STATE BOARD OF EQUALIZATION

Appeal Name: Comcast Cablevision Corp of CA, TP & Comcon Production Services I, Inc., Assumer

Case ID: 424198 ITEM #. B1

Date: February 2, 2012 Exhibit No: 2.3

TP FTB DEPT PUBLIC COMMENT

FTB EXHIBIT
B1
February 2, 2012
Comcast Cablevision Corporation of California,
Taxpayer,& Comcon Production Services I, Inc.,
Assumer, 424198

Comcast's Acquisition Transactions and Activity - Pending Transactions as of December 31, 1999

(Excerpts from Comcast's 1999 Annual Report, Ex. M)

Acquisition of Lenfest Communications, Inc.

In January 2000, we acquired Lenfest Communications, Inc., a cable communications company serving 1.3 million subscribers ....

Acquisition of CalPERS' Interest in Jointly Owned Cable Properties

In February 2000, we acquired the California Public Employees Retirement System's 45% interest in Comcast MHCP Holdings, L.L.C., ... which serves 642,000 cable subscribers ....

Jones Intercable Agreement

In April 1999, we acquired a controlling interest in Jones Intercable, Inc., a cable communications company serving 1.1 million subscribers .... In June 1999, we acquired an additional 1.0 million shares of Jones Intercable Class A Common Stock ....

In December 1999, we entered into a merger agreement with Jones Intercable to acquire all of the remaining shares of Jones Intercable not currently owned by us. ...

Time Warner Agreement

In November 1999, we entered into an agreement to exchange certain of our cable communications systems with Time Warner Cable .... Under the terms of the agreement, we will receive cable communications systems serving 120,000 subscribers. In exchange, Time Warner will receive systems that we currently own serving 133,000 subscribers. ...

Ex 1

Prime Communications Agreement

In December 1998, we agreed to invest in Prime Communications LLC, a cable communications company serving 430,000 subscribers. ... In July 1999, we made a loan to Prime in the form of a $733.5 million 6% ten year note, convertible into 90% of the equity of Prime. [Upon conversion of the note ...] we would then own 100% of Prime and assume management control of Prime's operations. ...

AT&T Agreement

In May 1999, we entered into an agreement with AT&T to exchange various cable communications systems. Under the terms of the agreement, we will receive cable communications systems serving 1.5 million subscribers. In exchange, AT&T will receive systems that we currently own or will acquire serving 750,000 subscribers. ...

Adelphia Agreement

In May 1999, we entered into an agreement to exchange certain cable communications systems with Adelphia Communications. Under the terms of the agreement, we will receive cable communications systems serving 464,000 subscribers from Adelphia. In exchange, Adelphia will receive cable communications systems currently owned by us serving 440,000 subscribers. ...

Comparison of Comcast Exhibit 15 and QVC Audited Financial Statements

	QVC Payments to Comcast per Comcast Ex. 15	QVC Payments to Comcast per QVC Audited Financial Statements			Difference Between Comcast Exhibit and QVC Financial Statements
		Commission Payments	Carriage/Channel Placement Fees	Total per QVC Financial Statements	
2001	$12,000,000	$11,600,000	$17,500,000	$29,100,000	$17,100,000
2002	$23,000,000	$24,100,000	$20,300,000	$44,400,000	$21,400,000
Total	$35,000,000	$35,700,000	$37,800,000	$73,500,000	$38,500,000

Schedule L Balance Sheets	Beginning of income year (a)	Beginning of income year (b)	End of income year (c)	End of income year (d)
Assets				
1 Cash		895,572,799		969,797,420
2 a Trade notes and accounts receivable	688,206,043		864,001,578	
b Less allowance for bad debts	(124,142,459)	564,063,584	(147,098,261)	716,903,317
3 Inventories		298,959,000		401,942,000
4 Federal and state government obligations				
5 Other current assets. Attach schedule(s)		3,911,901,441		7,804,727,361
6 Loans to stockholders/officers. Attach schedule				
7 Mortgage and real estate loans				
8 Other investments. Attach schedule(s)		616,270,298		5,613,533,290
9 a Buildings and other fixed depreciable assets	4,268,144,157		6,451,927,702	
b Less accumulated depreciation	(1,439,283,682)	2,828,860,476	(2,126,424,578)	4,325,503,124
10 a Depletable assets				
b Less accumulated depletion	( )		( )	
11 Land (net of any amortization)		555,688		6,213,434
12 a Intangible assets (amortizable only)	9,972,615,367		16,177,667,923	
b Less accumulated amortization	(2,642,006,427)	7,330,608,940	(3,975,702,996)	12,201,964,927
13 Other assets. Attach schedule(s)				7,195,564
14 **Total assets**		16,446,792,226		32,047,780,436
Liabilities and Stockholders' Equity				
15 Accounts payable		192,658,604		185,515,848
16 Mortgages, notes, bonds payable in less than 1 year				200,000,000
17 Other current liabilities. Attach schedule(s)		3,475,989,710		6,117,985,189
18 Loans from stockholders				
19 Mortgages, notes, bonds payable in 1 year or more		6,236,200,690		11,014,232,531
20 Other liabilities. Attach schedule(s)		2,802,692,138		4,508,660,761
21 Capital stock: a Preferred stock	572,540,209		569,639,801	
b Common stock	369,764,274	942,304,483	752,284,130	1,321,923,931
22 Paid-in or capital surplus. Attach reconciliation		3,587,299,313		4,307,369,103
23 Retained earnings — Appropriated. Attach schedule				
24 Retained earnings — Unappropriated		(1,842,287,712)		(1,720,642,840)
25 Adjustments to shareholders' equity Attach schedule		1,051,935,000		6,112,735,913
26 Less cost of treasury stock		( )		( )
27 **Total liabilities and stockholders' equity**		16,446,792,226		32,047,780,436

Schedule M-1 Reconciliation of income (loss) per books with income (loss) per return.

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than $25,000.

1 Net income per books	705,873,247	7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax	622,360,998	a Tax-exempt interest $	
3 Excess of capital losses over capital gains	118,023,149		2,583,645,656
4 Taxable income not recorded on books this year (itemize)	38,974,110	8 Deductions in this return not charged against book income this year (itemize)	
5 Expenses recorded on books this year not deducted in this return (itemize)		a Depreciation $	
a Depreciation $		b State tax refunds $	
b State taxes $			264,327,284
c Travel and entertainment $	1,400,529,162	9 Total. Add line 7 and line 8	2,847,972,940
6 Total. Add line 1 through line 5	2,885,760,666	10 Net income per return. Subtract line 9 from line 6	37,787,726

Schedule M-2 Analysis of unappropriated retained earnings per books (Schedule L, line 24)

This schedule does not have to be completed if the amount on Schedule L, line 14, column (d), is less than $25,000.

1 Balance at beginning of year	(1,842,287,712)	5 Distributions: a Cash	
2 Net income per books	705,873,247	b Stock	
3 Other increases (itemize)		c Property	
		6 Other decreases (itemize)	584,228,375
		7 Total. Add line 5 and line 6	584,228,375
4 Total. Add line 1 through line 3	(1,136,414,465)	8 Balance at end of year. Subtract line 7 from line 4	(1,720,642,840)

Comcast 1999 CA RETURN - SCH. R (p.1)

INCOME YEAR

CALIFORNIA SCHEDULE

1999 Apportionment and Allocation of Income R

Attach this schedule to your California tax return.

For calendar year 1999 or fiscal year beginning month_____ day_____ year 1999, and ending month_____ day_____ year_____

Corporation name: Comcast Cablevision Corporation of California, Inc

California corporation number: [redacted]

Address: 1500 Market Street, 36th Floor

PMB no.

City: Philadelphia | State (country): PA | ZIP code: 19102-2148

Water's-Edge Filers Only: If controlled foreign corporations (CFCs) are included in the combined report, attach form FTB 2416, Retained Earnings of Controlled Foreign Corporations.

Be sure to complete Side 1 and all applicable schedules. See General Information for Schedule R.

1 a Net income (loss) after state adjustments from Form 100, Side 1, line 17; Form 100S, Side 1, line 15; Form 100X, line 4. Form 565 and Form 568 filers: Include the total of line 1 through line 7 from Schedule K (565 or 568) less the total of line 8 through line 12 from Schedule K (565 or 568)	1a	94,320,350	
b Water's-edge foreign investment interest offset from form FTB 2424, line 17	1b		
c Total. Combine line 1a and line 1b	1c	94,320,350	

Total Nonbusiness Income (Loss) See General Information A for definitions and examples.

