ 108,511	$ 22,576	$
Acquisition of business	2,891	-	
Adjustments to goodwill acquired previously	(3,504)	(858)	
Effect of exchange rate change on Canadian goodwill	285	-	
Balance as of December 31, 2002	$ 108,183	$ 21,718	$

Summarized information about the Company's other intangible assets follows:

	As of December 31, 2002		As of D
	Gross Carrying Amount	Accumulated Amortization	Gr Car A
Amortized intangible assets:			
License agreement	$12,500	$ 938	$ 12
Non-competition agreements	10,950	798	10
Patents and other	532	126	
Total	$23,982	$1,862	$ 23
Unamortized intangible assets:			
Trademarks	$ 75		$

The Company amortizes the license agreement over its contractual life of 30 years, the non-competition agreements over their contractual lives of two and 30 years, and patents and other over two to 15 years. Amortization expense for intangible assets (other than goodwill) was $851 in 2002, $796 in 2001, and $228 in 2000. Estimated amortization expense for intangible assets for the next five full years is $902 for 2003, $893 for 2004, $872 for 2005, $872 for 2006, and $867 for 2007.

ADOPTION OF NEW FASB INTERPRETATION REGARDING ACCOUNTING AND DISCLOSURE BY

GUARANTORS: Financial Accounting Standards Board ("FASB") Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (the "Interpretation") was issued in November 2002. The Interpretation contains recognition and measurement provisions that require certain guarantees to be recorded as a liability, at the inception of the guarantee, at fair value. Current accounting practice is to record a liability only when a loss is probable and reasonably estimable. The Interpretation also requires a guarantor to make new disclosures. The recognition and measurement provisions are effective for guarantees issued after December 31, 2002. Management is currently analyzing the provisions of the Interpretation, but does not expect its adoption to have a significant impact on the Company's financial condition or results of operations.

The disclosure requirements of the Interpretation became effective on December 31, 2002. For the Company, the required disclosures relate only to product warranties. The Company offers a limited warranty that its products are free of defects in workmanship and materials. The specific terms and conditions may vary somewhat by product line, but generally cover defects returned within one, two, three, or five years from date of shipment. The Company records warranty liabilities to cover repair or replacement of defective returned products. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's warranty liabilities, which are included in accrued expenses in the accompanying consolidated balance sheets, during the years ended December 31 were as follows:

	2002	2001
Balance, beginning of year	$1,247	$1,283
Additions applicable to business acquired	250	-
Additions charged to expense	3,743	4,065
Deductions for repairs and replacements	3,357	4,101
Balance, end of year	$1,883	$1,247

OTHER NEW ACCOUNTING STANDARDS: On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets to be disposed of by sale be measured at the lower of net book value or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such reporting to discontinued segments of a business. The adoption of SFAS No. 144 did not have a material impact on the Company's financial condition or results of operations during 2002. However, future plans to dispose of long-lived assets could result in charges against operations to write down long-lived asset values.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities," which is effective for exit or disposal activities that are initiated after December 31, 2002. SFAS No. 146 nullifies EITF Issue 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. A commitment to an exit or disposal plan no longer will be sufficient basis for recording a liability for those activities. The adoption of SFAS No. 146 in 2003 is not expected to have an immediate material impact on the Company's financial condition or results of operations, however, the Company may have future exit or disposal activities to which SFAS No. 146 would apply.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123," which was effective on December 31, 2002.

SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. In addition, it amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting for stock-based compensation and the effect of the method on reported results. The provisions regarding alternative methods of transition do not apply to the Company, which accounts for stock-based compensation using the intrinsic value method. The disclosure provisions have been adopted. See note (2), "Stock-Based Compensation Costs."

RECLASSIFICATIONS: Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported net income or members' equity.

(3) FORMATION OF GENLYTE THOMAS GROUP LLC

On August 30, 1998, The Genlyte Group Incorporated and Thomas Industries Inc. completed the combination of the business of Genlyte with the lighting business of Thomas ("Thomas Lighting"), in the form of a limited liability company named Genlyte Thomas Group LLC ("GTG"). GTG manufactures, sells, markets, and distributes commercial, residential, and industrial lighting fixtures and controls. Genlyte contributed substantially all of its assets and liabilities to GTG and received a 68% interest in GTG. Thomas contributed substantially all of the assets and certain related liabilities of Thomas Lighting and received a 32% interest in GTG. The percentage interests in GTG issued to Genlyte and Thomas were based on arms-length negotiations between the parties with the assistance of their financial advisers.

Subject to the provisions in the Genlyte Thomas Group LLC Agreement (the "LLC Agreement") regarding mandatory distributions described below, and the requirement of special approval in certain instances, distributions to Genlyte and Thomas (the "Members"), respectively, will be made at such time and in such amounts as determined by the GTG Management Board and shall be made in cash or other property in proportion to the Members' respective percentage interests. Notwithstanding anything to the contrary provided in the LLC Agreement, no distribution under the LLC Agreement shall be permitted to the extent prohibited by Delaware law.

The LLC Agreement requires that GTG make the following distributions to the Members:

(i) a distribution to each Member, based on its percentage interest, for tax liabilities attributable to its participation as a Member of GTG based upon the effective tax rate of the Member having the highest tax rate;

(ii) subject to the provisions of Delaware law and the terms of the primary GTG credit facility, distributions (exclusive of the tax distributions set forth above) to each of the Members so that Thomas receives at least an aggregate of $3,000 and Genlyte receives at least an aggregate of $6,375 per year. During 2002, GTG made distributions of $5,000 to Thomas and $10,625 to Genlyte. During 2001 and 2000, GTG made distributions of $3,000 to Thomas and $6,375 to Genlyte each year.

Also under the terms of the LLC Agreement, at any time on or after January 31, 2002, Thomas has the right (a "Put Right"), but not the obligation, to require GTG to purchase all, but not less than all, of Thomas's 32% interest at the appraised value of such interest. The appraised value shall be the fair market value of GTG as a going concern, taking into account a control premium, and determined by an appraisal process to be undertaken by recognized investment banking firms chosen initially by the Members. If GTG cannot secure the necessary financing with respect to Thomas's exercise of its Put Right, then Thomas has the right to cause GTG to be sold.

At any time after Thomas exercises its Put Right, Genlyte has the right, in its sole discretion and without the need of approval of Thomas, to cause GTG to be sold by giving notice to the GTG Management Board, and the Management Board must then proceed to sell GTG subject to a fairness opinion from a recognized investment banking firm. Genlyte also has the right to cause GTG to assign the rights to purchase Thomas's interest to Genlyte. Genlyte also has the right to cause GTG to incur indebtedness or to undertake an initial public offering to finance or effect financing of the payment of the purchase price.

Also under the terms of the LLC Agreement, on or after the later to occur of (1) the final settlement or disposition of Genlyte's litigation with the Keene Corporation's Creditors Trust or (2) January 31, 2002, either Member has the right, but not the obligation, to offer to buy the other Member's interest (the "Offer Right"). If the Members cannot agree on the terms, then GTG shall be sold to the highest bidder. Either Member may participate in the bidding for the purchase of GTG. As of December 31, 2002, neither Member had the ability to exercise the Offer Right as the final settlement or disposition of Genlyte's litigation with the Keene Corporation's Creditors Trust had not yet occurred.

Complete details of the Put Right, Offer Right, and appraisal process can be found in the proxy statement pertaining to the formation of GTG, filed with the Securities and Exchange Commission by Genlyte on July 23, 1998.

(4) ACQUISITION OF VARI-LITE IN 2002

On November 18, 2002, the Company acquired the manufacturing assets, intellectual property, and sales division of Vari-Lite Inc. ("Vari-Lite"), a subsidiary of Dallas, Texas based Vari-Lite International Inc., a designer and manufacturer of highly advanced automated lighting equipment for the entertainment industry. The purchase price of $10,641, plus the assumption of $1,021 of liabilities, was funded from cash on hand.

The Vari-Lite acquisition was accounted for using the purchase method of accounting. The preliminary determination of the excess of the purchase price over the fair market value of net assets acquired (goodwill) of $2,891 is not being amortized, in accordance with SFAS No. 142. The determination of the fair market value as reflected in the balance sheet is subject to change, with a final determination no later than one year after the acquisition date. The operating results of Vari-Lite have been included in the Company's consolidated financial statements since the date of acquisition. The pro forma results and other disclosures required by SFAS No. 141, "Business Combinations," have not been presented because the acquisition of Vari-Lite is not considered a material acquisition.

(5) ACQUISITION OF ENTERTAINMENT TECHNOLOGY IN 2001

On August 31, 2001, the Company acquired the assets of Entertainment Technology, Incorporated ("ET"), a subsidiary of privately held Rosco Laboratories, Inc. of Stamford, Connecticut. ET was a manufacturer of entertainment lighting equipment and controls. Products include the Intelligent Power System line of theatrical dimming equipment and the family of Horizon lighting controls. The purchase price of $2,900, plus the assumption of $734 of liabilities, was funded from cash on hand.

The ET acquisition was accounted for using the purchase method of accounting. The excess of the purchase price over the fair market value of net assets acquired (goodwill) of $1,827 is not being amortized, in accordance with SFAS No. 142. The operating results of ET have been included in the Company's consolidated financial statements since the date of acquisition. The pro forma results and other disclosures required by SFAS No. 141 have not been presented because the acquisition of ET is not considered a material acquisition.

(6) ACQUISITIONS OF TRANSLITE SONOMA AND CHLORIDE SYSTEMS IN 2000
On September 14, 2000, the Company acquired Translite Limited ("Translite Sonoma"), a San Carlos, California based manufacturer of low-voltage cable and track lighting systems and decorative architectural glass lighting. Earlier in 2000, Translite Limited had expanded its operations by merging with Sonoma Lighting Limited, which had been a manufacturer of decorative architectural glass lighting. The Company purchased all of the outstanding capital stock of Translite Limited for $6,427, borrowing $5,000 from the revolving credit facility and funding the remainder from cash on hand.

On October 1, 2000, the Company acquired the assets of the emergency lighting business of Chloride Power Electronics Incorporated ("Chloride Systems") from the Chloride Group, PLC, in London, England. The purchase included the U.S. Chloride Systems and LightGuard emergency lighting brands. The purchase price was $52,324 in cash plus the assumption of approximately $2,800 in liabilities. The revolving credit facility was used to borrow $35,000 and cash on hand was used to pay the remaining $17,324.

The Translite Sonoma and Chloride Systems acquisitions were accounted for using the purchase method of accounting. The excess of the purchase price over the fair market value of net assets acquired (goodwill) was $6,952 for Translite Sonoma and $23,365 for Chloride Systems. The fair market value of net assets acquired from Chloride Systems included $23,000 in intangible assets for license and non-competition agreements, which are being amortized over 30 years.

The operating results of Translite Sonoma and Chloride Systems have been included in the Company's consolidated financial statements since the respective dates of acquisition. On an unaudited pro forma basis, assuming these acquisitions had occurred at the beginning of 2000, the Company's results would have been:

	Actual 2000	Pro Forma 2000
Net sales	$ 1,007,706	$ 1,035,139
Net income	83,537	83,349

The pro forma results do not purport to state exactly what the Company's results of operations would have been had the acquisitions in fact been consummated as of the assumed date and for the period presented.

(7) INCOME TAXES

The results of operations are included in the tax return of the Members, and, accordingly, no provision has been recognized by the Company for U.S. federal income taxes payable by the Members. The Company's foreign subsidiaries are taxable corporations, and current and deferred taxes are provided on their income. The income tax provision also includes U.S. income taxes (primarily state income taxes) of $781 in 2002, $710 in 2001, and $984 in 2000. Cash paid for income taxes was $7,401 in 2002, $6,003 in 2001, and $6,964 in 2000.

