



Liberty Media Corporation

Fourth Quarter and Year End 2014 Earnings Call

February 25, 2015

Forward Looking Statements

This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about business strategies, market potential, future financial prospects, growth of SiriusXM's subscriber base, the future financial performance of SiriusXM (including guidance provided by SiriusXM), the continuation of our stock repurchase plan, the repurchase activity of SiriusXM, and other matters that are not historical facts. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, possible changes in market acceptance of new products or services, regulatory matters affecting our businesses, the competitive position of SiriusXM versus other radio and audio entertainment providers, the ability of SiriusXM to attract and retain subscribers, the dependence of SiriusXM upon the auto industry, general economic conditions, the failure of SiriusXM's satellites (which, in most cases, are not insured), the interruption or failure of SiriusXM's information and communication systems, the security of personal customer information, royalties SiriusXM pays for music rights (which increase over time), the unfavorable outcome of pending or future litigation, the failure to realize benefits of acquisitions, rapid technological and industry change, failure of third parties to perform, changes in consumer protection laws and their enforcement, continued access to capital on terms acceptable to Liberty Media, changes in law and market conditions conducive to stock repurchases. These forward-looking statements speak only as of the date of this presentation, and Liberty Media expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Liberty Media's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Please refer to the publicly filed documents of Liberty Media, including the most recent Form 10-K, for additional information about Liberty Media and about the risks and uncertainties related to Liberty Media's business which may affect the statements made in this presentation.

On today's call we will discuss certain non-GAAP financial measures including adjusted OIBDA (as we define it) and adjusted EBITDA and free cash flow (each as defined by SiriusXM). The required definitions and reconciliations (Preliminary Note and Schedules 1 - 6) can be found at the end of this presentation. Unless otherwise noted, this presentation compares financial information for the quarter and year ended December 31, 2014 to the same periods in 2013. Certain prior period amounts have been reclassified for comparability with the current presentation.



Highlights

- SiriusXM reported strong Q4 and full year results
 - Subscriber base grew to 27.3 million
 - Revenue of \$1.09 billion and \$4.18 billion for the fourth quarter and full-year, respectively
 - Adjusted EBITDA⁽¹⁾ grew 17% to \$381 million for the quarter and 26% to \$1.47 billion for the full year
 - Net income increased 31% to \$493 million in 2014
 - 2014 free cash flow⁽¹⁾ reached a record \$1.16 billion, up 25%
 - Repurchased \$2.5 billion in shares in 2014
 - Reiterated 2015 guidance: net subscriber additions of approximately 1.2 million, revenue of approximately \$4.4 billion, Adjusted EBITDA of approximately \$1.6 billion, and free cash flow of approximately \$1.25 billion
- Liberty Media's ownership of SiriusXM stood at 56.7%⁽²⁾ as of February 3, 2015
- From November 1, 2014 through January 31, 2015, repurchased 489 thousand LMCK shares at an average price per share of \$34.75 and a total cost of \$17 million
- Completed spin-off of Liberty Broadband Corporation ("Liberty Broadband") on November 4, 2014

1) See schedules for applicable definitions and reconciliations.

2) Quarter-over-quarter decline of less than 1% a result of the conversion of SiriusXM's 7% Exchangeable Notes, partially offset by SiriusXM share repurchases.



Liberty Media

(\$ in millions)

	Sept 30, 2014	Dec 31, 2014
<u>Cash and Public Holdings</u>		
Charter Communications ⁽¹⁾	\$ 4,201	\$ -
Live Nation debt and equity ⁽²⁾	1,315	1,427
Other public holdings ⁽³⁾	1,038	745
Total	\$ 6,554	\$ 2,172
Cash and liquid investments ⁽⁴⁾⁽⁵⁾	\$ 673	\$ 880
Less: Short-term marketable securities	296	199
Total Liberty Media Cash (GAAP)	\$ 377	\$ 681
Total Cash and Public Holdings	\$ 6,931	\$ 2,853
<u>Debt</u>		
SiriusXM senior notes ⁽⁶⁾	\$ 4,150	\$ 4,150
SiriusXM exchangeable notes ⁽⁶⁾	491	-
Liberty 1.375% cash convertible notes due 2023 ⁽⁷⁾	1,000	1,000
Margin loans	250	250
Other debt	225	491
Total Liberty Media Debt	\$ 6,116	\$ 5,891