2 Dividends included on line 1a and not deducted on Form 100, Side 1, line 9 through line 11; or Form 100S, Side 1, line 9 and line 10	2		
3 Interest. Attach schedule	3		
4 Net income (loss) from the rental of property from Schedule R-3, line 3, column (c)	4		
5 Royalties. Attach schedule	5		
6 Gain (loss) from the sale of assets from Schedule R-4, line 2, column (e)	6		
7 Partnership or LLC income (loss). Attach schedule	7		
8 Miscellaneous income (loss). Attach schedule	8		
9 Total nonbusiness income (loss). Combine line 2 through line 8	9		
10 Balance. Subtract line 9 from line 1c	10	94,320,350	
11 Interest offset from Schedule R-5, line 7 or line 16	11		
12 Business income (loss) from sources both within and outside of California. Add line 10 and line 11	12	94,320,350	
13 a Average apportionment percentage from Schedule R-1, line 5	13a	8.5974 %	
b Business income attributable to California. Multiply line 12 by line 13a	13b	8,109,098	

Nonbusiness Income (Loss) Allocable to California If no income is allocable to California, do not complete line 14 through line 21. Transfer the amount on line 13b to line 22a and complete line 22b, line 22c, line 23, and line 24.

14 Dividends and interest income (if taxpayer's commercial domicile is in California):			
a Dividends included in line 2 above	14a		
b Interest included in line 3 above	14b		
15 Net income (loss) from the rental of property within California from Schedule R-3, line 3, column (b)	15		
16 Royalties. Attach schedule	16		
17 Gain (loss) from the sale of assets within California from Schedule R-4, line 2, total of column (b) and column (d)	17		
18 Partnership or LLC income (loss). Attach schedule	18		
19 Miscellaneous income (loss). Attach schedule	19		
20 Total income (loss) allocable to California. Combine line 13b through line 19	20	8,109,098	
21 Interest offset from line 11 allocated to income included on line 14a and line 14b. See General Information K	21		
22 a Net income (loss) for state purposes before contributions adjustment. Subtract line 21 from line 20	22a	8,109,098	
b Post-apportionment amounts from capital gain/loss netting. See General Information O	22b		
c Total. Combine line 22a and line 22b	22c	8,109,098	
23 Contributions adjustment from Schedule R-6, line 15	23		
24 Net income (loss) for state purposes. Combine line 22c and line 23. Enter here and on Form 100, Side 1, line 18; or Form 100S, Side 1, line 16	24	8,109,098	

Rec. Kathy 8/5/03

QVC, Inc. and Subsidiaries

Consolidated Financial Statements With Management's Discussion and Analysis of Financial Condition and Results of Operations As of December 31, 2002 and 2001 and for the Years Ended December 31, 2002, 2001 and 2000 (With Independent Auditors' Report Thereon)

13-9

QVC, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	2
INDEPENDENT AUDITORS' REPORT	15
FINANCIAL STATEMENTS:	
Consolidated Balance Sheets as of December 31, 2002 and 2001	16
Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2002, 2001 and 2000	17
Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000	18
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2002, 2001 and 2000	19
Notes to Consolidated Financial Statements	20

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

QVC, Inc. and subsidiaries (the "Company" or "QVC") is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised-shopping programs. In the United States, the programs are aired through its nationally televised shopping network - 24 hours a day, 7 days a week (collectively, the "QVC Service"). Internationally, the Company has electronic retailing program services in the United Kingdom ("QVC-England"), Germany ("QVC-Deutschland") and, since April 2001, Japan ("QVC-Japan"). Subsidiaries of Comcast Corporation ("Comcast") and Liberty Media Corporation ("Liberty") own approximately 57% and 42%, of QVC, respectively, with the remaining 1% owned by management. Comcast is the controlling stockholder. On March 9, 1999, AT&T Corporation ("AT&T") acquired Liberty. From March 9, 1999 through August 9, 2001, Liberty was a subsidiary of AT&T. Effective August 10, 2001, AT&T effected a split-off of Liberty causing Liberty to become a stand-alone entity that is no longer a subsidiary of AT&T.

Pursuant to the stockholders agreement between Comcast and Liberty, on March 3, 2003, Liberty delivered a notice to Comcast that triggers an exit rights process with respect to Liberty's approximate 42% interest in the Company. Comcast and Liberty will attempt to negotiate the fair market value of the Company. If Comcast and Liberty cannot agree, an appraisal process will determine the value of the Company. Comcast will then have the right to purchase Liberty's interest in the Company at the determined value. If Comcast elects not to purchase Liberty's interest in the Company, Liberty then will have a similar right to purchase Comcast's approximate 57% interest in the Company. If neither Comcast nor Liberty elect to purchase the interest of the other, then Comcast and Liberty are required to use their best efforts to sell the Company; either company is permitted to be a purchaser in such sale. Comcast and Liberty may agree not to enter into a transaction, or may agree to a transaction other than that specified in the stockholders agreement.

The accompanying consolidated financial statements include operations for the years ended December 31, 2002, 2001 and 2000.

Number of Homes Serviced—An estimate of the average number of homes receiving the QVC Service, QVC-England, QVC-Deutschland and QVC-Japan follows (homes in millions):

	2002	2001	2000
QVC Service:			
Cable homes—24 hours per day	64.9	63.7	62.2
Cable homes—part-time	0.5	0.6	1.0
Satellite dish homes	1.0	1.0	1.0
Direct Broadcast Satellite ("DBS")	17.9	15.3	12.6
Total	84.3	80.6	76.8
Full-time equivalent ("FTE") homes	74.4	71.9	69.3
Net sales per FTE home	$ 49.32	$ 46.92	$ 44.05
QVC—England:			
QVC - England FTE homes	10.4	9.1	8.4
Net sales per FTE home	$ 28.44	$ 29.74	$ 35.80
QVC—Deutschland:			
QVC - Deutschland FTE homes	25.0	23.3	21.7
Net sales per FTE home	$ 10.97	$ 8.50	$ 6.35
QVC—Japan:			
QVC - Japan FTE homes	4.8	2.9	-
Net sales per FTE home	$ 17.88	$ 5.07	$ -

Full-time equivalent homes receiving the QVC Service equal the sum of the number of U.S. cable homes receiving the QVC Service 24 hours per day, plus one-third of the U.S. part-time cable homes, plus one-half of both the U.S. satellite dish homes and DBS homes. This calculation reflects the Company's estimate of the relative value to the Company of part-time homes, satellite dish homes and DBS homes compared to full-time homes. "Net sales per FTE home" includes net sales from the Company's televised shopping programs and QVC.com.

The increase in the number of homes receiving the QVC Service in 2002 and 2001 is due to growth in the number of homes in both new and existing cable and satellite systems and conversion of part-time to full-time homes.

The QVC Service signal is transmitted via an exclusive, protected, non-preemptible transponder on a communications satellite. "Protected" status means that, in the event of transponder failure, QVC's signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same lessor if one is available at the time of the failure. "Non-preemptible" status means that the transponder cannot be preempted in favor of a user of a "protected" failure and believes that because it has the exclusive use of a protected, non-preemptible transponder, such interruption is unlikely to occur. There can be no assurance, however that

there will not be an interruption or termination of satellite transmission due to transponder failure. Such interruption or termination could have a material adverse effect on QVC.

Although QVC-Deutschland's signal was broadcast to 25.0 million FTE homes as of December 31, 2002, the Company estimates that approximately 49% of the televisions are currently programmed to receive the signal. The Company is trying to create greater awareness of QVC-Deutschland so that German consumers will adjust their televisions and make QVC-Deutschland a part of their regular selection.

Consolidated net sales increases in 2002 and 2001 are primarily due to the 5.3% and 6.8 % increase, respectively, in net sales to existing U.S. subscribers and the 3.6% and 3.8 % increase, respectively, in the number of homes receiving the QVC Service. It is unlikely that the number of homes receiving the QVC Service will continue to grow at rates comparable to prior periods given that the QVC Service is already received by approximately 97% of all of the cable television homes in the U.S. Future growth in sales will depend increasingly on continued additions of new customers from homes already receiving the QVC Service and continued growth in repeat sales to existing customers. The Company's future sales may also be effected by the willingness of cable and satellite distributors to carry QVC's programming service as well as general economic conditions.