(8) ACCRUED EXPENSES

Accrued expenses at December 31 consisted of the following:

	2002	2001
Employee related costs and benefits	$32,120	$27,881
Advertising and sales promotion	7,613	8,635
Income and other taxes payable	4,530	4,144
Other accrued expenses	21,164	24,746
Total accrued expenses	$65,427	$65,406

(9) LONG-TERM DEBT

Long-term debt at December 31 consisted of the following:

	2002	2001
Canadian dollar notes	$ 13,312	$ 16,009
Industrial revenue bonds	23,100	23,100
Capital leases and other	716	1,164
Total debt	37,128	40,273
Less: current maturities	4,100	3,284
Total long-term debt	$ 33,028	$ 36,989

The Company has a $150,000 revolving credit agreement (the "Facility") with various banks that matures in August 2003. Under the most restrictive borrowing covenant, which is the fixed charge coverage ratio, the Company could incur approximately $33,000 in additional interest charges and still comply with the covenant.

There were no borrowings under the Facility as of December 31, 2002 and 2001. At December 31, 2002, the Company had outstanding $45,566 of letters of credit, which reduce the amount available to borrow under the Facility. Outstanding borrowings bear interest at the option of the Company based on the bank's base rate or the LIBOR rate plus a spread as determined by total indebtedness. Based upon December 31, 2002 indebtedness, the spread was 0.375%. The commitment fee on the unused portion of the Facility was 0.125%.

The amount outstanding under the Facility is secured, if requested by the banking group, by liens on domestic accounts receivable, inventories, and machinery and equipment, as well as the investments in certain subsidiaries of the Company. The net book value of assets subject to lien at December 31, 2002 was $336,761.

The Company has $13,312 of borrowings through its Canadian subsidiary Genlyte

Thomas Group Nova Scotia ULC. These borrowings will be repaid in installments in each of the next two years. Interest rates on these borrowings can be either the Canadian prime rate or the Canadian LIBOR rate plus a spread of 0.5%. As of December 31, 2002, the weighted average interest rate was 2.9%. These borrowings are backed by the letters of credit mentioned above.

The Company has $23,100 of variable rate demand Industrial Revenue Bonds that mature during 2009 to 2020. As of December 31, 2002, the weighted average interest rate on these bonds was 1.7%. These bonds are backed by the letters of credit mentioned above.

Interest expense totaled $1,869 in 2002, $4,192 in 2001, and $5,146 in 2000. Offsetting these amounts in the consolidated statements of income were interest income of $1,263 in 2002, $493 in 2001, and $962 in 2000. Cash paid for interest on debt was $1,406 in 2002, $4,158 in 2001, and $3,596 in 2000.
The annual maturities of long-term debt are summarized as follows:

Year ending December 31,	
2003	$ 4,100
2004	9,763
2005	165
2006	-
2007	-
Thereafter	23,100
Total debt	$ 37,128

(10) RETIREMENT PLANS
The Company has defined benefit plans that cover certain of its full-time employees. The Company uses September 30 as the measurement date for the retirement plan disclosure. The Company's policy for funded plans is to make contributions equal to or greater than the requirements prescribed by the Employee Retirement Income Security Act. The plans' assets consist primarily of stocks and bonds. Pension costs for all Company defined benefit plans are actuarially computed. The Company also has other defined contribution plans, including those covering certain former Genlyte and Thomas employees.

The amounts included in the accompanying consolidated balance sheets for the U.S. and Canadian defined benefit plans, based on the funded status at September 30 of each year, follow:

U.S. Plans

	2002	2001
CHANGE IN BENEFIT OBLIGATIONS		
Benefit obligations, beginning	$ 86,021	$ 78,626
Service cost	1,783	1,782
Interest cost	6,066	5,893
Benefits paid	(5,282)	(4,990)
Member contributions	--	--
Plan amendments	--	505
Actuarial loss	7,788	4,205
Foreign currency exchange rate change	--	--
Benefit obligations, ending	$ 96,376	$ 86,021
CHANGE IN PLAN ASSETS		
Plan assets at fair value, beginning	$ 71,089	$ 79,084
Actual loss on plan assets	(4,780)	(6,734)
Employer contributions	8,028	3,729
Member contributions	--	--
Benefits paid	(5,282)	(4,990)
Foreign currency exchange rate change	--	--
Plan assets at fair value, ending	$ 69,055	$ 71,089

(2,884
)

Cumulative effect of accounting change (note 6)

(1,040
)
1,040

Cash transfers to parent, net

(75
)

(75
)

Intercompany interest income

(60
)

(60
)

Stock compensation

9

9

Other

(5
)

(5
)

Balance at March 31, 2008

$
29,088

(3,759
)
149

(3,482
)
21,996

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2008
(unaudited)

(1) Basis of Presentation

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

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

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2007.

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

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

Certain prior period amounts have been reclassified for comparability with the 2008 presentation.

(2) Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 141 (revised 2007), *"Business Combinations"* ("Statement 141R"). Statement 141R replaces Statement of Financial Accounting Standards No. 141, *"Business Combinations"* ("Statement 141"), although it retains the fundamental requirement in Statement 141

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

that the acquisition method of accounting be used for all business combinations. Statement 141R establishes principles and requirements for how the acquirer in a business combination (a) recognizes and measures the assets acquired, liabilities assumed and any noncontrolling interest in the acquiree, (b) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase and (c) determines what information to disclose regarding the business combination. Statement 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first fiscal year after December 15, 2008.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *"Noncontrolling Interests in Consolidated Financial Statements"* ("Statement 160"). Statement 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, commonly referred to as minority interest. Among other matters, Statement 160 requires (a) the noncontrolling interest be reported within equity in the balance sheet and (b) the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly presented in the statement of income. Statement 160 is effective for fiscal years beginning after December 15, 2008. Statement 160 is to be applied prospectively, except for the presentation and disclosure requirements, which shall be applied retrospectively for all periods presented. Liberty expects that its adoption of Statement 160 in 2009 will impact the accounting for the purchase and sale and the presentation of the noncontrolling interests in its subsidiaries.

(3) Stock-Based Compensation

Certain of the Company's employees and employees of its subsidiaries hold options, stock appreciation rights ("SARs") and options with tandem SARs (collectively, "Awards") to purchase shares of Series A and Series B Liberty Capital, Liberty Interactive and Liberty Entertainment common stock. The Awards generally vest over a 4-5 year period and expire 7-10 years from the date of grant. Upon exercise of Awards that are settled in common stock, New Liberty issues new shares from its authorized, but unissued shares.

New Liberty has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. New Liberty estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards granted in 2008 is 25.3% for Liberty Interactive Awards. The volatility used in the calculation for Awards granted in 2007 is 20.8% for Liberty Interactive Awards and 17.5% for Liberty Capital Awards and is based on the historical volatility of New Liberty's stocks and the implied volatility of publicly traded Liberty options. New Liberty uses the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

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

Three months ended:	
March 31, 2008	$ 16
March 31, 2007	$ 22

As of March 31, 2008, the total compensation cost related to unvested New Liberty equity awards was approximately $77 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.9 years.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

New Liberty Awards

During the three months ended March 31, 2008, New Liberty granted 987,702 options to purchase shares of Series A Liberty Interactive common stock to employees of certain subsidiaries. New Liberty used the Black-Scholes Model to estimate the grant date fair value of such options. The Series A Liberty Interactive options granted in 2008 had a weighted average grant-date fair value of $3.83 per option.

On March 3, 2008, New Liberty effected a recapitalization whereby its Liberty Capital common stock was reclassified into Liberty Entertainment common stock (on a 4 for 1 basis) and New Liberty Capital common stock (on a 1 for 1 basis) (the "Reclassification").

The following tables present the number and weighted average exercise price ("WAEP") of options, SARs and options with tandem SARs to purchase New Liberty common stock granted to certain officers and employees of the Company.

	Series A Liberty Capital common stock	WAEP	Series B Liberty Capital common stock	WAEP	Old Series A Liberty Capital common stock	WAEP	Old Series B Liberty Capital common stock	WAEP
	numbers of options in thousands							
Outstanding at January 1, 2008					2,787	$ 97.21	1,498	$ 101.37
Granted								
Exercised					(6)	$ 62.91		
Forfeited					(1)	$ 92.47		
Converted in connection with the Reclassification	2,780	$ 14.20	1,498	$ 15.05	(2,780)		(1,498)	
Outstanding at March 31, 2008	2,780	$ 14.20	1,498	$ 15.05				
Exercisable at March 31, 2008	1,789	$ 13.92	1,468	$ 15.10				

	Series A Liberty Interactive common stock	WAEP	Series B Liberty Interactive common stock	WAEP
	numbers of options in thousands			
Outstanding at January 1, 2008	24,811	$ 19.97	7,491	$ 23.41
Granted	988	$ 14.73		
Exercised				
Forfeited	(71)	$ 18.38		
Outstanding at March 31, 2008	25,728	$ 19.76	7,491	$ 23.41
Exercisable at March 31, 2008	12,869	$ 20.71	7,341	$ 23.48

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

	Series A Liberty Entertainment common stock	WAEP	Series B Liberty Entertainment common stock	WAEP
	numbers of options in thousands			
Outstanding at January 1, 2008				
Issued in connection with the Reclassification	11,120	$ 20.74	5,993	$ 21.57
Granted				
Exercised				
Forfeited				
Outstanding at March 31, 2008	11,120	$ 20.74	5,993	$ 21.57
Exercisable at March 31, 2008	7,237	$ 20.39	5,873	$ 21.64

The following table provides additional information about outstanding options to purchase Liberty common stock at March 31, 2008.

	No. of outstanding options (000's)	WAEP of outstanding options	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable options (000's)	WAEP of exercisable options	Aggregate intrinsic value (000's)
Series A Capital	2,780	$ 14.20	4.6 years	$ 5,655	1,789	$ 13.92	$ 4,046
Series B Capital	1,498	$ 15.05	3.2 years	$ 1,050	1,468	$ 15.10	$ 958
Series A Interactive	25,728	$ 19.76	5.0 years	$ 2,115	12,869	$ 20.71	$ 487
Series B Interactive	7,491	$ 23.41	3.2 years	$	7,341	$ 23.48	$
Series A Entertainment	11,120	$ 20.74	4.6 years	$ 30,204	7,237	$ 20.39	$ 21,296
Series B Entertainment	5,993	$ 21.57	3.2 years	$ 4,892	5,873	$ 21.64	$ 4,388

(4) Supplemental Disclosures to Statements of Cash Flows

	Three months ended March 31, 2008	Three months ended March 31, 2007
	amounts in millions	
Available-for-sale securities exchanged for consolidated subsidiaries, equity investment and cash	$ 10,144	

(5) Assets and Liabilities Measured at Fair Value

Effective January 1, 2008, Liberty adopted Statement of Financial Accounting Standards No. 157, *"Fair Value Measurements"* ("Statement 157"). Statement 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. In February 2008, the FASB issued Staff Position No. 157-2, *"Effective Date of FASB Statement No. 157"* ("FSP 157-2"). FSP 157-2 delayed the effective date of Statement 157 for (i) non-financial assets and liabilities that are not remeasured at fair value on a recurring basis and (ii) fair value measurements required for impairment analysis of goodwill, identifiable intangible assets and other long-lived assets.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

The provisions of FSP 157-2 are effective for the Company's fiscal year beginning January 1, 2009. The Company's assets and liabilities measured at fair value are as follows:

		Fair Value Measurements at March 31, 2008 Using		
Description	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		amounts in millions		
Available-for-sale securities	$ 5,252	5,194	58	
Financial instrument assets	$ 1,943		1,943	
Financial instrument liabilities	$ 961	751	210	
Debt	$ 2,864		2,864	

The Company uses the Black Scholes Model to estimate fair value for the majority of its Level 2 financial instrument assets and liabilities using observable inputs such as exchange traded equity prices, risk-free interest rates, dividend yields and volatilities. For the Company's debt instruments reported at fair value, the Company gets quoted market prices. However, the Company does not believe such instruments are traded on "active markets." Accordingly, the debt instruments are reported in the foregoing table as Level 2 fair value.