- 1) In accordance with GAAP, Liberty Media accounted for its investment in the equity of Charter Communications using the equity method of accounting and included it in its consolidated balance sheet at its historical carrying value of \$2.4 billion at September 30, 2014. The equity investment in Charter Communications was subsequently spun-off as part of Liberty Broadband on November 4, 2014.
- 2) Represents the fair value of Liberty Media's debt and equity investments. In accordance with GAAP, Liberty Media accounts for its investment in the equity of Live Nation using the equity method of accounting and includes it in its consolidated balance sheet at its historical carrying value of \$452 million and \$396 million at September 30, 2014 and December 31, 2014, respectively.
- 3) Represents the carrying value of other public holdings which are accounted for at fair value.
- 4) Includes \$296 million and \$199 million of short-term marketable securities with an original maturity greater than 90 days as of September 30, 2014 and December 31, 2014.
- 5) Includes \$104 million and \$148 million of cash and liquid investments held at SiriusXM as of September 30, 2014 and December 31, 2014, respectively.
- 6) Outstanding principal amount of Senior Notes and Exchangeable Senior Subordinated Notes with no increase for the premium resulting from purchase accounting.
- 7) Face amount of the cash convertible notes with no adjustment for the fair market value adjustment.



LMC Non-GAAP Financial Measures

Preliminary Note

This presentation includes references to adjusted OIBDA, which is a non-GAAP financial measure, for Liberty Media together with a reconciliation to operating income, as determined under GAAP. Liberty Media defines adjusted OIBDA as revenue less operating expenses and selling, general and administrative expenses, excluding all stock based compensation, and excludes from that definition depreciation and amortization, restructuring and impairment charges and separately reported legal settlements that are included in the measurement of operating income pursuant to GAAP.

Liberty Media believes adjusted OIBDA is an important indicator of the operational strength and performance of its businesses, including the ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. Because adjusted OIBDA is used as a measure of operating performance, Liberty Media views operating income as the most directly comparable GAAP measure. Adjusted OIBDA is not meant to replace or supersede operating income or any other GAAP measure, but rather to supplement such GAAP measures in order to present investors with the same information that Liberty Media's management considers in assessing the results of operations and performance of its assets. Please see the attached schedules for a reconciliation of adjusted OIBDA to operating income (loss) calculated in accordance with GAAP for Liberty Media.



Liberty Media Reconciling Schedules (Schedule 1)

(\$ in millions)

	4Q-13	1Q-14	2Q-14	3Q-14	4Q-14
Liberty Media⁽¹⁾					
Adjusted OIBDA	\$ 319	\$ 294	\$ 372	\$ 392	\$ 359
Depreciation and amortization	(78)	(90)	(92)	(90)	(87)
Stock compensation expense	(52)	(49)	(49)	(53)	(66)
Operating Income	\$ 189	\$ 155	\$ 231	\$ 249	\$ 206

	2013	2014
Liberty Media⁽¹⁾		
Adjusted OIBDA	\$ 1,322	\$ 1,417
Depreciation and amortization	(315)	(359)
Stock compensation expense	(193)	(217)
Operating Income	\$ 814	\$ 841

1) A reconciliation for Liberty Media of adjusted OIBDA to operating income calculated in accordance with GAAP for the three months ended December 31, 2013, March 31, 2014, June 30, 2014, September 30, 2014, and December 31, 2014, respectively and for the years ended December 31, 2013 and December 31, 2014, respectively.