Results of Operations—The following table sets forth the Company's consolidated statements of operations expressed as a percentage of net revenue:

	2002	2001	2000
Net revenue	100.0 %	100.0 %	100.0 %
Cost of goods sold	63.7	64.2	64.6
Gross profit	36.3	35.8	35.4
Operating expenses:			
Variable costs	9.5	9.8	10.1
General and administrative	7.2	7.6	7.8
Depreciation	1.8	1.7	1.4
Amortization of intangible assets	0.9	1.8	2.0
	19.4	20.9	21.3
Operating income	16.9	14.9	14.1
Other income (expense):			
Loss from equity investee	(0.2)	(0.3)	(0.1)
(Loss) gain on investments	(2.3)	1.8	-
Minority interest	0.7	(0.2)	-
Interest expense	(0.3)	(0.7)	(1.0)
Interest income	0.2	0.4	0.7
	(1.9)	1.0	(0.4)
Income before taxes and cumulative effect of change in accounting principle	15.0	15.9	13.7
Income taxes	(6.0)	(6.5)	(6.1)
Income before cumulative effect of change in accounting principle	9.0	9.4	7.6
Cumulative effect of change in accounting principle	-	-	-
Net income	9.0 %	9.4 %	7.6 %

Net Revenue and Gross Profit—Net revenue for the year ended December 31, 2002 was $4.4 billion, an increase of 11.8 % over net revenue for the year ended December 31, 2001. Net revenue for the year ended December 31, 2001 was $3.9 billion, an increase of 10.8% over net revenue for the year ended December 31, 2000. In 2002, the sales increase was primarily due to a 3.6 % increase in the average number of U.S. homes receiving the QVC Service and a 5.3 % annual increase in net sales to existing U.S. subscribers. Additional increases in net revenues were due to QVC-Japan's annual increase in net sales per FTE in excess of 200% and a 29.1 % annual increase in German net sales per FTE. In 2001, the sales increase was primarily due to a 3.8 % increase in the average number of U.S. homes receiving the QVC Service and a 6.8% annual increase in net sales to existing U.S. subscribers as well as a 33.9% annual increase in Germany net sales per FTE.

Net revenue in 2002, 2001 and 2000 includes the following international subsidiaries (in millions):

	2002	2001	2000
QVC-England	$ 296.6	$ 271.7	$ 300.9
QVC-Deutschland	274.7	197.8	137.5
QVC-Japan	85.7	14.7	-

The decrease in QVC-England's net revenue in 2001 as compared to 2000 is primarily due to the country's switch to digital cable from analog. This switch has changed QVC-England's channel position to be in a higher channel sequence as well as grouped with digital cable channels of a similar category. This caused all of the electronic retail channels to fall within the same channel range. QVC-England's 2002 net revenue has increased compared to 2001, as viewers have become more familiar with QVC's digital channel positioning.

The Company has two credit programs, the QVC Easy-Pay Plan and the QVC revolving credit card program. The Easy-Pay Plan permits customers to pay for items in two or more installments. When the customer selects the Easy-Pay Plan, the item purchased is shipped after the first payment is billed to the customer's credit card. The customer's credit card is subsequently billed up to four additional monthly installments until the total purchase price of the product has been billed by the Company. The Company has an agreement with an unrelated third party (the "Bank") whereby the Bank provides revolving credit directly to QVC customers. The revolving credit card issued and serviced by the Bank may be used solely for the purchase of merchandise from the Company. The Bank may advance a portion of the purchase price to the Company. The Company, under certain circumstances, remains obligated to purchase from the Bank any uncollected customers' accounts. Sales under the revolving credit card program amounted to 30.2%, 31.8% and 33.7% of net revenue in 2002, 2001 and 2000, respectively. The provision for doubtful accounts under these credit programs amounted to $15.9 million, $18.1 million and $18.4 million in 2002, 2001 and 2000, respectively.

The U.S. sales mix by product category as a percentage of net revenue follows:

	2002	2001	2000
Home	49.9 %	49.2 %	51.3 %
Jewelry	23.7	27.2	28.3
Apparel	12.4	10.5	9.3
Accessories	14.0	13.1	11.1
	100.0 %	100.0 %	100.0 %

Gross profit for 2002 was $1.6 billion or 36.3% of net revenue compared to $1.4 billion or 35.8 % of net revenue in 2001 and $1.3 billion or 35.4% of net revenue in 2000. The increases in the 2002 and 2001 gross profit amounts are primarily due to the increased sales volume. The increase in the 2002 gross profit percentage is primarily the result of increased initial product margin. The increase in the 2001 gross profit percentage is primarily the result of an increase in initial product margin and, to a lesser extent, reduction in product freight-in expense.

Variable Costs—The major components of this expense classification are detailed below, expressed in amounts and as a percentage of net revenue (dollars in millions):

	2002		2001		2000	
	$	%	$	%	$	%
Commissions and license fees	168.0	3.9	152.0	3.9	142.6	4.0
Order processing and customer service	154.8	3.5	149.4	3.8	137.6	3.9
Provision for doubtful accounts	29.3	0.7	29.1	0.7	29.2	0.8
Credit card processing fees	62.5	1.4	54.7	1.4	48.3	1.4
	414.6	9.5	385.2	9.8	357.7	10.1

Despite an increase of $3.9 million in QVC-Japan commissions and license fees in 2002 compared to 2001, consolidated expense remained consistent in 2002 at 3.9% of net revenue, primarily due to the offset of increases in QVC.com sales, for which lesser commissions are required to be paid. It is primarily the 2001 increases in QVC.com sales and to a lesser extent QDirect, that contributed to the 2001 decrease to 3.9% of net revenue for commissions and license fees from 4.0% of net revenue in 2000.

Order processing and customer service expenses decreased as a percentage of net revenue in 2002 compared to 2001 due to the completion of the implementation of various call center technological advances that have mitigated the impact of increased call volume and wages, as well as the first full year of a revised telecommunication contract for lower rates. The enhancements to the order entry system as well as the decreased rates for telecommunication begun in 2001, causing the percentage of net revenues to decrease to 3.8% in 2001 from 3.9% in 2000.

The provision for doubtful accounts increased slightly in 2002 but remained consistent as a percentage of net revenue at .7% compared to 2001. The increase in the expense in 2002 is primarily due to a one time provision related to a bankrupt freight payment agent. The provision for doubtful accounts decreased slightly in 2001 primarily as the result of a reduction in write-offs of customer accounts.

Credit card processing fees remained consistent at 1.4% of net revenues for 2002, 2001 and 2000, accordingly, the growth in expense is due to increased sales volume.

General and Administrative—The major components of general and administrative expenses for 2002, 2001 and 2000 are detailed below, expressed in amounts and as a percentage of net revenue (dollars in millions):

	2002		2001		2000	
	$	%	$	%	$	%
Administration	119.9	2.7	106.8	2.7	101.5	2.9
Broadcasting	80.6	1.8	79.9	2.1	73.8	2.1
Advertising and marketing	57.1	1.3	58.5	1.5	56.0	1.6
Information technology	51.2	1.2	42.5	1.1	36.3	1.0
Merchandising and programming	39.4	0.9	33.4	0.9	26.8	0.8
Occupancy costs	20.7	0.5	20.7	0.5	17.0	0.5
Net credit card operations	(52.8)	(1.2)	(46.0)	(1.2)	(37.3)	(1.1)
	316.1	7.2	295.8	7.6	274.1	7.8

Administration expenses increased in 2002 primarily due to an increase in compensation expense related to the Company's stock option plans, increased costs of employee medical benefits, inclusion of the first full year of QVC-Japan operations and QVC-Germany salaries and benefits including expatriates. These increases are partially offset by decreased spending related to QDirect music ventures and U.S. relocation costs. Administrative expense spending increased in 2001 primarily due to start up costs of QVC-Japan operations, increased spending related to QDirect music ventures, as well as increased expenses related to the administration of the Company's equity investments, partially offset by decreased spending for office related services such as supplies and postage. As a percentage of net revenue, administrative expenses remained consistent at 2.7% in 2002 compared to 2001 and decreased to 2.7% in 2001 from 2.9% in 2000.

Broadcasting expenses decreased to 1.8% of net revenue in 2002 from 2.1% of net revenue in 2001. Broadcasting expense spending increased in 2002 primarily due to the inclusion of the first full year of live broadcasting expenses for QVC-Japan and increased salaries and benefits across the Company. These increases are partially offset by decreased transponder fees in QVC- England, decreased outside contractor costs in QVC-Germany, and decreased spending on U.S. offsite broadcasting programs. Broadcasting expenses remained consistent at 2.1% of net revenue in 2001 compared to 2000. Broadcasting expense spending increased in 2001 primarily due to the launch of QVC-Japan live broadcasting in April 2001, increased transponder fees at QVC-Deutschland, as well as increased salaries and benefits across the Company. These increases were largely offset by a $4.3 million decrease in transponder fees in QVC-England as a result of the switch from analog service to digital service.