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

Effective January 1, 2008, Liberty adopted the provisions of Statement of Financial Accounting Standards No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115"* ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments, such as available-for-sale ("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. Previously under Statement of Financial Accounting Standards No. 115, 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 many 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 to apply the provisions of Statement 159 to those of its AFS securities ("Statement 159 Securities") which it considers to be non-strategic. Accordingly, changes in the fair value of Statement 159 Securities, as determined by quoted market prices, are reported in realized and unrealized gain (losses) on financial instruments in the accompanying March 31, 2008 condensed consolidated statement of operations. The amount of unrealized gains related to the Statement 159 Securities and included in accumulated other comprehensive earnings in the Company's balance sheet as of the date of adoption of Statement 159 aggregated $1,040 million and has been reclassified to accumulated deficit. The total value of AFS securities for which the Company has elected the fair value option aggregated $3,399 million as of March 31, 2008.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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

	March 31, 2008	December 31, 2007
	amounts in millions	
IAC/InterActiveCorp ("IAC")	$ 1,728	1,863
News Corporation		10,647
Time Warner Inc. ("Time Warner")(1)	1,440	1,695
Sprint Nextel Corporation(2)	585	1,150
Motorola, Inc.(3)	688	1,187
Viacom, Inc.	301	333
Embarq Corporation(4)	175	216
Other(5)	370	478
Consolidated Liberty	$ 5,287	17,569

(1) Includes $127 million and $150 million of shares pledged as collateral for share borrowing arrangements at March 31, 2008 and December 31, 2007, respectively.

(2) Includes $60 million and $118 million of shares pledged as collateral for share borrowing arrangements at March 31, 2008 and December 31, 2007, respectively.

(3) Includes $483 million and $833 million of shares pledged as collateral for share borrowing arrangements at March 31, 2008 and December 31, 2007, respectively.

(4) Includes $18 million and $22 million of shares pledged as collateral for share borrowing arrangements at March 31, 2008 and December 31, 2007, respectively.

(5) Includes $63 million and $60 million of shares pledged as collateral for share borrowing arrangements at March 31, 2008 and December 31, 2007, respectively.

IAC

In the first quarter of 2008, Liberty purchased an additional 14 million shares of IAC common stock in a private transaction for cash consideration of $339 million.

News Corporation

On February 27, 2008, Liberty exchanged all of its shares of News Corporation common stock for a subsidiary of News Corporation. See note 7 for further discussion of this transaction.

Time Warner

On May 17, 2007, Liberty completed a transaction (the "Time Warner Exchange") with Time Warner in which Liberty exchanged approximately 68.5 million shares of Time Warner common stock valued at $1,479 million for a subsidiary of Time Warner which holds Atlanta

National League Baseball Club, Inc. ("ANLBC"), Leisure Arts, Inc. and $984 million in cash. Liberty recognized a pre-tax gain of $582 million based on the difference between the fair value and the weighted average cost basis of the Time Warner shares exchanged.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

CBS Corporation

On April 16, 2007, Liberty completed a transaction (the "CBS Exchange") with CBS Corporation pursuant to which Liberty exchanged all of its 7.6 million shares of CBS Class B common stock valued at $239 million for a subsidiary of CBS that holds WFRV and WJMN Television Station, Inc. and approximately $170 million in cash. Liberty recognized a pre-tax gain of $31 million based on the difference between the fair value and the weighted average cost basis of the CBS shares exchanged.

Unrealized Holding Gains and Losses

Unrealized holding gains and losses related to investments in available-for-sale securities are summarized below.

	March 31, 2008		December 31, 2007	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	$ 59		6,249	
Gross unrealized holding losses	$ (178)			(12)

The aggregate fair value of securities with unrealized holding losses at March 31, 2008 was $1,731 million. None of these securities had unrealized losses for more than 12 continuous months.

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at March 31, 2008 and the carrying amount at December 31, 2007:

	March 31, 2008		December 31 2007
	Percentage ownership	Carrying amount	Carrying amount
	dollar amounts in millions		
The DIRECTV Group, Inc. ("DIRECTV")	41%	$ 10,795	
Expedia, Inc. ("Expedia")	24%	1,310	1,301
Other	various	511	516
		$ 12,616	1,817

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

	Three months ended March 31,	
	2008	2007
	amounts in millions	
DIRECTV	$ 36	
Expedia	12	7

	Three months ended March 31,	
Other	(3)	2
	$ 45	9

DIRECTV

On February 27, 2008, Liberty completed a transaction (the "News Corporation Exchange") with News Corporation in which Liberty exchanged all of its 512.6 million shares of News Corporation common stock valued at $10,144 million on the closing date for a subsidiary of News Corporation that holds an approximate 41% interest in DIRECTV, three regional sports television networks ("Liberty Sports Group") and $465 million in cash. In addition, Liberty incurred $21 million of acquisition costs. Liberty recognized a pre-tax gain of $3,666 million based on the difference between the fair value and the weighted average cost basis of the News Corporation shares exchanged.

Liberty accounted for the News Corporation Exchange as a nonmonetary exchange under APB opinion No. 29 *"Accounting for Nonmonetary Transactions."* Accordingly, Liberty recorded the assets received at an amount equal to the fair value of the News Corporation common stock given up. Such amount was allocated to DIRECTV and Liberty Sports Group based on their relative fair values as follows (amounts in millions):

Cash	$	465
DIRECTV		10,763
Liberty Sports Group		450
Deferred tax liability		(1,513)
Total	$	10,165

The value attributed to Liberty's investment in DIRECTV exceeded Liberty's proportionate share of DIRECTV's equity. Such amount has been allocated within memo accounts used for equity accounting purposes as follows (amounts in millions):

Subscriber list	$	2,381
Trade name		2,677
Orbital slot		3,693
Goodwill		2,546
Satellites		167
Technology		527
Deferred tax liability		(3,778)
Total	$	8,213

Liberty estimated the fair values of Liberty Sports Group and DIRECTV's assets using a combination of discounted cash flows and market prices for comparable assets. Such estimates are preliminary and are subject to change upon completion of Liberty's purchase price allocation process. Liberty has ascribed a useful life of 7 years to the subscriber list, 13 years to the satellites, 5 years to the technology and indefinite lives to the orbital slots, tradenames and goodwill. Amortization related to the intangible assets with identifiable useful lives within the memo accounts is included in Liberty's share of earnings of DIRECTV in the accompanying condensed consolidated statement of operations and aggregated $23 million (net of related taxes) for the 1 month ended March 31, 2008.

Subsequent to March 31, 2008, Liberty purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of $1.98 billion. Such purchase increased Liberty's ownership interest in DIRECTV to approximately 48%. Liberty funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

During the period from February 27, 2008 to March 31, 2008, subsidiaries of Liberty recognized $25 million in revenue from DIRECTV for distribution of their programming. The fair value of the Company's investment in DIRECTV was $11,662 million at March 31, 2008. Summarized unaudited financial information for DIRECTV is as follows:

DIRECTV Consolidated Balance Sheet

	March 31, 2008
	amounts in millions
Current assets	$ 3,413
Satellites	2,244
Property and equipment	3,939
Goodwill	3,669
Intangible assets	1,481
Other assets	838
Total assets	$ 15,584
Current liabilities	$ 3,401
Deferred income taxes	612
Long-term debt	3,332
Other liabilities	1,533
Minority interest	23
Stockholders' equity	6,683
Total liabilities and equity	$ 15,584

DIRECTV Consolidated Statement of Operations

	Three months ended March 31, 2008
	amounts in millions
Revenue	$ 4,591
Cost of revenue	(2,288)
Selling, general and administrative expenses	(1,122)
Depreciation and amortization	(524)
Operating income	657
Interest expense	(63)
Other income, net	7
Income tax expense	(230)
Net earnings	$ 371

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Expedia

The fair value of the Company's investment in Expedia was $1,515 million and $2,189 million at March 31, 2008 and December 31, 2007, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheet

	March 31, 2008
	amounts in millions
Current assets	$ 1,299
Property and equipment	184
Goodwill	6,067
Intangible assets	979
Other assets	102
Total assets	$ 8,631
Current liabilities	$ 2,368
Deferred income taxes	361
Long-term debt	740
Other liabilities	216
Minority interest	60
Stockholders' equity	4,886
Total liabilities and equity	$ 8,631

Expedia Consolidated Statements of Operations

	Three months ended March 31,	
	2008	2007
	amounts in millions	
Revenue	$ 688	550
Cost of revenue	(152)	(121)
Gross profit	536	429
Selling, general and administrative expenses	(428)	(341)
Amortization	(18)	(21)
Operating income	90	67
Interest expense	(16)	(11)
Other income	6	3
Income tax expense	(29)	(24)
Net earnings	$ 51	35

(8) Investment in Special Purpose Entity

In April 2007, Liberty and a third party financial institution (the "Financial Institution") jointly created a series of special purpose entities (the "Investment Fund"). Pursuant to the terms of the

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Investment Fund, a Liberty subsidiary borrowed $750 million from the Financial Institution with the intent to invest such proceeds in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors (the "Debt Securities"). One of the special purpose entities ("MFC") in the Investment Fund was a variable interest entity of which the Financial Institution was deemed the primary beneficiary and thus its parent for consolidation purposes. Liberty contributed the borrowed funds to MFC in exchange for a mandatorily redeemable preferred stock interest. MFC subsequently invested the proceeds as an equity investment in another special purpose entity ("LCAP Investments LLC") which will make and hold the investments in the Debt Securities. A Liberty subsidiary separately made a nominal investment in LCAP Investments LLC which allows it to serve as its Managing Member. LCAP Investments LLC is considered a variable interest entity of which Liberty is deemed the primary beneficiary as a result of various special profit and loss allocations set forth in the governing agreements. As a result, LCAP Investments LLC is treated as a consolidated subsidiary of Liberty. Liberty is required to post cash collateral for the benefit of the Financial Institution of up to 20% of the cost of the Debt Securities.

Prior to the first quarter of 2008, the various accounting treatment determinations noted above for MFC and LCAP Investments LLC, as prescribed by FIN 46, *"Consolidation of Variable Interest Entities,"* and Statement of Financial Accounting Standards No. 150, *"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,"* and related interpretations, resulted in Liberty recording a balance sheet gross-up of the elements in the Investment Fund. The cash balances and Debt Securities held by LCAP Investments LLC are consolidated with Liberty and included in restricted cash and available-for-sale securities, respectively. The $750 million of bank financing held by the Liberty subsidiary is included in Liberty's consolidated debt balance. In addition, the preferred stock interest in MFC was presented separately as a long-term asset, and the equity interest held by MFC in LCAP Investments LLC was reflected as minority interest in Liberty's condensed consolidated balance sheet. The structural form of the Investment Fund did not meet the GAAP requirements necessary to offset, net or otherwise eliminate the gross-up of balance sheet accounts.

In the first quarter of 2008 and as a result of the occurrence of certain triggering events contained in the terms of the Investment Fund, a portion of the Investment Fund structure was unwound, and MFC was liquidated. Accordingly, Liberty's preferred stock investment in MFC and the minority interest in LCAP Investments LLC were eliminated in equal amounts.

The amount of restricted cash in the Investment Fund at March 31, 2008 is $649 million and is reflected in other long-term assets in Liberty's condensed consolidated balance sheet.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(9) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill for the three months ended March 31, 2008 are as follows:

	QVC	Starz Entertainment	Other	Total
	amounts in millions			
Balance at January 1, 2008	$ 5,419	1,371	1,065	7,855
Acquisitions(1)			252	252
Foreign currency translation	38		(2)	36
Other	(2)			(2)
Balance at March 31, 2008	$ 5,455	1,371	1,315	8,141

(1) The increase in goodwill relates primarily to the News Corporation Exchange. The amount of goodwill recorded of $248 million represents the difference between the value allocated to Liberty Sports Group and the estimated fair value of the Liberty Sports Group identifiable tangible and intangible assets acquired. Such goodwill is subject to adjustment pending the completion of the Company's purchase price allocation process.