Liberty Media Reconciling Schedules (Schedule 2)

(\$ in millions)

	Sept 30, 2014	Dec 31, 2014
Cash and liquid investments: ⁽¹⁾⁽²⁾	\$ 673	\$ 880
Less: Short-term marketable securities	296	199
Total Liberty Media Cash (GAAP)	\$ 377	\$ 681
Debt:		
SiriusXM senior notes ⁽³⁾	\$ 4,150	\$ 4,150
SiriusXM exchangeable notes ⁽³⁾	491	-
Liberty 1.375% cash convertible notes due 2023 ⁽⁴⁾	1,000	1,000
Margin loans	250	250
Other debt	225	491
Total Liberty Media Debt	\$ 6,116	\$ 5,891
Unamortized premium	(42)	(39)
Total Liberty Media Debt (GAAP)	\$ 6,074	\$ 5,852

- 1) Includes \$296 million and \$199 million of short-term marketable securities with an original maturity greater than 90 days as of September 30, 2014 and December 31, 2014.
- 2) Includes \$104 million and \$148 million of cash and liquid investments held at SiriusXM as of September 30, 2014 and December 31, 2014, respectively.
- 3) Outstanding principal amount of Senior Notes and Exchangeable Senior Subordinated Notes with no increase for the premium resulting from purchase accounting.
- 4) Face amount of the cash convertible notes with no adjustment for the fair market value adjustment.



SiriusXM Non-GAAP Financial Measures

Preliminary Note

This presentation includes references to Adjusted EBITDA, which is a non-GAAP financial measure, for SiriusXM together with a reconciliation to net income, as determined under GAAP. SiriusXM defines Adjusted EBITDA as follows: EBITDA is defined as net income before interest and investment income (loss); interest expense, net of amounts capitalized; income tax expense and depreciation and amortization. SiriusXM adjusts EBITDA to remove the impact of other income and expense, loss on extinguishment of debt, loss on change in value of derivatives, as well as certain other charges discussed below. This measure is one of the primary non-GAAP financial measures on which SiriusXM (i) evaluates the performance of its businesses, (ii) bases its internal budgets and (iii) compensates management. Adjusted EBITDA is a non-GAAP financial performance measure that excludes (if applicable): (i) certain adjustments as a result of the purchase price accounting for the merger of Sirius and XM, (ii) depreciation and amortization and (iii) share-based payment expense. The purchase price accounting adjustments include: (i) the elimination of deferred revenue associated with the investment in XM Canada, (ii) recognition of deferred subscriber revenues not recognized in purchase price accounting, and (iii) elimination of the benefit of deferred credits on executory contracts, which are primarily attributable to third party arrangements with an OEM and programming providers. SiriusXM believes Adjusted EBITDA is a useful measure of the underlying trend of SiriusXM's operating performance, which provides useful information about its business apart from the costs associated with its physical plant, capital structure and purchase price accounting. SiriusXM believes investors find this non-GAAP financial measure useful when analyzing its results and comparing its operating performance to the performance of other communications, entertainment and media companies. SiriusXM believes investors use current and projected Adjusted EBITDA to estimate its current and prospective enterprise value and to make investment decisions. Because SiriusXM funds and builds-out its satellite radio system through the periodic raising and expenditure of large amounts of capital, its results of operations reflect significant charges for depreciation expense. The exclusion of depreciation and amortization expense is useful given significant variation in depreciation and amortization expense that can result from the potential variations in estimated useful lives, all of which can vary widely across different industries or among companies within the same industry. SiriusXM also believes the exclusion of share-based payment expense is useful given share-based payment expense is not directly related to the operational conditions of our business.

Adjusted EBITDA has certain limitations in that it does not take into account the impact to SiriusXM's statements of comprehensive income of certain expenses, including share-based payment expense and certain purchase price accounting for the merger of Sirius and XM. SiriusXM endeavors to compensate for the limitations of the non-GAAP measure presented by also providing the comparable GAAP measure with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure. Investors that wish to compare and evaluate SiriusXM's operating results after giving effect for these costs, should refer to net income as disclosed in its consolidated statements of comprehensive income. Since Adjusted EBITDA is a non-GAAP financial performance measure, SiriusXM's calculation of Adjusted EBITDA may be susceptible to varying calculations; may not be comparable to other similarly titled measures of other companies; and should not be considered in isolation, as a substitute for, or superior to measures of financial performance prepared in accordance with GAAP. The reconciliation of SiriusXM's net income to Adjusted EBITDA is set forth in Reconciling Schedules 3-4.