Advertising and marketing expenses decreased $1.4 million in 2002 to 1.3% of net revenue, compared to 1.5% of net revenue in 2001. This decrease is primarily due to decreased expenses for affiliate advertising. Advertising and marketing costs increased in 2001 primarily due to an increase in spending related to QVC-Japan's first full year of operations, and to a lesser extent, development of the QVC @ the Mall store, as well as QVC.com advertising on other web sites. This increase is partially offset by decreased expenses for affiliate advertising. As a percentage of net revenue, advertising and marketing expenses decreased to 1.5% in 2001 from 1.6% in 2000.

Information technology expenses increased in 2002 primarily as a result of increased salaries and benefits expense domestically and in QVC-England, and to a lesser extent, higher software maintenance fees, partially offset by internal costs capitalized as other intangible assets for software development. Information technology expenses increased in 2001 primarily due to increased salaries and benefits expense domestically, as well as the results of start up costs for QVC-Japan operations. In 2002 and in 2001, data processing expenses increased .1%, respectively, as a percentage of net revenue.

While merchandising and programming expenses remained consistent as a percentage of net revenue in 2002 at .9% compared to 2001, the 2002 increase of $6.0 million is primarily due to increased salaries and benefits expenses for the U.S. operations including QVC.com and QVC-Deutschland merchandising. Merchandising and programming expenses increased in 2001 primarily due to the launch of QVC-Japan in April 2001 as well as headcount and salaries increases.

Occupancy costs remained consistent in 2002 compared to 2001 at $20.7 million and .5% of net revenue. Occupancy costs increased in 2001 compared to 2000 primarily due to costs associated with the expansion of the Company's Studio Park facility that was completed in 2000, as well as an increase of $1.0 million for start up costs for QVC-Japan.

Net credit card operations income increased $6.8 million in 2002 due to a $3.4 million increase in finance income and late fees earned on customer account balances. In addition, 2002 funding fees decreased by $6.3 million primarily due to lower interest rates. This increase in income was offset by an increase in account service fees due to increased sales volume and rate increases. As a percentage of net revenue, 2002 net credit

card operations remained consistent at 1.2% compared to 2001. Net credit card operations increased $8.7 million in 2001 due to a $6.4 million increase in finance income and late fees earned on customer account balances. In addition, 2001 funding fees decreased by $4.2 million primarily due to lower interest rates. This increase in income was offset by an increase in account service fees due to increased sales volume and rate increases. As a percentage of net revenue, 2001 net credit card operations increased to 1.2% compared to 1.1% in 2000.

Depreciation and Amortization—In 2001, certain depreciation expense in 2000 was reclassified to amortization expense (see Note 1 to the consolidated financial statements). This reclassification of $6.7 million was the result of classifying computer software as other intangible assets rather than property, plant and equipment.

In 2002, certain depreciation expense in 2001 and 2000 has been reclassified to amortization expense (see Note 1 to the consolidated financial statements). This reclassification of $4.6 million for 2001 and $2.3 million for 2000 is the result of classifying capitalized internal labor related to software developed for internal use as other intangible assets rather than property, plant and equipment.

Depreciation expense increased in 2002 primarily due to one half year depreciation on capital expenditures for the expansion of the Company's Rocky Mount, North Carolina warehouse, as well as depreciation on capital expenditures for the Company's new German warehouse and call center. Depreciation expense increased in 2001 primarily due to a full year's depreciation on the Rocky Mount, North Carolina distribution center warehouse and equipment as well as increased additions in Germany and Japan.

Amortization expense decreased $32.4 million in 2002 primarily due to the adoption of SFAS 142, *Goodwill and Other Intangible Assets,* which requires the Company to no longer amortize goodwill (see Note 1 to the consolidated financial statements). Amortization increased in 2001 primarily due increased amortization of software costs partially offset by decreased amortization of cable and satellite television distribution rights.

Operating Income—Operating income was $738.3 million, $584.1 million and $498.5 million in 2002, 2001 and 2000, respectively. The increase in operating income in 2002 is primarily the result of increases in gross profit from higher sales volume as well as a decrease in amortization expense, partially offset by higher variable costs and general and administrative costs. The increase in 2001 is primarily the result of increases in gross profit from higher sales volume, partially offset by higher variable costs and general and administrative costs.

International Operations—In 1993, the Company established electronic retailing program service in the United Kingdom through a 50% interest in a joint venture agreement with British Sky Broadcasting Limited ("BSkyB"). QVC-England began broadcasting on October 1, 1993. In 1995, the Company increased its ownership interest in that joint venture to 80% through a revised agreement with BSkyB. Accordingly, effective April 1, 1995, QVC-England is accounted for by the Company as a consolidated subsidiary. As of December 31, 2002, QVC-England transmitted to approximately 3.2 million cable subscribers, 7.0 million satellite dish homes and 1.3 million digital terrestrial homes.

The revised joint venture agreement in QVC-England required, among other things, that the Company provide all funding to QVC-England until it was profitable. The Company would then recover all prior funding before any profits were shared. Until the Company recovered its funding, it had included 100% of the income (loss) from operations in the Consolidated Statements of Operations and Comprehensive Income. In August 2000, the Company recovered all prior funding and began to share profits with the minority shareholder. The minority interest at December 31, 2002 is $6.1 million.

In 1996, the Company established an electronic retailing program service in Germany through a wholly owned subsidiary. This subsidiary began broadcasting on December 1, 1996. The subsidiary's program was broadcast to approximately 16.4 million cable subscribers and to 9.4 million satellite dish homes in Germany at December 31, 2002.

In June 2000, the Company began a joint venture with Mitsui & Co., Ltd. ("Mitsui") to form a new electronic retailing program in Japan. The venture is owned 60% by QVC and 40% by Mitsui. QVC-Japan launched April 1, 2001 on Japan's satellite and cable channels. The subsidiary's program was broadcast to approximately 5.4 million cable subscribers and to 2.9 million satellite dish homes in Japan at December 31, 2002. The Company and Mitsui share in all profits and losses by their respective ownership proportions. The minority interest at December 31, 2002 is $24.6 million.

The Company is exposed to exchange rate risk when its non-U.S. subsidiaries enter into transactions denominated in currencies other than their functional currency. The Company managed certain foreign currency risks through the use of forward exchange contracts designated as cash flow hedges. Gains or losses upon settlement of derivative positions when the underlying transaction occurs were recognized in the Consolidated Statements of Operations and Comprehensive Income. For derivative instruments designated as cash flow hedges, the effective portion of any hedge is reported in other comprehensive income until it is recognized in earnings during the same period in which the hedged item affects earnings. The ineffective portion of all hedges is recognized in current earnings each period.

Investment in Equity Investees —In April 1999, through a seventy percent owned and consolidated subsidiary, Interactive Technology Holdings, LLC ("ITH"), purchased 4.0 million shares of Series B Convertible Preferred Stock of The Knot, Inc. ("The Knot") for $15.0 million. In connection with this purchase, The Knot issued a warrant to purchase 1.7 million shares of common stock at $5.00 per share. Upon the closing of the initial public offering of The Knot in December 1999, all of the outstanding shares of the Series B Convertible Preferred Stock converted into an aggregate of 4.0 million shares of common stock and the warrant became exercisable. The Company has accounted for the investment by using the equity method and has recognized a proportionate share of The Knot's losses. In December 1999, the Company recorded an unrealized gain of $4.5 million, net of income taxes of $2.4 million, as a result of The Knot's initial public offering. In the first quarter of 2001, this unrealized gain was reversed due to a change in accounting principle upon adoption of Statement of Financial Accounting Standards No. 133. In addition, the Company recorded a loss on investment of $4.2 million as a result of an other than temporary impairment write-down of the asset value of the investment in The Knot. In October 2001, the value of the Company's share of The Knot's losses exceeded the value of the Company's investment and accordingly, the investment was written down to zero. If The Knot was to return to an income position, the Company would record its share of losses retroactively as well as gains in order to reflect its net positive position in accordance APB 18, *The Equity Method of Accounting for Investments in Common Stock.*

In September and October 2000, ITH purchased an aggregate of 5.0 million shares of common stock and 4.5 million warrants to purchase additional shares of common stock of GSI Commerce, Inc., formerly Global Sports, Inc., ("Global"), a publicly traded company, for $40.8 million. The warrants have an exercise price of $8.15 per share to purchase 2.0 million shares and an exercise price of $10.00 per share to purchase 2.5 million shares. The warrants expire in 2005. The purchase price assigned to the warrants was $17.5 million. Since ITH's investment in Global was less than 20% ownership in 2000, the Company had accounted for the investment in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* The fair market value of the Company's investment in Global at December 31, 2000 was $46.5 million. The Company recorded an unrealized gain of $5.2 million net of income taxes of $1.7 million to other comprehensive income at December 31, 2000.