Amortizable Intangible Assets

Amortization of intangible assets with finite useful lives was $131 million and $116 million for the three months ended March 31, 2008 and 2007, respectively. Based on its current amortizable intangible assets, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2008	$ 388
2009	$ 475
2010	$ 439
2011	$ 402
2012	$ 381

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(10) Financial Instruments

The Company's financial instruments are summarized as follows:

Type of financial instrument	**March 31, 2008**	**December 31, 2007**
	amounts in millions	
Assets		
Equity collars	$ 1,914	1,458
Other	29	155
	1,943	1,613
Less current portion	(33)	(23)
	$ 1,910	1,590
Liabilities		
Borrowed shares	$ 751	1,183
Other	210	199
	961	1,382
Less current portion	(807)	(1,206)
	$ 154	176

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

	Three months ended March 31,	
	2008	**2007**
	amounts in millions	
Statement 159 Securities(1)	$ (1,421)	
Senior exchangeable debentures	337	170
Equity collars	558	64
Borrowed shares	432	161
Other derivatives	(191)	(51)
	$ (285)	344

(1) See note 6 regarding Liberty's accounting for its Statement 159 Securities.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(11) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal March 31, 2008	Carrying value March 31, 2008	Carrying value December 31, 2007
		amounts in millions	
Exchangeable senior debentures			
3.125% Exchangeable Senior Debentures due 2023	$ 1,264	1,256	1,820
4% Exchangeable Senior Debentures due 2029	869	469	556
3.75% Exchangeable Senior Debentures due 2030	810	399	463
3.5% Exchangeable Senior Debentures due 2031	499	355	432
3.25% Exchangeable Senior Debentures due 2031	551	385	419
Senior notes and debentures			
7.875% Senior Notes due 2009	670	669	668
7.75% Senior Notes due 2009	233	234	234
5.7% Senior Notes due 2013	803	801	801
8.5% Senior Debentures due 2029	500	495	495
8.25% Senior Debentures due 2030	902	895	895
Liberty bank facility	750	750	750
Other parent debt	625	625	
QVC bank credit facilities	4,489	4,489	4,023
Other subsidiary debt	180	180	159
Total consolidated Liberty debt	$ 13,145	12,002	11,715
Less current maturities		(179)	(191)
Total long-term debt		$ 11,823	11,524

3.125% Exchangeable Senior Debentures

The holders of Liberty's former 0.75% Exchangeable Senior Debentures due 2023 had the right to put such debentures to Liberty at 100% of par during the period from February 25, 2008 to March 24, 2008 for payment on March 31, 2008. Holders of approximately $486 million principal amount of debentures surrendered them for repurchase. Liberty elected to pay cash for the validly tendered debentures and obtained the necessary cash with borrowings against one of its equity collars. In addition, Liberty modified the terms of the debentures. Such modifications included (i) deferral of Liberty's ability to redeem the debentures from April 5, 2008 to April 5, 2013, (ii) surrender of Liberty's right to pay holders with shares of Time Warner common stock upon maturity or redemption (but continue to allow Liberty to settle with Time Warner stock upon exchange by a holder) and (iii) an increase in the rate of interest from 0.75% to 3.125% beginning March 30, 2008.

Liberty Bank Facility

Represents borrowings related to the Investment Fund described in note 8 above. Borrowings accrue interest at a rate of LIBOR plus an applicable margin.

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

QVC Bank Credit Facilities

QVC is party to an unsecured $3.5 billion bank credit facility dated March 3, 2006 (the "March 2006 Credit Agreement"). The March 2006 Credit Agreement is comprised of two $800 million U.S. dollar term loans, a $600 million multi-currency term loan that was drawn in U.S. dollars, a $650 million U.S. dollar revolving loan and a $650 million multi-currency revolving loan. The foregoing multi-currency loans can be made, at QVC's option, in U.S. dollars, Japanese yen, U.K. pound sterling or euros. All loans are due and payable on March 3, 2011.

QVC is party to a second credit agreement dated October 4, 2006, as amended on March 20, 2007 (the "October 2006 Credit Agreement"), which provides for an additional unsecured $1.75 billion credit facility, consisting of an $800 million initial term loan, and $950 million of delayed draw term loans, all of which has been drawn. The loans are scheduled to mature on October 4, 2011.

All loans under the March 2006 Credit Agreement and the October 2006 Credit Agreement bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by the respective Administrative Agent from time to time. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments. Such fees were not significant in 2008 or 2007.

The credit agreements contain restrictive covenants regarding, among other matters, the maintenance of certain financial ratios and limitations on indebtedness, liens, encumbrances, dispositions, guarantees and dividends. QVC was in compliance with its debt covenants at March 31, 2008. QVC's ability to borrow the unused portion of its credit agreements is dependent on its continuing compliance with such covenants both before and after giving effect to such additional borrowings.

QVC Interest Rate Swap Arrangements

QVC is a party to ten separate interest rate swap arrangements with an aggregate notional amount of $2,200 million to manage the cash flow risk associated with interest payments on its variable rate debt. The swap arrangements provide for QVC to make fixed payments at rates ranging from 4.9575% to 5.2928% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011 contemporaneously with the maturity of the March 2006 Credit Agreement. QVC is also party to an interest rate swap arrangement with a notional amount of $500 million. This swap arrangement, which expires in September 2008, provides for QVC to make fixed payments at 4.71% and to receive variable payments at 1 month LIBOR. Liberty accounts for the swap arrangements as cash flow hedges with the effective portions of changes in the fair value reflected in other comprehensive earnings in the accompanying condensed consolidated balance sheet.

Other Subsidiary Debt

Other subsidiary debt at March 31, 2008, is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at March 31, 2008 is as follows (amounts in millions):

Senior notes	$ 1,648
Senior debentures	$ 1,176

Due to its variable rate nature, Liberty believes that the carrying amount of its subsidiary debt and other parent debt approximated fair value at March 31, 2008.

(12) Income Taxes

Effective Tax Rate

The News Corporation Exchange qualifies as an IRC Section 355 transaction, and therefore does not trigger federal or state income tax obligations. In addition, upon consummation of this exchange transaction, deferred tax liabilities previously recorded for the difference between Liberty's book and tax bases in its News Corporation investment in the amount of $1,791 million were reversed with an offset to income tax benefit. Accordingly, an income tax benefit adjustment of approximately $2,933 million will be included in Liberty's reconciliation of computed "expected" income taxes to actual income taxes for the year ended December 31, 2008.

IRS Settlement

From the date Liberty issued its exchangeable debentures through 2007, Liberty claimed interest deductions on such exchangeable debentures for federal income tax purposes based on the "comparable yield" at which it could have issued a fixed-rate debenture with similar terms and conditions. In all instances, this policy resulted in Liberty claiming interest deductions significantly in excess of the cash interest currently paid on its exchangeable debentures. In this regard, Liberty deducted $2,847 million in cumulative interest expense associated with the exchangeable debentures since the Company's 2001 split off from AT&T Corp. ("AT&T"). Of that amount, $844 million represents cash interest payments. Interest deducted in prior years on its exchangeable debentures has contributed to net operating losses ("NOLs") or offset taxable income earned in prior taxable years and is offsetting taxable income earned in the current year.

In connection with the IRS' examination of Liberty's 2003 through 2007 tax returns, the IRS notified Liberty during the third quarter of 2007 that it believed the interest expense on Liberty's exchangeable debentures was not deductible for the period following Liberty's split-off from AT&T. In February 2008, Liberty reached a settlement with the IRS, which stipulated that interest deductions claimed on a portion of the exchangeable debentures were disallowed and instead would reduce Liberty's gain on the future redemption or other retirement of such debt. The cumulative amount of interest deductions disallowed through December 31, 2007 under the settlement is $546 million. As a result, a portion of Liberty's NOLs were eliminated and Liberty had net taxable income in 2006 and 2007. Consequently, Liberty expects to remit federal income tax payments in 2008 and beyond.

The settlement did not have a material impact on Liberty's total tax expense as the resulting increase in current tax expense was largely offset by a decrease in deferred tax expense.

(13) Related Party Transactions

The Company has made interest-bearing cash advances to New Liberty. Such advances aggregated $3,759 million as of March 31, 2008. Interest, which accrues daily at 1-year LIBOR plus 1.35% (6.67%

at March 31, 2008), aggregated $60 million and $16 million for the three months ended March 31, 2008 and 2007, respectively.

(14) Commitments and Contingencies

Film Rights

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides video programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States. Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance of Programming Fees for films that were available for exhibition by Starz Entertainment at March 31, 2008 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of March 31, 2008 is payable as follows: $83 million in 2008, $14 million in 2009 and $6 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at March 31, 2008. Starz Entertainment's estimate of amounts payable under these agreements is as follows: $381 million in 2008; $230 million in 2009; $101 million in 2010; $101 million in 2011; $94 million in 2012; and $178 million thereafter.

In addition, Starz Entertainment is also obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2013. Films are generally available to Starz Entertainment for exhibition 10 - 12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and the domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant.

In connection with an option exercised by Sony to extend the Sony contract through 2013, Starz Entertainment has agreed to pay Sony a total of $190 million in four annual installments of $47.5 million beginning in 2011. Such payments to Sony will be amortized ratably as programming expense over the three-year period beginning in 2012.

Guarantees

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At March 31, 2008, Liberty's guarantee for obligations for films released by such date aggregated $732 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate liability for its guarantee of these obligations.

In connection with agreements for the sale of certain assets, Liberty typically retains liabilities that relate to events occurring prior to its sale, such as tax, environmental, litigation and employment matters. Liberty generally indemnifies the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by Liberty. These types of indemnification

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

guarantees typically extend for a number of years. Liberty is unable to estimate the maximum potential liability for these types of indemnification guarantees as the sale agreements typically do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, Liberty has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying condensed consolidated financial statements with respect to these indemnification guarantees.

Employment Contracts

ANLBC and certain of its players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of March 31, 2008 aggregated $187 million, which is payable as follows: $65 million in 2008, $57 million in 2009, $26 million in 2010 and $39 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

Liberty and its subsidiaries lease business offices and other facilities, have entered into satellite transponder lease agreements and use certain equipment under lease arrangements.

Litigation

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

(15) Operating Segments

Liberty is a holding company which, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Each of Liberty's businesses is separately managed. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated revenue, earnings before income taxes or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's consolidated earnings before income taxes.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, operating cash flow, gross margin, average sales price per unit, number of units shipped, and revenue or sales per customer equivalent. In addition, Liberty reviews non-financial measures such as subscriber growth and penetration, as appropriate.

Liberty defines operating cash flow as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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, operating cash flow should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the three months ended March 31, 2008, Liberty has identified the following businesses as its reportable segments:

QVC consolidated subsidiary that markets and sells a wide variety of consumer products in the U.S. and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites.

Starz Entertainment consolidated subsidiary that provides video programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States.