Free cash flow is derived from cash flow provided by operating activities, capital expenditures and restricted and other investment activity. The reconciliation of SiriusXM's operating cash flow to free cash flow is set forth in Reconciling Schedules 5-6.



SiriusXM Reconciling Schedules (Schedule 3)

(\$ in thousands)

	Unaudited	
	For the Three Months Ended	
	December 31,	
	2014	2013
Net income (GAAP):	\$ 143,122	\$ 65,197
Add back items excluded from Adjusted EBITDA:		
Purchase price accounting adjustments:		
Revenues	1,813	1,813
Operating expenses	(946)	(1,068)
Share-based payment expense (GAAP)	20,380	19,102
Depreciation and amortization (GAAP)	66,402	60,348
Interest expense, net of amounts capitalized (GAAP)	71,981	54,140
Loss on extinguishment of debt and credit facilities, net (GAAP)	-	66,229
Interest and investment income (GAAP)	(5,910)	(3,328)
Loss on change in value of derivatives (GAAP)	-	20,393
Other income (GAAP)	(467)	(295)
Income tax expense (GAAP)	84,931	43,020
Adjusted EBITDA	\$ 381,306	\$ 325,551



SiriusXM Reconciling Schedules (Schedule 4)

(\$ in thousands)

	Unaudited	
	For the Years Ended	
	December 31,	
	2014	2013
Net income (GAAP):	\$ 493,241	\$ 377,215
Add back items excluded from Adjusted EBITDA:		
Purchase price accounting adjustments:		
Revenues	7,251	7,251
Operating expenses	(3,781)	(207,854)
Share-based payment expense (GAAP)	78,212	68,876
Depreciation and amortization (GAAP)	266,423	253,314
Interest expense, net of amounts capitalized (GAAP)	269,010	204,671
Loss on extinguishment of debt and credit facilities, net (GAAP)	-	190,577
Interest and investment income (GAAP)	(15,498)	(6,976)
Loss on change in value of derivatives (GAAP)	34,485	20,393
Other (income) loss (GAAP)	887	(1,204)
Income tax expense (GAAP)	337,545	259,877
Adjusted EBITDA	\$ 1,467,775	\$ 1,166,140



SiriusXM Reconciling Schedules (Schedule 5)

(\$ in thousands)

	Unaudited	
	For the Three Months Ended	
	December 31,	
	2014	2013
Cash Flow Information		
Net cash provided by operating activities	\$ 365,076	\$ 358,575
Net cash used in investing activities	(34,402)	(580,734)
Net cash used in financing activities	(286,535)	(359,820)
Free Cash Flow		
Net cash provided by operating activities	\$ 365,076	\$ 358,575
Additions to property and equipment	(34,402)	(55,382)
Free Cash Flow	\$ 330,674	\$ 303,193



SiriusXM Reconciling Schedules (Schedule 6)

(\$ in thousands)

	Unaudited	
	For the Years Ended	
	December 31,	
	2014	2013
Cash Flow Information		
Net cash provided by operating activities	\$ 1,253,244	\$ 1,102,832
Net cash used in investing activities	(96,324)	(700,688)
Net cash used in financing activities	(1,144,001)	(788,284)
Free Cash Flow		
Net cash provided by operating activities	\$ 1,253,244	\$ 1,102,832
Additions to property and equipment	(121,646)	(173,617)
Purchases of restricted and other investments	-	(1,719)
Return of capital from investment in unconsolidated entity	24,178	-
Free Cash Flow	\$ 1,155,776	\$ 927,496