In August 2001, ITH purchased an additional 4.0 million shares of common stock of Global for $40.0 million. ITH received 300,000 warrants at an exercise price of $6.00 per share in the transaction. The warrants expire in 2006. The additional investment brought ITH's ownership to 25.8% requiring the application of equity accounting. The change to equity accounting required ITH to record a reversal of a $10.5 million unrealized gain on investment, net of income tax expense of $5.7 million, due to conversion from an equity security under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* to an equity method investment.

In 2002 and 2001, ITH recorded a realized gain on equity investment of $2.7 million and $13.7 million, respectively, in connection with investments in Global by unrelated third-parties. This gain represents the difference between ITH's recorded basis in the common stock of Global prior to the investment and the fair value of equity securities received from the investing third-party companies.

In 2001, ITH recorded a loss from equity investee of $8.0 million for its proportionate share of Global's losses and a gain on investment of $60.6 million related to the fair market valuation of its Global warrants. In 2002, ITH recorded a loss from equity investee of $7.4 million for its proportionate share of Global's losses and a loss on investment of $71.9 million related to the fair market valuation of its Global warrants.

At December 31, 2001, included in the Company's other non-current assets is ITH's net equity investment in Global of $69.6 million and warrant investment of $79.5 million, which were acquired for an aggregate purchase price of $81.3 million. A portion of this aggregate purchase price was allocated to goodwill and is subject to impairment testing in accordance with APB 18 and SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* In December 2002, in accordance with this impairment testing ITH utilized quoted market prices and recorded a loss on investment of $32.0 million as a result of an other than temporary impairment write-down of the asset value of the investment in Global. At December 31, 2002, included in the Company's other non-current assets is ITH's net equity investment in Global of $32.9 million and warrant investment of $7.6 million. While ITH's percentage ownership fluctuates with the change in their outstanding stock shares, the percentage continues to require equity accounting.

The Company and Global have entered into an agreement where Global fulfills orders placed through QVC.com for sporting goods.

Stock and Warrant Investments—In August 2000, ITH purchased 1.2 million shares of Series B Convertible Preferred Stock as an investment in Commerce Technologies, Inc. ("Commerce"), a non-public company. Commerce also authorized the sale and issuance of a warrant to purchase an additional 0.5 million shares of common stock at an exercise price of $2.50 per share. The aggregate purchase price of the preferred stock and the warrant was $3.0 million. In 2000, ITH's investment in Commerce was less than 20% and therefore was accounted for under the cost method.

In December 2001, ITH purchased an additional 1.1 million shares of common stock and 5.2 million shares of Series C Convertible Preferred Stock. Commerce also authorized the sale and issuance of a warrant to ITH to purchase an additional 1.7 million shares of common stock at an exercise price of $0.73 per share. The August 2000 warrant was cancelled upon the issuance of the new warrant. The aggregate purchase price for the stock and the warrant was $4.6 million. ITH also purchased an additional 0.5 million shares of Series A Convertible Preferred Stock directly from shareholders for $0.4 million. In connection with this agreement, ITH obtained the right to convert the Series B Convertible Preferred Stock into common stock. As a result of this agreement, ITH's ownership of the outstanding stock of Commerce has exceeded 50%, and Commerce's operations have been consolidated in accordance with APB 16, *Business Combinations*, and SFAS No. 141, *Business Combinations.*

In December 2001, the Company and Commerce entered into a services agreement for Commerce to help in the facilitation of the Company's drop-ship sales. In connection with this agreement, Commerce authorized and issued a warrant for the Company to receive 1.0 million options convertible into common stock at an exercise price of $0.73. These options vest at varying dates through June 2004 based on certain sales performance criterion the Company must meet during this time frame. At December 31, 2002, the Company has vested in 250,000 of the options.

Interest Expense—Interest expense decreased in 2002 and 2001 primarily as a result of lower debt balances due to principal payments and lower annual weighted average interest rates.

Interest Income—The Company recognized lower interest income on its temporary cash investments as well as its credit card receivables in 2002 and 2001 primarily due to lower interest rates.

Income Tax Provision—The effective income tax rates were 39.9 %, 40.7 % and 44.8% for the years ended 2002, 2001 and 2000, respectively.

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under the asset and liability method of SFAS No. 109, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Net Income—Net income was $396.0 million, $369.6 million, and $268.0 million in 2002, 2001 and 2000, respectively. The changes in net income are the result of the factors discussed above.

Liquidity and Capital Resources—The Company's principal source of working capital is internally generated cash flow from operations. Net cash provided by operating activities totaled $620.4 million, $437.7 million and $360.0 million in 2002, 2001 and 2000, respectively. The primary reasons for the increased cash flow from operations in 2002 is the increase in pretax income before non-cash charges and a decrease in working capital items. The primary reasons for the increased cash flow from operations in 2001 is the increase in pretax income before non-cash charges.

The Company's capital expenditures totaled $150.4 million in 2002 compared to $113.0 million in 2001 and $140.2 million in 2000. In 2002, facility expenditures were principally for construction of the new warehouse and distribution center in Huckelhoven, Germany and the expansion of the Rocky Mount, North Carolina warehouse facility. In 2001, facility expenditures were principally for construction of the Germany facilities. Broadcasting and studio equipment expenditures were principally for the launch of the Japan operations. In 2000, facility expenditures were principally for construction and completion of the new warehouse facility and office in Rocky Mount, North Carolina.

The Company has an agreement with the Bank whereby the Bank provides revolving credit directly to QVC customers through the Company's revolving credit card. The Company, under certain circumstances, remains obligated to purchase from the Bank any uncollected customers' accounts.

On February 15, 1995, the Company entered into a $1.2 billion credit facility (the "Facility") in connection with the acquisition of the Company. The Facility was comprised of Term Loans totaling $800 million, a $325 million Revolving Credit Facility (the "Revolver Commitment") and a $75.0 million Working Capital Credit Facility (the "Working Capital Commitment"). Of the $1.2 billion Facility, $1.1 billion was borrowed under the Term Loans and the Revolver Commitment to finance a portion of the acquisition.

In May 1996, the Company prepaid $200 million of the Term Loans resulting in acceleration of amortization of debt acquisition costs of $1.8 million before income tax benefit. In connection with that prepayment, the Company renegotiated the Facility. The renegotiation, effective July 1996, resulted in an increase in the Revolver Commitment to $425 million and a reduction of 3/8% to the interest rates applicable margin.

In November 2002, the Company prepaid the outstanding balance of $59.8 million related to the Facility that was due in January 2003. The Facility was terminated in its entirety in December 2002. At December 31, 2002, the Company has uncommitted credit lines with two banking institutions available for letters of credit. At December 31, 2002, outstanding letters of credit totaled $46.9 million of available uncommitted lines totaling $120 million.

In order to manage interest rate risk from floating rate liabilities, the Company entered into an amortizing interest rate hedge in September 1998 to fix LIBOR interest rates beginning in June 2000 at approximately 4.9%, plus an applicable margin. Interest rate hedges are considered derivatives under SFAS No. 133 (see Note 1). There was $180.3 million of the Facility debt covered by the interest rate hedge at December 31, 2001. The fair value of these hedges at December 31, 2001 was a liability to the Company of $3.7 million. In 2001, the Company recorded an unrealized loss from the fair market value depreciation of its interest rate hedge agreements of $2.0 million, net of income tax benefit of $1.4 million. The loss was recorded as a component of accumulated other comprehensive income. In connection with the prepayment of the debt in 2002, the interest rate hedge became speculative. The amounts previously recorded as a component of accumulated other comprehensive income were recognized in interest expense. Subsequent to the final debt payment in November 2002, changes in the fair market value of the swap were recognized in interest expense. The interest rate swap expired in January 2003. The Company could be exposed to credit risk, up to the fair market value of the hedges, in the event of nonperformance by the other parties to the interest rate hedge agreements. However, the Company does not anticipate nonperformance by the counterparties. The fair value of these hedges at December 31, 2002 was a liability to the Company of $0.3 million.