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

Performance Measures

	Three months ended March 31,			
	2008		2007	
	Revenue	Operating cash flow (deficit)	Revenue	Operating cash flow (deficit)
	amounts in millions			
QVC	$ 1,765	387	1,684	374
Starz Entertainment	273	74	265	73
Corporate and other	313	(38)	174	(25)
Consolidated Liberty	$ 2,351	423	2,123	422

Other Information

	March 31, 2008		
	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions		
QVC	$ 21,356	10	31
Starz Entertainment	2,719		1
Corporate and other	20,660	12,606	22
Consolidated Liberty	$ 44,735	12,616	54

	March 31, 2008		

LIBERTY MEDIA LLC AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

The following table provides a reconciliation of consolidated segment operating cash flow to earnings from continuing operations before income taxes and minority interests:

	Three months ended March 31,	
	2008	**2007**
	amounts in millions	
Consolidated segment operating cash flow	$ 423	422
Stock-based compensation	(16)	(22)
Depreciation and amortization	(177)	(151)
Interest expense	(166)	(150)
Realized and unrealized gains (losses) on financial instruments, net	(285)	344
Gains on dispositions of assets, net	3,682	6
Other, net	162	100
Earnings from continuing operations before income taxes and minority interests	$ 3,623	549

Information Regarding Forward Looking Statements

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies, new service offerings, revenue growth, business prospects and subscriber trends at QVC and Starz Entertainment, anticipated programming and marketing costs at Starz Entertainment, our expectations regarding Starz Media's results of operations for the next two to three years, our projected sources and uses of cash, the estimated value of our financial instruments, and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of our business. 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 such statements necessarily involve risks and uncertainties and there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services, and the products and services of the entities in which we have interests;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners and joint venturers;
- general economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- disruption in the production of theatrical films or television programs due to strikes by unions representing writers, directors or actors;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;

continued consolidation of the broadband distribution and movie studio industries;

changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping networks;

increased digital TV penetration and the impact on channel positioning of our networks;

rapid technological changes;

capital spending for the acquisition and/or development of telecommunications networks and services;

threatened terrorists attacks and ongoing military action in the Middle East and other parts of the world; and

fluctuations in foreign currency exchange rates and political unrest in international markets.

For additional risk factors, please see Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007 and Part 2, Item 1A of this Quarterly Report on Form 10-Q. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly 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 its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

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 condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2007.

Overview

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

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Starz Media, LLC ("Starz Media"), FUN Technologies, Inc. ("FUN"), Atlanta National League Baseball Club, Inc., Leisure Arts, Inc. TruePosition, Inc. ("TruePosition"), BuySeasons, Inc. ("BuySeasons"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding") and WFRV and WJMN Television Station, Inc. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, gourmet foods, fruits and desserts. Starz Media is focused on developing, acquiring, producing and distributing live-action, computer-generated and traditional television animated productions for the home video, film, broadcast and direct-to-consumer markets. FUN operates websites that offer casual gaming and fantasy sports services. ANLBC, which we acquired in May 2007, owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. Leisure Arts, which we acquired in May 2007, publishes and markets needlework, craft, decorating, entertaining and other lifestyle interest "how-to" books. TruePosition provides equipment and technology that deliver location-based services to wireless users. BuySeasons operates BuyCostumes.com, an online retailer of costumes, accessories, décor and party supplies.

Backcountry, which we acquired in June 2007, operates six websites offering outdoor and backcountry sports gear and clothing. Bodybuilding.com, which we acquired on December 31, 2007, manages two websites related to sports nutrition, body building and fitness. WFRV TV Station, which we acquired in April 2007, is a CBS broadcast affiliate that serves Green Bay, Wisconsin and Escanaba, Michigan.

In addition to the foregoing businesses, we hold an approximate 48% ownership interest in The DIRECTV Group, Inc. and an approximate 24% ownership interest in Expedia, Inc., which we account for as equity method investments, and we continue to maintain significant investments and related financial instruments in public companies such as Time Warner, IAC/InterActiveCorp and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

2008 Completed Transactions

News Corporation. On February 27, 2008, we completed a transaction with News Corporation in which we exchanged all of our 512.6 million shares of News Corporation common stock valued at $10,144 million on the closing date for a subsidiary of News Corporation that holds an approximate 41% interest in DIRECTV, Liberty Sports Group and $465 million in cash. In addition, we incurred $21 million of acquisition costs. We recognized a pre-tax gain of $3,666 million based on the difference between the fair value and the weighted average cost basis of the News Corporation shares exchanged.

Results of Operations

To assist you in understanding and analyzing our business in the same manner we do, we have organized the following discussion of our results of operations into two parts: Consolidated Operating Results and Operating Results by Business.

In addition to the 2008 completion of the News Corporation Exchange, we completed several acquisitions in 2007 that impact the comparability of our 2007 and 2008 results of operations. Those acquisitions and the months in which they occurred are: WFRV TV Station in April 2007, ANLBC and Leisure Arts in May 2007, Backcountry in June 2007 and Bodybuilding in December 2007.

Consolidated Operating Results

	Three months ended March 31,	
	2008	2007
	amounts in millions	
Revenue		
QVC	$ 1,765	1,684
Starz Entertainment	273	265
Corporate and other	313	174
Consolidated Liberty	$ 2,351	2,123
Operating Cash Flow (Deficit)		
QVC	$ 387	374
Starz Entertainment	74	73
Corporate and other	(38)	(25)
Consolidated Liberty	$ 423	422
Operating Income (Loss)		
QVC	$ 250	243
Starz Entertainment	60	60
Corporate and other	(80)	(54)
Consolidated Liberty	$ 230	249

Revenue. Our consolidated revenue increased 10.7% for the three months ended March 31, 2008, as compared to the corresponding prior year period. In addition to the increases for QVC and Starz Entertainment, the three month increase is due primarily to $44 million generated by Backcountry, which we acquired in June 2007, $29 million generated by Bodybuilding, which we acquired in December 2007 and $21 million generated by Liberty Sports Group, which we acquired at the end of February 2008. See Operating Results by Business below for a more complete discussion of QVC's and Starz Entertainment's results of operations.

Operating cash flow. We define Operating Cash Flow as revenue less cost of sales, operating expenses and selling, general and administrative expenses (excluding stock-based 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 measure 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. Accordingly, Operating Cash Flow should be considered in addition to, but not as a substitute for, operating income, net earnings, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 15 to the accompanying condensed consolidated financial statements for a reconciliation of Operating Cash Flow to Earnings (Loss) from Continuing Operations Before Income Taxes and Minority Interests.

Consolidated Operating Cash Flow was flat during the three months ended March 31, 2008, as compared to the corresponding prior year period, as increases due to acquisitions were offset by an increased operating cash flow deficit for Starz Media, ANLBC and TruePosition. ANLBC's business is seasonal with the vast majority of its revenue recognized in the second and third quarters of the year. Therefore, ANLBC generally operates at a loss in the first and fourth quarters.

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 ("PSARs") granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

We recorded $16 million of stock compensation expense for the three months ended March 31, 2008, compared with $22 million for the comparable period in 2007. As of March 31, 2008, the total unrecognized compensation cost related to our unvested equity awards was approximately $77 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 1.9 years.

Operating income. Consolidated operating income decreased $19 million or 7.6% for the three months ended March 31, 2008, as compared to the corresponding prior year period. The three month decrease is due primarily to ANLBC and Starz Media. Starz Media's operating cash flow deficit and operating loss increased in 2008 due primarily to marketing and advertising costs incurred in connection with the theatrical release of two films by Overture Films. We currently expect Starz Media to continue incurring operating cash flow deficits and operating losses for the next two to three years.

Other Income and Expense

Interest expense. Consolidated interest expense increased 10.7% for the three months ended March 31, 2008. Such increase is due to increased borrowings on the QVC credit facilities and interest on borrowings made under the terms of the Investment Fund.

Dividend and interest income. Consolidated dividend and interest income decreased in 2008 due to the elimination of News Corporation dividends as a result of the News Corporation Exchange, partially offset by interest income on higher invested cash balances.

Share of earnings of affiliates. Our share of earnings of affiliates in 2008 are primarily attributable to Expedia ($12 million) and DIRECTV ($36 million). Our share of earnings of DIRECTV include $23 million of amortization (net of related taxes) of identifiable intangibles included in our excess basis as described in note 7 to the accompanying condensed consolidated financial statements.

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:

	Three months ended March 31,	
	2008	2007
	amounts in millions	
Statement 159 Securities(1)	$ (1,421)	
Senior exchangeable debentures	337	170
Equity collars	558	64
Borrowed shares	432	161
Other derivatives	(191)	(51)
	$ (285)	344

(1) See note 6 to the accompanying condensed consolidated financial statements for a discussion of our accounting for Statement 159 Securities.

Gains on disposition, net. Gains on dispositions in 2008 include $3,666 million related to the News Corporation Exchange.

Income taxes. For the three months ended March 31, 2008, we recorded pre-tax earnings of $3,611 million and an income tax benefit of $1,884 million. The News Corporation Exchange qualifies as an IRC Section 355 transaction, and therefore does not trigger federal or state income tax obligations. In addition, upon consummation of the exchange transaction, deferred tax liabilities previously recorded for the difference between our book and tax bases in our News Corporation investment in the amount of $1,791 million were reversed with an offset to income tax benefit.

Net earnings. Our net earnings were $5,495 million and $379 million for three months ended March 31, 2008 and 2007, respectively. Such change is due to the aforementioned fluctuations in revenue and expenses. In addition, we recognized $42 million of earnings from discontinued operations in 2007.

Operating Results by Business

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, the program is aired live through its nationally televised shopping network 24 hours a day, 7 days a week ("QVC-US"). Internationally, QVC has electronic retailing program services based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany") and Japan ("QVC-Japan"). QVC-UK broadcasts 24 hours a day with 17 hours of live programming, and QVC-Germany and QVC-Japan each broadcast live 24 hours a day.

QVC's operating results are as follows:

	Three months ended March 31,	
	2008	**2007**
	amounts in millions	
Net revenue	$ 1,765	1,684
Cost of sales	(1,120)	(1,060)
Gross profit	645	624
Operating expenses	(169)	(158)
SG&A expenses (excluding stock-based compensation)	(89)	(92)
Operating cash flow	387	374
Stock-based compensation SG&A	(5)	(11)
Depreciation and amortization	(132)	(120)
Operating income	$ 250	243

Net revenue is generated in the following geographic areas:

	Three months ended March 31,	
	2008	**2007**
	amounts in millions	
QVC-US	$ 1,176	1,174
QVC-UK	172	152
QVC-Germany	249	215
QVC-Japan	168	143
	$ 1,765	1,684

	Three months ended March 31,	

QVC's consolidated net revenue increased 4.8% during the three months ended March 31, 2008, as compared to the corresponding prior year period. The three month increase in revenue is comprised of $54 million due to favorable foreign currency rates and $51 million due to a 3.3% increase in the average sales price per unit. These increases were partially offset by an increase in estimated product returns and a decrease in the number of units shipped from 38.9 million in 2007 to 38.6 million in 2008. Returns as a percent of gross product revenue increase from 19.0% to 19.9% and reflect a shift in the mix from home products to apparel and jewelry products, which typically have higher return rates.

As noted above, during the three months ended March 31, 2008, the changes in revenue and expenses were impacted by fluctuations in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's reported revenue and operating cash flow will be negatively impacted. The percentage increase in revenue for each of QVC's geographic areas in U.S. dollars and in local currency is as follows:

	Percentage increase in net revenue	
	Three months ended March 31, 2008	
	U.S. dollars	Local currency
QVC-US	0.2%	0.2%
QVC-UK	12.8%	11.4%
QVC-Germany	16.0%	1.4%
QVC-Japan	17.7%	3.5%

Revenue for QVC-US continues to be negatively impacted by a slow retail environment. QVC-Germany net revenue in local currency increased modestly during the three months ended March 31, 2008 relative to the prior period as it continues to encounter increased competition and a soft retail market. QVC-Japan increased net revenue in local currency during the three months ended March 31, 2008, as compared to the prior year period, as it begins to overcome the impacts of the heightened regulatory focus on health and beauty product presentations which began in March 2007 and caused QVC-Japan to remove a number of products from its programming.

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S. and Germany. In addition, the rate of growth in households is expected to diminish in the UK and Japan. Therefore, future sales growth will primarily depend on continued additions of new customers from homes already receiving the QVC service and continued growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage decreased from 37.1% to 36.5% during the three months ended March 31, 2008, as compared to the corresponding prior year period. Such decrease is due primarily to lower initial product margins in the home and apparel product areas.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, production costs, telecommunications expense and credit card processing fees. Operating expenses increased 7.0% for the three months ended March 31, 2008, as compared to the corresponding prior year period. Such increase is primarily due to the increase in sales volume and an increase in commissions due to new fixed-rate agreements in QVC-UK and QVC-Japan. Operating expenses as a percent of revenue were 9.6% in 2008 and 9.4% in 2007.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, marketing and advertising expenses. Such expenses decreased 3.3% for the three months ended March 31, 2008, as compared to the corresponding prior year period. Such increase is due primarily to a $5 million accrual for a legal settlement recorded in 2007 partially offset by higher bad debt expense in 2008.

QVC's operating cash flow increased 3.5% for the three months ended March 31, 2008, as compared to the corresponding prior year period. Such increase in operating cash flow was less than the percentage increase in revenue primarily due to the decrease in gross profit percentage discussed above, as well as the increases noted in operating expenses.

Starz Entertainment. Starz Entertainment primarily provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Substantially all of Starz Entertainment's revenue is derived from the delivery of movies to subscribers under affiliation agreements with television video programming distributors. Some of Starz Entertainment's affiliation agreements provide for payments to Starz Entertainment based on the number of subscribers that receive Starz Entertainment's services. Starz Entertainment also has fixed-rate affiliation agreements with certain of its customers. Pursuant to these agreements, the customers generally pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate is contractually increased annually or semi-annually as the case may be, and these agreements expire in 2008 through 2012. During the three months ended March 31, 2008, 71% of Starz Entertainment's revenue was generated by its four largest customers, Comcast Corporation, Echostar Communications, DIRECTV and Time Warner Inc., each of which individually generated more than 10% of Starz Entertainment's revenue for such period. Starz Entertainment's affiliation agreements with DIRECTV and EchoStar expire in December 2008 and June 2009, respectively. In addition, the affiliation agreement with Time Warner has expired. Starz Entertainment is currently in negotiations with Time Warner regarding a new agreement. There can be no assurance that any new agreement with Time Warner will have economic terms comparable to the old agreement.

Starz Entertainment's operating results are as follows:

	Three months ended March 31,	
	2008	2007
	amounts in millions	
Revenue	$ 273	265
Operating expenses	(167)	(167)
SG&A expenses	(32)	(25)
Operating cash flow	74	73
Stock-based compensation	(10)	(7)
Depreciation and amortization	(4)	(6)
Operating income	$ 60	60

Starz Entertainment's revenue increased 3.0% for the three months ended March 31, 2008, as compared to the corresponding prior year period. Such increase is due to a higher effective rate for Starz Entertainment's services. The Starz movie service and the Encore and Thematic Multiplex Channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscription units increased 5.8% for the three months ended March 31, 2008, and EMP average subscription units increased 11.8% for such period. The effects of these increases in subscription units are somewhat mitigated by Starz Entertainment's fixed-rate affiliation agreements. In this regard, approximately 35.8% of Starz Entertainment's revenue was earned under its fixed-rate affiliation agreements during the three months ended March 31, 2008.

At March 31, 2008, cable, DTH satellite, and other distribution media represented 67.0%, 29.3% and 3.7%, respectively, of Starz Entertainment's total subscription units.

Starz Entertainment's operating expenses were flat for the three months ended March 31, 2008, as compared to the corresponding prior year period. Programming costs, which comprise approximately 94% of operating expenses were also flat in 2008 as lower bonus payment amortization was offset by a higher effective rate for the movie titles exhibited in 2008.

Starz Entertainment's SG&A expenses increased $7 million or 28% for the three months ended March 31, 2008, as compared to the corresponding prior year period. Such increase is due primarily to higher marketing expenses related to a new branding campaign and higher salary and personnel expenses.

Item 4. Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer, principal accounting officer and principal financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of March 31, 2008 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.

There has been no change in the Company's internal controls over financial reporting identified in connection with the evaluation described above that occurred during the three months ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding institution of, or material changes in, material legal proceedings that have been reported this fiscal year, reference is made to Part I, Item 3 of our Annual Report on Form 10-K filed on February 29, 2008. There have been no material developments in such legal proceedings during the three months ended March 31, 2008, except as noted below.

Liberty/IAC Litigation

On January 22, 2008, IAC and Barry Diller, Chairman of the Board and CEO of IAC, filed a complaint styled *IAC/InteractiveCorp, et al. v. Liberty Media Corporation*, C.A. No. 3486 in the Court of Chancery (the "Chancery Court") of the State of Delaware against our company seeking a declaratory judgment that, among other things, (i) IAC's proposal (the "Spin-Off Proposal") to spin off certain of its businesses complies with IAC's charter and certain governance arrangements existing between our company and Mr. Diller (collectively, the "Governance Arrangements"), pursuant to which Mr. Diller voted our shares of IAC common stock and IAC Class B common stock, subject to certain limitations, and (ii) Mr. Diller is permitted to vote all shares of IAC common stock and IAC Class B common stock beneficially owned by us in favor of the Spin-Off Proposal.

On January 24, 2008, we filed a complaint styled *Liberty Media Corporation, et al. v. Diller, et al.*, C.A. No. 3491 in the Chancery Court against IAC, Mr. Diller and certain other members of IAC's board of directors seeking a judgment that, among other things, the Spin-Off Proposal constitutes a violation of IAC's charter, breaches of fiduciary duty on the part of each of the incumbent directors (other than our two designees), and breaches of the Governance Arrangements. As a result of Mr. Diller's breach of the Governance Arrangements, the proxy held by Mr. Diller with respect to our shares of IAC common stock and IAC Class B common stock was terminated in accordance with its terms.

On January 28, 2008, the record holders of a majority of the voting power in IAC acted to, among other things, (i) execute and deliver to IAC a stockholder consent (the "IAC Stockholder Consent") that amended IAC's bylaws, removed Mr. Diller and certain other directors from IAC's board of directors and appointed Gregory B. Maffei, Mark D. Carleton, and William R. Fitzgerald to IAC's board of directors (in addition to Liberty's two current designees); and (ii) file a complaint styled *LMC Silver King, Inc., et al. v. IAC/InteractiveCorp, et al.*, C.A. No. 3501 in the Chancery Court (the "Director Replacement Action") against IAC, Mr. Diller and certain of the other members of IAC's board of directors requesting that, among other things, the Chancery Court declare that the IAC Stockholder Consent was duly and validly executed and was immediately effective in all respects upon delivery to IAC.

These three actions were consolidated by the Chancery Court on February 6, 2008 in the action styled *In re IAC/InterActiveCorp C.A. No. 3486-VCL.* Trial of the consolidated action concluded before the Chancery Court on March 14, 2008. On March 28, 2008, the Chancery Court entered an opinion and order dismissing the Director Replacement Action with prejudice and ruling that we do not have a right to consent to the Spin-Off Proposal under IAC's charter or the Governance Arrangements. As to our claims that the Spin-Off Proposal would violate fiduciary duties owed to us by Mr. Diller and other IAC directors, the Chancery Court held that those claims were not ripe for determination pending further action by IAC's board of directors with respect to the Spin-Off Proposal. An order and judgment implementing the terms of the opinion and order was entered by the Chancery Court on April 7, 2008. On May 7, 2008, Liberty filed a Notice of Appeal with the Chancery Court to appeal the order and judgment.

Item 1A. Risk Factors

The risks described below supplement the risks described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, filed on March 25, 2008. The risks described below and elsewhere in this quarterly report are not the only ones that relate to our businesses or our capitalization. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Factors Relating to the DirecTV Group

The risk factors described below relate to: the risks involved in our ownership of an interest in DirecTV; and operational risks relating to DirecTV. The operational risk factors have been reproduced from DirecTV's Annual Report on Form 10-K for the year ended December 31, 2007.

Construction or launch delays on satellites could materially adversely affect DirecTV's revenue and earnings. A key component of DirecTV's business strategy is its ability to expand its offering of new programming and services, including increased local and HD programming. In order to accomplish this goal, DirecTV needs to construct and launch new satellites. The construction and launch of satellites are often subject to delays, including satellite and launch vehicle construction delays, periodic unavailability of reliable launch opportunities due to competition for launch slots, weather and also due to general delays that result when a launch provider experiences a launch failure, and delays in obtaining regulatory approvals. A significant delay in the future delivery of any satellite would materially adversely affect the use of the satellite and thus could materially adversely affect DirecTV's anticipated revenue and earnings. If satellite construction schedules are not met, there can be no assurance that a launch opportunity will be available at the time a satellite is ready to be launched. Certain delays in satellite construction could also jeopardize a satellite authorization that is conditioned on timely construction and launch of the satellite.

DirecTV's satellites are subject to significant launch and operational risks. Satellites are subject to significant operational risks relating to launch and while in orbit. Launch and operational risks include launch failure, incorrect orbital placement or improper commercial operation. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 36 months, and obtain other launch opportunities. DirecTV estimates the overall historical loss rate for all launches of commercial satellites in the last five years to be approximately 5% but it may be higher. Any significant delays or failures in successfully launching and deploying DirecTV's satellites could materially adversely affect its ability to generate revenue. While DirecTV has traditionally purchased insurance covering the launch and, in limited cases, operation of its satellites, such policies typically cover the loss of the satellite itself or a portion thereof, and not the business interruption or other associated direct and indirect costs.

In-orbit risks include malfunctions, commonly referred to as anomalies, and collisions with meteoroids, other spacecraft or other space debris. Anomalies occur as a result of various factors, such as satellite manufacturing errors, problems with the power systems or control systems of the satellites and general failures resulting from operating satellites in the harsh space environment. DirecTV works closely with its satellite manufacturers to determine and eliminate the potential causes of anomalies in new satellites and provide for redundancies of critical components in the satellites as well as having backup satellite capacity. However, DirecTV cannot assure you that it will not experience anomalies in the future, nor can DirecTV assure you that its backup satellite capacity will be sufficient for its business purposes. Any single anomaly or series of anomalies could materially adversely affect

DirecTV's operations and revenue and its relationships with its subscribers, as well as its ability to attract new subscribers for its services. Anomalies may also reduce the expected useful life of a satellite, thereby creating additional expenses due to the need to provide replacement or backup satellites and potentially reducing revenue if service is interrupted. Finally, the occurrence of anomalies may materially adversely affect DirecTV's ability to insure its satellites at commercially reasonable premiums, if at all. While some anomalies are currently covered by existing insurance policies, others are not now covered or may not be covered in the future.

DirecTV's ability to earn revenue also depends on the usefulness of its satellites. Each satellite has a limited useful life. A number of factors affect the useful life of a satellite, including, among other things:

- the design;
- the quality of its construction;
- the durability of its component parts;
- the launch vehicle's insertion of the satellite into orbit;
- any required movement, temporary or permanent, of the satellite;
- the ability to continue to maintain proper orbit and control over the satellite's functions; and
- the remaining on-board fuel following orbit insertion.

Generally, the minimum design life of the satellites in DirecTV's fleet is between 12 and 16 years. The actual useful lives of the satellites may be shorter or longer, in some cases significantly. DirecTV's operating results could be adversely affected if the useful life of any of its satellites were significantly shorter than 12 years from the date of launch.

In the event of a failure or loss of any of DirecTV's satellites, it may relocate another satellite and use it as a replacement for the failed or lost satellite. In the event of a complete satellite failure, DirecTV's services provided via that satellite could be unavailable for several days or longer while backup in-orbit satellites are repositioned and services are moved. DirecTV is not insured for any resultant lost revenue. The use of backup satellite capacity for DirecTV's programming may require it to discontinue some programming services due to potentially reduced capacity on the backup satellite. Any relocation of DirecTV's satellites would require prior FCC approval and, among other things, a demonstration to the FCC that the replacement satellite would not cause additional interference compared to the failed or lost satellite. Such FCC approval may not be obtained. DirecTV believes it has or will have in 2008, in-orbit satellite capacity to expeditiously recover transmission of most DIRECTV U.S. programming in the event one of its in-orbit satellites fails. However, programming continuity cannot be assured in the event of multiple satellite losses. DTVLA leases its satellites and may not have a readily available replacement in the event of a failure or loss of any of its satellites. Programming continuity in the countries in which DTVLA operates cannot be assured in the event of a single satellite loss.