In 2002 and 2001, the Company managed certain foreign currency risks through the use of forward exchange rate contracts. The purpose of these contracts related primarily to the construction of the Company's warehouse in Germany. These contracts provided for the purchase or sale of foreign currencies at specified future dates at specified exchange rates. These were designated as cash flow hedges and as having a high correlation with the underlying exposures and accordingly gains and losses from changes in derivative fair values were deferred. In 2001, the Company recorded an unrealized gain from the fair market value appreciation of its euro forward contracts of $0.5 million, net of income tax expense of $0.2 million, as a component of accumulated other comprehensive income. This contract settled in 2002 and accordingly the gain previously recorded as a component of accumulated other comprehensive income was recognized in interest expense.

Working capital was $654.5 million, $281.4 million and $268.1 million at December 31, 2002, 2001 and 2000, respectively. The current ratio was 1.8 at December 31, 2002 and 1.3 at December 31, 2001.

The Company entered into affiliation agreements with various cable operators for carriage of the Company's U.S. shopping service. In 2002, the Company entered into a 10-year affiliation agreement with Cox Communications, Inc. for carriage of the Company's U.S. shopping service, as well as certain channel placement provisions. In connection with this affiliation agreement, the Company paid $6.7 million in 2002. This agreement requires the Company to make additional payments to Cox Communications, Inc. upon their achieving certain channel placement benchmarks.

In 2001, the Company entered into a 10-year amendment to an existing affiliation agreement with Adelphia Communications for carriage of the Company's U.S. shopping service within an agreed upon range of numbered channels. In connection with this supplemental affiliation agreement, the Company paid $34.5

million in November 2001. Also in 2001, the Company entered into a 10-year amendment to an existing affiliation agreement with Comcast Cable Communications, Inc. ("Comcast Cable"), a subsidiary of Comcast, for carriage of the Company's U.S. shopping service within an agreed upon range of numbered channels. In connection with this supplemental affiliation agreement, the Company paid $11.6 million in December 2001. Per the agreement, the Company is to make additional payments to Comcast Cable upon its achieving certain channel placement benchmarks. In 2002, the Company made additional payments of $24.1 million to Comcast Cable in accordance with the agreement.

In April 2002, QVC-England entered into a 2.5-year affiliation agreement with Shop! for the carriage of the QVC-England shopping service on Digital Terrestrial TV. In connection with this agreement, QVC-England paid $8.2 million in 2002 while a deferred portion is to be paid over the life of the contract. At December 31, 2002 QVC-England had $2.2 million accrued related to the deferred portion of this contract.

QVC-Deutschland entered into affiliation agreements with various cable system operators for carriage of its shopping service during 2002 and 2001. In connection with these affiliation agreements, QVC-Deutschland paid $1.4 million and $1.0 million in 2002 and 2001, respectively.

QVC-Japan entered into affiliation agreements with various cable systems for the carriage of its shopping service during 2001. In connection with these affiliation agreements, QVC-Japan paid $1.9 million in 2001.

The Company believes that its present capital resources and future operations will result in adequate financial resources to fund all future interest and debt payments existing as of December 31, 2002, as well as capital expenditures and working capital requirements.

Effects of Inflation—Inflation has not had a significant impact on the results of the Company's operations.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
QVC, Inc.
West Chester, Pennsylvania

We have audited the accompanying consolidated balance sheets of QVC, Inc. and subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of operations and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. 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 of America. 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, such consolidated financial statements present fairly, in all material respects, the financial position of QVC, Inc. and subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*, effective January 1, 2002.

Deloitte + Touche LLP

March 3, 2003

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2002 and 2001
(In Thousands)

ASSETS	2002	2001
Current assets:		
Cash and cash equivalents	$ 275,515	$ 135,709
Accounts receivable, less allowance for doubtful accounts of $86,292 and $82,565	569,834	528,815
Inventories	479,459	454,681
Deferred taxes	129,400	128,671
Prepaid expenses	19,874	24,339
Total current assets	1,474,082	1,272,215
Property, plant and equipment, net	485,152	410,060
Cable and satellite television distribution rights, net	121,157	101,278
Goodwill	716,980	716,824
Other intangible assets, net	43,317	37,286
Other non-current assets	45,857	158,302
TOTAL ASSETS	$ 2,886,545	$ 2,695,965
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 122	$ 239,385
Accounts payable—trade	283,031	220,087
Accrued liabilities	536,458	531,316
Total current liabilities	819,611	990,788
Long-term debt, less current maturities	1,379	62,656
Deferred compensation	49,439	35,118
Non-current deferred tax liability	6,216	8,774
Total liabilities	876,645	1,097,336
Commitments and contingencies (Notes 11 and 17)		
Minority interest	43,867	64,291
Shareholders' equity:		
Common stock, par value $.01	51	50
Additional paid-in capital	557,056	525,779
Retained earnings	1,386,615	1,021,104
Accumulated other comprehensive income	22,311	(12,595)
Total shareholders' equity	1,966,033	1,534,338
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,886,545	$ 2,695,965

See notes to consolidated financial statements.

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(In Thousands)

	2002	2001	2000
Net revenue	$ 4,381,312	$ 3,917,306	$ 3,535,923
Cost of goods sold	2,792,977	2,513,971	2,284,859
Gross profit	1,588,335	1,403,335	1,251,064
Operating expenses:			
Variable costs	414,617	385,158	357,729
General and administrative	316,109	295,833	274,091
Depreciation	80,123	66,593	49,239
Amortization of intangible assets	39,214	71,624	71,550
	850,063	819,208	752,609
Operating income	738,272	584,127	498,455
Other income (expense):			
Loss from equity investees	(8,040)	(12,639)	(4,574)
(Loss) gain on investments	(101,287)	69,990	
Minority interest	33,823	(9,978)	1,944
Interest expense	(14,079)	(25,600)	(34,914)
Interest income	9,838	16,896	24,179
	(79,745)	38,669	(13,365)
Income before taxes and cumulative effect of change in accounting principle	658,527	622,796	485,090
Income taxes	(262,559)	(253,948)	(217,114)
Income before cumulative effect of change in accounting principle	395,968	368,848	267,976
Cumulative effect of change in accounting principle	-	707	-
Net income	395,968	369,555	267,976
Other comprehensive income:			
Foreign currency translation adjustment	33,316	(3,012)	(5,196)
Unrealized (loss) gain on investment	-	(3,259)	3,259
Unrealized (loss) gain on Euro forward	(451)	451	-
Unrealized gain (loss) on interest rate swap	2,041	(2,041)	-
Comprehensive income	$ 430,874	$ 361,694	$ 266,039

See notes to consolidated financial statements.

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(In Thousands)

	2002	2001	2000
OPERATING ACTIVITIES:			
Net income	$ 395,968	$ 369,555	$ 267,976
Adjustments for non-cash items included in net income:			
Cumulative effect of change in accounting principle	-	(707)	-
Loss (gain) on investments	101,287	(69,990)	-
Deferred income taxes and income taxes not currently payable	(2,979)	14,000	(2,800)
Loss from equity investees	8,040	12,639	4,574
Minority interest	(33,823)	9,978	(1,944)
Depreciation	80,123	66,593	49,239
Amortization of intangible assets	39,214	71,624	71,550
Tax benefit from employee stock options	12,198	2,543	8,822
Change in other long-term liabilities	14,321	11,551	9,052
Effects of changes in working capital items	6,025	(50,049)	(46,450)
Net cash provided by operating activities	620,374	437,737	360,019
INVESTING ACTIVITIES:			
Capital expenditures	(150,373)	(113,003)	(140,177)
Expenditures for cable and satellite television distribution rights	(42,410)	(47,316)	(12,036)
Investments in and advances from joint ventures	(611)	(385)	(24)
Purchase of stock and warrant investments	-	(40,000)	(44,323)
Acquisitions, net of cash acquired	-	(1,207)	-
Proceeds from sale of stock investments	-	-	719
Changes in other non-current assets	(21,969)	(34,185)	(19,050)
Net cash used in investing activities	(215,363)	(236,096)	(214,891)
FINANCING ACTIVITIES:			
Payments against revolving credit agreement	(140,425)	(59,576)	-
Principal payments of debt	(160,115)	(115,118)	(100,112)
Proceeds from the exercise of employee stock options	36,983	12,464	12,464
Redemption of common stock	(48,360)	(28,264)	(45,611)
Minority interest investment in subsidiary	13,396	19,861	30,247
Net cash used in financing activities	(298,521)	(170,633)	(103,012)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	33,316	(3,012)	(5,196)
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,806	27,996	36,920
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	135,709	107,713	70,793
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 275,515	$ 135,709	$ 107,713
EFFECTS OF CHANGES IN WORKING CAPITAL ITEMS:			
Increase in accounts receivable	$ (41,019)	$ (543)	$ (90,138)
Increase in inventories	(24,778)	(17,300)	(35,439)
(Increase) decrease in current deferred taxes	(729)	837	8,314
Decrease (increase) in prepaid expenses	4,465	1,723	(7,807)
Increase (decrease) in accounts payable—trade	62,944	(58,556)	25,317
Increase in accrued liabilities	5,142	23,790	53,303
	$ 6,025	$ (50,049)	$ (46,450)

See notes to consolidated financial statements.