The cost of commercial insurance coverage on DirecTV's satellites or the loss of a satellite that is not insured could materially adversely affect its earnings. DirecTV uses in-orbit and launch insurance to mitigate the potential financial impact of satellite fleet in-orbit and launch failures unless the premium costs are considered uneconomic relative to the risk of satellite failure. When insurance is obtained, it generally covers all or a portion of the unamortized book value of covered satellites. Although the insurance does not compensate for business interruption or loss of future revenue or subscribers, DirecTV relies on in-orbit spare satellites and excess transponder capacity at key orbital slots to mitigate the impact that a satellite failure may have on DirecTV's ability to provide service.

The price, terms and availability of insurance fluctuate significantly. Launch and in-orbit policies on satellites may not continue to be available on commercially reasonable terms or at all. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods and satellite health-related policy exclusions.

Any launch vehicle failure, or loss or destruction of any of our satellites, even if insured, could have a material adverse effect on DirecTV's financial condition and results of operations, its ability to comply with FCC regulatory obligations and its ability to fund the construction or acquisition of replacement satellites in a timely fashion, or at all.

DirecTV competes with other MVPDs, some of whom have greater resources than DirecTV does and levels of competition are increasing. DirecTV competes in the multi-channel video programming distribution ("MVPD") industry against cable television, regional Bell operating companies ("RBOCs"), wireless companies and other land-based and satellite-based system operators with service offerings including video, audio and interactive programming, data and other entertainment services and telephony service. Some of these competitors have greater financial, marketing and other resources than DirecTV does.

Some cable television operators have large, established customer bases and many cable operators have significant investments in, and access to, programming. According to the National Cable & Telecommunications Association's 2007 Industry Overview, 100% of the 112 million U.S. television households are passed by cable. Of the 112 million U.S. television households, approximately 97 million subscribe to a MVPD service and approximately 66% of MVPD subscribers receive their programming from a cable operator. Cable television operators have advantages relative to DirecTV, including or as a result of:

- being the incumbent MVPD operator with an established subscriber base in the territories in which we compete;

- bundling their analog video service with expanded digital video services delivered terrestrially or via satellite, or with efficient two-way high-speed Internet access or telephone service on upgraded cable systems; and

- having the ability to provide certain local and other programming, including HD programming, in a larger number of geographic areas.

In addition, cable television operators have grown their subscriber bases through mergers and acquisitions. Moreover, mergers, joint ventures and alliances among franchise, wireless or private cable television operators, RBOCs, and others may result in providers capable of offering bundled television, data and telecommunications services in competition with DirecTV's services.

DirecTV does not currently offer local channel coverage to markets covering approximately six percent of U.S. television households, which places it at a competitive disadvantage in those markets. DirecTV also has been unable to secure certain international programming, due to exclusive arrangements of programming providers with certain competitors, which has constrained its ability to compete for subscribers who wish to obtain such programming.

In the United States various RBOCs have deployed fiber optic lines directly to customers' homes or neighborhoods to deliver video services, which compete with the DIRECTV service. It is uncertain whether DirecTV will be able to increase its satellite capacity, offer a significant level of new services in existing markets in which it competes or expand to additional markets as may be necessary to compete effectively. Some of these RBOCs also sell the DIRECTV service as a bundle with their voice and data services. The existence of a new broadly-deployed network with the capability of providing video, voice and data services could present a significant competitive challenge. Should their deployment of fiber optic lines for video grow substantially, DirecTV may be unable to develop other distribution methods to make up for lost sales through the RBOCs.

In 2006, AT&T acquired BellSouth, one of the RBOCs that sells the DIRECTV service. AT&T has a similar arrangement with EchoStar. In December 2007, AT&T advised DIRECTV that AT&T was terminating the exclusivity arrangement with DIRECTV which had been part of the distribution agreement with BellSouth. AT&T is therefore free to sell and promote the services of any other non-affiliated DBS provider in those territories covered by the agreement with BellSouth. Although the underlying distribution agreement continues in effect, the action of AT&T could result in a reduction in the acquisition of subscribers through this distribution outlet.

As a result of these and other factors, DirecTV may not be able to continue to expand its subscriber base or compete effectively against cable television or other MVPD operators in the future.

Emerging digital media competition could materially adversely affect DirecTV. DirecTV's business is focused on television, and it faces emerging competition from other providers of digital media, some of which have greater financial, marketing and other resources than it does. Significant changes in consumer behavior with regard to the means by which they obtain video entertainment and information in response to this emerging digital media competition, could materially adversely affect DirecTV's revenue and earnings or otherwise disrupt our business.

DirecTV depends on the Communications Act for access to cable-affiliated programming and changes impacting that access could materially adversely affect DirecTV. DirecTV purchases a substantial percentage of its programming from programmers that are affiliated with cable system operators. Currently, under certain provisions of the Communications Act governing access to programming, cable-affiliated programmers generally must sell and deliver their programming services to all MVPDs on non-discriminatory terms and conditions. The Communications Act and the FCC rules also prohibit certain types of exclusive programming contracts involving programming from cable-affiliated programmers.

Any change in the Communications Act or the FCC's rules that would permit programmers that are affiliated with cable system operators to refuse to provide such programming or to impose discriminatory terms or conditions could materially adversely affect DirecTV's ability to acquire programming on a cost-effective basis, or at all. The Communications Act prohibitions on certain cable industry exclusive contracting practices with cable-affiliated programmers were recently extended for another five years, through October 2012, though it is currently considering proposals that could shorten the term of this extension to two years if a cable operator could show that competition from new entrant MVPDs at that time had reached a sufficient penetration level in the relevant marketing area.

In addition, certain cable providers have denied DirecTV and other MVPDs access to a limited number of channels created by programmers with which the cable providers are affiliated. The cable providers have asserted that they are not required to provide such programming due to the manner in which that programming is distributed, which they argue is not covered by the program access provisions of the Communications Act. Challenges to this interpretation of the Communications Act have not been successful, and DirecTV may continue to be precluded from obtaining such programming, which in turn could materially adversely affect its ability to compete in regions serviced by those cable providers. Although the FCC recently addressed some of these issues in a limited fashion by placing access conditions on certain regional sports networks affiliated with Time Warner Cable, Inc. and Comcast Corporation, it is not clear that such provisions will be sufficient to assure DirecTV's continued access to this programming on fair and nondiscriminatory terms.

Carriage requirements may negatively affect DirecTV's ability to deliver local broadcast stations, as well as other aspects of its business. The FCC's interpretation, implementation and enforcement of provisions of the Satellite Home Viewer Improvement Act ("SHVIA") and the Satellite Home Viewer Extension and Reauthorization Act of 2004 ("SHVERA"), as well as judicial decisions interpreting and enforcing these laws, could hamper DirecTV's ability to retransmit distant network and superstation signals, reduce the number of its existing or future subscribers that can qualify for receipt of these signals, impose costs on it in connection with the process of complying with the rules, or subject DirecTV to fines, monetary damages or injunctions. In implementing SHVIA, the FCC has required satellite carriers to delete certain programming, including sports programming, from the signals of certain distant stations. Compliance with those FCC requirements may require costly upgrades to DirecTV's broadcast system. Further, a recent FCC order interpreting the requirement that satellite carriers retransmit local digital signals with "equivalent bandwidth" of significantly viewed digital signals may constrain DirecTV's ability to deliver such significantly viewed digital signals.

DirecTV has limited capacity, and the projected number of markets in which it can deliver local broadcast programming will continue to be constrained because of the must carry requirement and may be reduced depending on the FCC's interpretation of its rules in pending and future rulemaking and complaint proceedings, as well as judicial decisions interpreting must carry requirements. DirecTV may not be able to comply with these must carry rules, or compliance may mean that it is not able to use capacity that could otherwise be used for new or additional local or national programming services. In addition, the FCC has begun to consider an obligation for carriage of local digital broadcast transmissions after the digital television transition currently scheduled for February 17, 2009. If the FCC were to require DirecTV to carry all local signals in HD format wherever it carries any local signals in HD format as of that date, DirecTV would be unable to comply in many markets where it currently carries such signals without ceasing HD local service entirely in such markets, and would be precluded from launching additional markets currently planned for later this year.

DirecTV depends on others to produce programming and programming costs are increasing. DirecTV depends on third parties to provide it with programming services, including third parties who are its affiliates and third parties controlled by competitors. DirecTV's ability to compete successfully will depend on its ability to continue to obtain desirable programming and deliver it to its subscribers at competitive prices. DirecTV's programming agreements generally have remaining terms ranging from less than one to up to ten years and contain various renewal and cancellation provisions. DirecTV may not be able to renew these agreements on favorable terms, or at all, or these agreements may be cancelled prior to expiration of their original terms. If DirecTV is unable to renew any of these agreements or the other parties cancel the agreements, DirecTV may not be able to obtain substitute programming, or if it is able to obtain such substitute programming, the substitute programming may not be comparable in quality or cost to DirecTV's existing programming.

In addition, many of DirecTV's programming agreements contain annual price increases. When offering new programming, or upon expiration of existing contracts, programming suppliers have historically increased the rates they charge DirecTV for programming, increasing DirecTV's costs. DirecTV expects this practice to continue. Increases in programming costs could cause DirecTV to increase the rates that it charges its subscribers, which could in turn cause subscribers to terminate their subscriptions or potential new subscribers to refrain from subscribing to DirecTV's service. Furthermore, DirecTV may be unable to pass programming cost increases on to its subscribers, which could have a material adverse effect on its earnings or cash flow.

The FCC has adopted rules requiring DirecTV to negotiate in good faith with broadcast stations seeking carriage outside of the mandatory carriage regime described elsewhere. The rules for "retransmission consent" negotiations, which are similar to those that have applied to broadcast stations for years, require DirecTV to comply with certain indicia of good faith negotiation, as well as to demonstrate good faith under a "totality of the circumstances" test. Failure to comply with these rules could subject DirecTV to administrative sanctions and other penalties.

DirecTV's subscriber acquisition costs could materially increase. DirecTV incurs costs relating to subscribers acquired by it and subscribers acquired through third parties. These costs are known as subscriber acquisition costs. For instance, DirecTV provides installation incentives to its retailers to enable them to offer standard professional installation as part of the subscriber's purchase or lease of a DIRECTV system. In addition, DirecTV pays commissions to retailers for their efforts in offering a DIRECTV system at a lower cost to consumers. DirecTV's subscriber acquisition costs may materially increase to the extent it continues or expand current sales promotion activities or introduce other more aggressive promotions, or due to increased competition. Any material increase in subscriber acquisition costs from current levels would negatively impact DirecTV's earnings and could materially adversely affect its financial performance.

Increased subscriber churn or subscriber upgrade and retention costs could materially adversely affect DirecTV's financial performance. Turnover of subscribers in the form of subscriber service cancellations, or churn, has a significant financial impact on the results of operations of any subscription television provider, including DirecTV, as does the cost of upgrading and retaining subscribers. Any increase in DirecTV's upgrade and retention costs for its existing subscribers may adversely affect its financial performance or cause it to increase its subscription rates, which could increase churn. Churn may also increase due to factors beyond DirecTV's control, including churn by subscribers who are unable to pay their monthly subscription fees, a slowing economy, significant signal theft, consumer fraud, a maturing subscriber base and competitive offers. Any of the risks described herein that could potentially have a material adverse impact on DirecTV's cost or service quality or that could result in higher prices for its subscribers could also, in turn, cause an increase in churn and consequently have a material adverse effect on DirecTV's earnings and financial performance.