QVC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000
(In Thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
BALANCE, DECEMBER 31, 1999	5,055,005	$ 51	$ 509,290	$ 442,133	$ (2,797)	$ 948,677
Net income				267,976		267,976
Other comprehensive income—						
Foreign currency translation adjustments					(5,196)	(5,196)
Unrealized gain on investments, net of income tax of $1,755					3,259	3,259
Proceeds from exercise of employee stock options	32,353		12,464			12,464
Redemption of common stock	(40,163)	(1)	(9,087)	(36,523)		(45,611)
Tax benefit resulting from exercise of employee stock options			8,822			8,822
BALANCE, DECEMBER 31, 2000	5,047,195	50	521,489	673,586	(4,734)	1,190,391
Net income				369,555		369,555
Other comprehensive income—						
Foreign currency translation adjustments					(3,012)	(3,012)
Unrealized loss on "The Knot" investment, net of income tax benefit of $2,420				(4,490)		(4,490)
Unrealized loss on investments, net of income tax benefit of $1,332					(3,259)	(3,259)
Unrealized loss on interest rate swap, net of income tax benefit of $1,418					(2,041)	(2,041)
Unrealized gain on Euro forward, net of income tax expense of $243					451	451
Proceeds from exercise of employee stock options	19,015		12,464			12,464
Redemption of common stock	(21,362)		(10,717)	(17,547)		(28,264)
Tax benefit resulting from exercise of employee stock options			2,543			2,543
BALANCE, DECEMBER 31, 2001	5,044,848	50	525,779	1,021,104	(12,595)	1,534,338
Net income				395,968		395,968
Other comprehensive income—						
Foreign currency translation adjustments					33,316	33,316
Unrealized gain on interest rate swap, net of income tax expense of $1,418					2,041	2,041
Unrealized loss on Euro forward, net of income tax benefit of $243					(451)	(451)
Proceeds from exercise of employee stock options	49,753	1	36,982			36,983
Redemption of common stock	(29,622)		(17,903)	(30,457)		(48,360)
Tax benefit resulting from exercise of employee stock options			12,198			12,198
BALANCE, DECEMBER 31, 2002	5,064,979	$ 51	$ 557,056	$ 1,386,615	$ 22,311	$ 1,966,033

See notes to consolidated financial statements.

QVC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Management Control—QVC, Inc. and subsidiaries (the "Company" or "QVC") is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised-shopping programs. In the United States, the programs are aired through its nationally televised shopping network - 24 hours a day, 7 days a week. Internationally, the Company has electronic retailing program services in the United Kingdom ("QVC-England"), Germany ("QVC-Deutschland") and Japan ("QVC-Japan").

The Company was acquired in February 1995 by subsidiaries of Comcast Corporation ("Comcast") and Liberty Media Corporation ("Liberty"). Following the acquisition, Comcast and Liberty own approximately 57% and 42%, of QVC, respectively, with the remaining 1% owned by management. Comcast is the controlling stockholder. On March 9, 1999, AT&T Corporation ("AT&T") acquired Liberty. From March 9, 1999 through August 9, 2001, Liberty was a subsidiary of AT&T. Effective August 10, 2001, AT&T effected a split-off of Liberty causing Liberty to become a stand-alone entity that is no longer a subsidiary of AT&T.

Pursuant to the stockholders agreement between Comcast and Liberty, on March 3, 2003, Liberty delivered a notice to Comcast that triggers an exit rights process with respect to Liberty's approximate 42% interest in the Company. Comcast and Liberty will attempt to negotiate the fair market value of the Company. If Comcast and Liberty cannot agree, an appraisal process will determine the value of the Company. Comcast will then have the right to purchase Liberty's interest in the Company at the determined value. If Comcast elects not to purchase Liberty's interest in the Company, Liberty then will have a similar right to purchase Comcast's approximate 57% interest in the Company. If neither Comcast nor Liberty elect to purchase the interest of the other, then Comcast and Liberty are required to use their best efforts to sell the Company; either company is permitted to be a purchaser in such sale. Comcast and Liberty may agree not to enter into a transaction, or may agree to a transaction other than that specified in the stockholders agreement.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. The equity method of accounting is used when the Company has a 20% to 50% interest in other companies. All intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents —All highly liquid debt instruments purchased with a maturity of three months or less are classified as cash equivalents. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

Accounts Receivable—A provision for bad debts is provided as a percentage of sales based on historical experience and is included within variable costs.

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

Property, Plant and Equipment—The costs of property, plant and equipment are capitalized and depreciated over their estimated useful lives using the straight-line method. In the year of acquisition, the half-year convention is used. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in net income. The costs of maintenance and repairs are charged to expense as incurred.

In 2001, certain depreciation expense in 2000 was reclassified to amortization expense. This reclassification of $6.7 million was the result of classifying computer software as other intangible assets rather than property, plant and equipment. In 2002, certain depreciation expense in 2001 and 2000 has been reclassified to amortization expense. This reclassification of $4.6 million for 2001 and $2.3 million for 2000 is the result of classifying capitalized internal labor related to software developed for internal use as other intangible assets rather than property, plant and equipment.

Goodwill—In accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets,* goodwill is no longer amortized but is subject to impairment testing on an annual basis (see ***Accounting Changes*** in Note 1). Based on its review, the Company does not believe that any impairment of the carrying amounts has occurred.

Translation of Foreign Currencies—Assets and liabilities of foreign operations are translated at current exchange rates, and related translation adjustments are reported as a component of other comprehensive income. Statement of operations accounts are translated at the average rates for the period. Exchange gains and losses resulting from foreign currency transactions are currently included in operations.

Net Revenue—Revenue is recognized at time of shipment to customers. The Company's policy is to allow customers to return merchandise for up to thirty days after date of shipment. An allowance for returned merchandise is provided as a percentage of sales based on historical experience.

Income Taxes—The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under the asset and liability method of SFAS No. 109, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Financial Instruments —The Company manages risk arising from fluctuations in interest rates on floating rate debt by utilizing interest rate swaps designated as cash flow hedges. The differential paid or received on interest rate swaps is recognized as an adjustment to interest expense. The Company manages certain foreign currency risks through the use of forward exchange contracts designated as cash flow hedges. Gains or losses upon settlement of derivative positions when the underlying transaction occurs are recognized in the Consolidated Statement of Operations and Comprehensive Income. For derivative instruments designated as cash flow hedges, the effective portion of any hedge is reported in other comprehensive income until it is recognized in earnings during the same period in which the hedged item affects earnings. The ineffective portion of all hedges is recognized in current earnings each period.

The Company periodically examines instruments used to hedge exposure to interest rate and foreign currency risk to ensure that the instruments are matched with underlying assets or liabilities, reduce the Company's risks and, through market value and sensitivity analysis, maintain a high correlation to the risk inherent in the hedged item.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 results could differ from those estimates.

Stock-Based Compensation—In 1996, the Company adopted SFAS No. 123, *Accounting for Stock-Based Compensation*, which gives companies the option to adopt the fair value method for expense recognition of employee stock options or to continue to account for stock options and stock-based awards in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and to make pro forma disclosures of net income as if the fair value method had been applied. The Company has elected to continue to apply APB 25 for stock options and stock-based awards and has disclosed pro forma net income as if the fair value method had been applied.

The following table includes as reported and proforma information required by SFAS No. 148, *Accounting for Stock-Based Comprehensive – Transition and Disclosure*. Proforma information is based on the fair value method under SFAS No. 123. Fair values of options granted were estimated using the Black-Scholes option pricing model as discussed in Note 14.

	2002	2001	2000
Net income as reported	$ 395,968	$ 369,555	$ 267,976
Add: Stock-based compensation expense included in reported net income, net of tax	3,267	1,062	1,077
Deduct: Stock-based compensation expense determined under fair value method, net of tax	(14,441)	(13,898)	(11,715)
Proforma net income	$ 384,794	$ 356,012	$ 257,338

Accounting Changes—In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. SFAS No. 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. This statement, as amended by SFAS No. 137, *Accounting for Derivatives and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, is effective for all fiscal quarters of fiscal years beginning after June 15, 2001. SFAS No. 133 requires that all derivative instruments, whether designated in hedging relationships or not, be recorded on the balance sheet at their fair values. The effect of the adoption of this statement in 2001 was $0.7 million recorded as a cumulative change in accounting principle in the Consolidated Statement of Operations and Comprehensive Income.