DirecTV's ability to keep pace with technological developments is uncertain. In the MVPD industry, changes occur rapidly as new technologies are developed, which could cause DirecTV's services and products that deliver DirecTV's services to become obsolete. DirecTV may not be able to keep pace with technological developments. If the new technologies on which DirecTV intends to focus its investments fail to achieve acceptance in the marketplace or DirecTV's technology does not work and requires significant cost to replace or fix, DirecTV could suffer a material adverse effect on its future competitive position, which could cause a reduction in its revenue and earnings. For example, DirecTV's competitors could be the first to obtain proprietary technologies that are perceived by the market as being superior. Further, after incurring substantial costs, one or more of the technologies under development by DirecTV or any of its strategic partners could become obsolete prior to its introduction.

In addition, technological innovation depends, to a significant extent, on the work of technically skilled employees. Competition for the services of these employees is vigorous. DirecTV cannot assure you that it will be able to continue to attract and retain these employees.

To access technologies and provide products that are necessary for DirecTV to remain competitive, particularly in the area of broadband services, it may make future acquisitions and investments and may enter into strategic partnerships with other companies. Such investments may require a commitment of significant capital and human and other resources. The value of such acquisitions, investments and partnerships and the technology accessed may be highly speculative. Arrangements with third parties can lead to contractual and other disputes and dependence on the development and delivery of necessary technology on third parties that DirecTV may not be able to control or influence. These relationships may commit DirecTV to technologies that are rendered obsolete by other developments or preclude the pursuit of other technologies which may prove to be superior.

New technologies could also create new competitors for DirecTV. Entities such as RBOCs are implementing and supporting digital video compression over existing telephone lines and building out fiber optic lines to enhance their capabilities to deliver programming services. Satellite operators such as SES Global have begun offering turn-key packages of digital programming on a wholesale basis for distribution by rural telephone companies. While these entities are not currently providing MVPD services on a significant basis, many have the capabilities for such services and some have begun rolling out video services. DirecTV may not be able to compete successfully with new entrants in the market for video services.

Satellite programming signals have been stolen and may be stolen in the future, which could result in lost revenue and would cause DirecTV to incur incremental operating costs that do not result in subscriber acquisition. The delivery of subscription programming requires the use of conditional access technology to limit access to programming to only those who subscribe and are authorized to view it. The conditional access system uses, among other things, encryption technology to protect the transmitted signal from unauthorized access. It is illegal to create, sell or otherwise distribute software or devices to circumvent that conditional access technology. However, theft of cable and satellite programming has been widely reported, and the access or "smart" cards used in DirecTV's conditional access system have been compromised in the past and could be compromised in the future.

DirecTV has undertaken various initiatives with respect to its conditional access system to further enhance the security of the DIRECTV signal. To help combat signal theft, DirecTV provides its subscribers with more advanced access cards that DirecTV believes significantly enhance the security of its signal. Currently, DirecTV believes these access cards have not been compromised. However, DirecTV cannot guarantee that new cards will prevent the theft of its satellite programming signals in the future. Furthermore, there can be no assurance that DirecTV will succeed in developing the technology it needs to effectively restrict or eliminate signal theft. If DirecTV's current access cards are compromised, its revenue and its ability to contract for video and audio services provided by programmers could be materially adversely affected. In addition, DirecTV's operating costs could increase if it attempts to implement additional measures to combat signal theft.

DirecTV's business relies on intellectual property, some of which is owned by third parties, and it may inadvertently infringe patents and proprietary rights of others. Many entities, including some of DirecTV's competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services related to those that DirecTV currently offers or may offer in the future. In general, if a court determines that one or more of DirecTV's services or the products used to transmit or receive its services infringes on intellectual property owned by others, DirecTV and the applicable manufacturers or vendors may be required to cease developing or marketing those services and products, to obtain licenses from the owners of the intellectual property or to redesign those services and products in such a way as to avoid infringing the intellectual property rights. If a third party holds intellectual property rights, it may not allow DirecTV or the applicable manufacturers to use its intellectual property at any price, which could materially adversely affect DirecTV's competitive position.

DirecTV may not be aware of all intellectual property rights that its services or the products used to transmit or receive its services may potentially infringe. In addition, patent applications in the United States are confidential until the Patent and Trademark Office issues a patent. Therefore, DirecTV cannot evaluate the extent to which its services or the products used to transmit or receive its services may infringe claims contained in pending patent applications. Further, without lengthy litigation, it is often not possible to determine definitively whether a claim of infringement is valid.

DirecTV cannot estimate the extent to which it may be required in the future to obtain intellectual property licenses or the availability and cost of any such licenses. Those costs, and their impact on DirecTV's earnings, could be material. Damages in patent infringement cases may also include treble damages in certain circumstances. To the extent that DirecTV is required to pay royalties to third parties to whom it is not currently making payments, these increased costs of doing business could materially adversely affect DirecTV's operating results. DirecTV is currently being sued in patent infringement actions related to use of technologies in its DTH business. There can be no assurance that the courts will conclude that DirecTV's services or the products used to transmit or receive its services do not infringe on the rights of third parties, that DirecTV or the manufacturers would be able to obtain licenses from these persons on commercially reasonable terms or, if DirecTV were unable to obtain such licenses, that it or the manufacturers would be able to redesign DirecTV's services or the products used to transmit or receive its services to avoid infringement. The final disposition of these claims is not expected to have a material adverse effect on DirecTV's consolidated financial position, but could possibly be material to its consolidated results of operations for any one period. Further, no assurance can be given that any adverse outcome would not be material to DirecTV's consolidated financial position.

The ability to maintain FCC licenses and other regulatory approvals is critical to DirecTV's business. If DirecTV does not obtain all requisite U.S. regulatory approvals for the construction, launch and operation of any of its existing or future satellites for the use of frequencies at the orbital locations planned for these satellites or for the provision of service, or the licenses obtained impose operational restrictions on it, its ability to generate revenue and profits could be materially adversely affected. In addition, under certain circumstances, existing licenses are subject to revocation or modification and upon expiration, renewal may not be granted. If existing licenses are not renewed, or are revoked or materially modified, DirecTV's ability to generate revenue could be materially adversely affected.

In certain cases, satellite system operators are obligated by governmental regulation and procedures of the ITU to coordinate the operation of their systems with other users of the radio spectrum in order to avoid causing interference to those other users. Coordination may require a satellite system operator to reduce power, avoid operating on certain frequencies, relocate its satellite to another orbital location and/or otherwise modify planned or existing operations. For example, the FCC has conditionally granted Spectrum Five authority to provide DBS service using frequencies assigned to it by the Government of the Netherlands from an orbital slot located halfway between slots at which DirecTV currently operates. Other operators have filed similar requests. DirecTV believes this closer proximity, if permitted, significantly increases the risk of interference which could adversely affect the quality of service provided to DirecTV's subscribers. DirecTV may not be able to successfully coordinate its satellites to the extent it is required to do so, and any modifications DirecTV makes in the course of coordination, or any inability to successfully coordinate, may materially adversely affect its ability to generate revenue. In addition, the FCC is currently conducting a rulemaking proceeding to consider, among other things, the adoption of operating parameters under which such "tweener" systems would be automatically deemed coordinated.

Other regulatory risks include, among others:

- the relocation of satellites to different orbital locations if the FCC determines that relocation is in the public interest;

- the denial by the FCC of an application to replace an existing satellite with a new satellite or to operate a satellite beyond the term of its current authorization;

- the loss of authorizations to operate satellites on certain frequencies at certain locations if DirecTV does not construct, launch and operate satellites into those locations by certain dates; and

- the authorization by the United States or foreign governments of the use of frequencies by third party satellite or terrestrial facilities that have the potential to interfere with communication to or from DirecTV's satellites, which could interfere with DirecTV's contractual obligations or services to subscribers or other business operations.

All of DirecTV's FCC satellite authorizations are subject to conditions imposed by the FCC in addition to the FCC's general authority to modify, cancel or revoke those authorizations. Use of FCC licenses and conditional authorizations are often subject to conditions, including technical requirements and implementation deadlines. Failure to comply with such requirements, or comply in a timely manner, could lead to the loss of authorizations and could have a material adverse effect on DirecTV's ability to generate revenue. For example, loss of an authorization could potentially reduce the amount of programming and other services available to DirecTV's subscribers. The materiality of such a loss of authorization would vary based upon, among other things, the orbital location at which the frequencies may be used.

In addition, many of DirecTV's authorizations and pending applications will be subject to petitions and oppositions filed by several companies, and there can be no assurance that DirecTV's authorizations will not be cancelled, revoked or modified or that its applications will not be denied. Moreover, the FCC recently adopted new rules for licensing satellites that may limit DirecTV's ability to file applications and secure licenses in the future.

Congress has continued to shape the scope of the FCC's regulatory authority and enact legislation that affects DirecTV's business. In addition, FCC proceedings to implement legislation and enact additional regulations are ongoing. The outcomes of these legislative or regulatory proceedings or their effect on DirecTV's business cannot be predicted.

DirecTV Latin America ("DTVLA") is subject to various additional risks associated with doing business internationally, which include political instability, economic instability, and foreign currency exchange rate volatility. All of DTVLA's operating companies are located outside the continental United States. DTVLA operates and has subscribers located throughout Latin America and the Caribbean Basin, which makes it vulnerable to risks of conducting business in foreign markets, including:

- difficulties and costs associated with complying with a wide variety of complex laws, treaties and regulations;
- unexpected changes in regulatory environments;
- longer payment cycles;
- earnings and cash flows that may be subject to tax withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- political and economic instability;
- import and export restrictions and other trade barriers;
- difficulties in maintaining overseas subsidiaries and international operations; and
- difficulties in obtaining approval for significant transactions.

In the past, the countries that constitute some of DTVLA's largest markets, including Brazil, Argentina, Colombia and Venezuela have experienced economic crises, caused by external and internal factors, and characterized by exchange rate instability, high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment. These economic conditions have often been related to political instability, including political violence. If these economic conditions recur, they could substantially reduce the purchasing power of the population in our markets and materially adversely affect our business.

Because DTVLA offers premium pay television programming, its business is particularly vulnerable to economic downturns. DTVLA has experienced, and may in the future experience, decreases or instability in consumer demand for its programming, as well as subscriber credit problems. DTVLA's inability to adjust its business and operations to adequately address these issues could materially adversely affect its revenue and ability to sustain profitable operations.

II-10

DirecTV may not be able to obtain or retain certain foreign regulatory approvals. There can be no assurance that any current regulatory approvals held by DirecTV are, or will remain, sufficient in the view of foreign regulatory authorities, or that any additional necessary approvals will be granted on a timely basis or at all, in all jurisdictions in which DirecTV operates, or that applicable restrictions in those jurisdictions will not be unduly burdensome. The failure to obtain the authorizations necessary to operate satellites or provide satellite service internationally could have a material adverse effect on DirecTV's ability to generate revenue and its overall competitive position.

Results are impacted by the effect of, and changes in, United States and worldwide economic conditions. DirecTV's business may be affected by factors in the United States and other countries in which it operates that are beyond its control, such as downturns in economic activity in a specific country or region, or in the MVPD industry. Factors such as interest rates and the health of the housing market may impact DirecTV's business. A significant market downturn could have a material adverse effect on DirecTV's earnings and financial performance.

Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
31.3	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification*

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		LIBERTY MEDIA LLC
Date: May 13, 2008	By:	/s/ GREGORY B. MAFFEI
		Gregory B. Maffei President and Chief Executive Officer
Date: May 13, 2008	By:	/s/ DAVID J.A. FLOWERS
		David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer)
Date: May 13, 2008	By:	/s/ CHRISTOPHER W. SHEAN
		Christopher W. Shean Senior Vice President and Controller (Principal Accounting Officer)

EXHIBIT INDEX

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32	Section 1350 Certification*

* Filed herewith

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