Subsequent to the adoption of this statement, equity warrant investments are marked to market on a current basis with the result included in other income in the Consolidated Statement of Operations.

In December 1999, the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*, which provides guidance in applying accounting principles generally accepted in the United States of America to

selected revenue recognition issues. In March 2000 and June 1999, the staff of the SEC amended SAB No. 101 to delay the required implementation date of SAB No. 101 to the fourth quarter of fiscal years beginning after December 15, 1999. The Company adopted SAB No. 101, as amended, on October 1, 2000. The adoption of SAB No. 101, as amended, did not have a material impact on the Company's results of operations.

In September 2000, the FASB issued SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS No. 140 replaces SFAS No. 125 and addresses certain issues not previously addressed in SFAS No. 125. SFAS No. 140 is effective for transfers and servicing occurring after March 31, 2001. SFAS No. 140 is effective for disclosures about securitizations and collateral and for the recognition and reclassification of collateral for fiscal years ending after December 15, 2001. The adoption of SFAS No. 140 did not have a material impact on the Company's financial position or results of operations.

The FASB issued SFAS No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, in June 2001. These statements address how intangible assets that are acquired individually, with a group of other assets or in connection with a business combination should be accounted for in financial statements upon and subsequent to their acquisition. The new statements require that all business combinations initiated after June 30, 2001 be accounted for using the purchase method and establish specific criteria for the recognition of intangible assets separately from goodwill.

The Company adopted SFAS No. 141 on July 1, 2001, as required by the new statement. The adoption of SFAS No. 141 did not have a material impact on the Company's financial position or results of operations.

The Company adopted SFAS No. 142 on January 1, 2002, as required by the new statement. This adoption requires that the Company no longer amortize goodwill and other indefinite lived intangible assets. The Company is required to test its goodwill or intangible assets that are determined to have an indefinite life for impairment at least annually. During 2002, the Company completed its impairment testing, which indicated that there was no impairment. As a result of adopting SFAS No. 142, the Company's goodwill is no longer amortized. In both 2001 and 2000, the Company recorded amortization expense of $30.8 million.

The following proforma information for 2002, 2001 and 2000 is presented as if SFAS No. 142 was adopted on January 1, 2000:

	2002	2001	2000
Net income as reported	$ 395,968	$ 369,555	$ 267,976
Amortization of goodwill	-	30,839	30,839
Proforma net income	$ 395,968	$ 400,394	$ 298,815

During 2001, SFAS No. 143, *Accounting for Asset Retirement Obligations* was issued. SFAS No. 143 requires the recognition of a liability for the estimated cost of disposal as part of the initial cost of a long-lived asset and is effective for fiscal years beginning after June 15, 2002. The Company does not expect that the adoption will have a material impact on the Company's financial position or results of operations.

During 2001, SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, was issued and was adopted in 2002. SFAS No. 144 provides a single approach for measuring the impairment of long-lived assets, including a segment of a business accounted for as a discontinued

operation or those to be sold or disposed of other than by sale. The adoption of SFAS No. 144 did not have a material impact on the Company's financial position or results of operations.

In June 2002, SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, was issued. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred and that the initial measurement of a liability be at fair value. This statement is effective for exit and disposal activities initiated after December 31, 2002. The Company does not expect that the adoption will have a material impact on the Company's financial position or results of operations.

In December 2002, SFAS No. 148, *Accounting for Stock-Based Compensation- Transition and Disclosure, an amendment of FASB Statement No. 123*, was issued. SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require disclosure about the effects on reported net income of an entity's stock-based employee compensation in interim financial statements. The Company intends to continue to account for stock-based employee compensation under APB 25 and accordingly expects that the adoption of SFAS No. 148 will only have the impact of modifying disclosure requirements.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN 45 expands on the accounting guidance of SFAS No.'s 5, 57 and 107 and supercedes FIN 34. FIN 45 clarifies that a guarantor is required to disclose in its interim and annual financial statements its obligations under certain guarantees that it has issued, including the nature and terms of the guarantee, the maximum potential amount of future payments under the guarantee, the carrying amount, if any, for the guarantor's obligations under the guarantee, and the nature and extent of any recourse provisions or available collateral that would enable the guarantor to recover the amounts paid under the guarantee. FIN 45 also clarifies that, for certain guarantees, a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. FIN 45 does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. The initial recognition and initial measurement provisions of FIN 45 apply on a prospective basis to certain guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company's FIN 45 obligations are disclosed in Note 2 to the consolidated financial statements.

In January 2003, FASB Interpretation No. 46 ("FIN 46"), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, was issued. FIN 46 provides guidance on the identification of, and financial reporting for, variable interest entities. The Company is currently evaluating the impact the adoption of FIN 46 will have on its financial condition and results of operations but does not feel it has corporate structures that would qualify for disclosure pursuant to FIN 46 as of December 31, 2002.

Reclassifications—Certain reclassifications have been made to the prior years' consolidated financial statements to conform to those classifications used in 2002.

2. ACCOUNTS RECEIVABLE

The Company has an agreement expiring July 26, 2005 with an unrelated third party ("the Bank") whereby the Bank provides revolving credit directly to QVC customers. The revolving credit card issued by the Bank may be used solely for the purchase of merchandise from the Company. The Bank may advance a portion of the purchase price to the Company. The Company, under certain circumstances, remains obligated to purchase from the Bank any uncollected customers' accounts. Due to the nature of the agreement, the Company is not able to estimate the maximum potential loss through the life of the agreement. The Company is required to pay certain funding and servicing fees, which are offset by finance charges earned on customer account balances. The net amount of this finance income resulting from credit card operations is included as a reduction of general and administrative expenses and is comprised of the following (in millions):

	2002	2001	2000
Finance charges earned on customers' account balances	$ 76.8	$ 73.3	$ 66.9
Funding fees	5.9	12.1	16.3
Service fees	18.1	15.2	13.3
	24.0	27.3	29.6
Net finance income	$ 52.8	$ 46.0	$ 37.3

The uncollected balances of revolving credit extended by the Bank under that agreement are $462.5 million and $450.8 million at December 31, 2002 and 2001, respectively, of which $395.0 million and $340.0 million represent interest bearing deposits due from the Bank. The total reserve balances maintained for the purchase of uncollectible accounts are $56.4 million and $71.6 million as of December 31, 2002 and 2001, respectively. Approximately $8.2 million and $17.7 million of the reserve balances are included in accrued liabilities at December 31, 2002 and 2001, respectively. The remaining balances are included within the allowance for doubtful accounts.

The Company's potential obligations under the program are considered, for financial reporting purposes, to be financial instruments with off-balance sheet risk as defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The carrying value of accounts receivable, adjusted for the reserves described above, approximates fair value as of December 31, 2002, 2001 and 2000.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following (in thousands):

	December 31, 2002	December 31, 2001	Estimated Useful Life
Land	$ 17,089	$ 14,561	
Buildings and improvements	349,336	279,251	8 - 20 years
Furniture and other equipment	194,429	129,119	2 - 8 years
Broadcast equipment	44,930	45,956	3 - 5 years
Computer equipment	76,817	61,483	2 - 3 years
Projects in progress	9,073	49,041	
	691,674	579,411	
Accumulated depreciation	(206,522)	(169,351)	
Net property, plant and equipment	$ 485,152	$ 410,060	

The Company has reclassified capitalized internal labor related to software developed for internal use as an intangible asset rather than property, plant and equipment, as previously reported. Prior year presentation has been modified to conform to this reclassification.

In 2001, the Company commenced construction of a 600,000 square foot warehouse facility and administration office in Huckelhoven, Germany. As of December 31, 2002, the total capitalizable cost of this facility, net of grants, was approximately $78.0 million.

In December 2001, the Company commenced construction of a 338,000 square foot expansion of the Rocky Mount, North Carolina warehouse. The construction was completed in 2002 with a total capitalizable cost of $25.2 million.

In January 2002, the Company commenced construction of a 86,000 square foot call center facility in Bochum, Germany. Construction of the facility was completed in October 2002. The total capitalizable cost of the facility was approximately $23.3 million.

In January 2002, the Company commenced construction of a 20,500 square foot data center and control room in West Chester, Pennsylvania. Construction was completed in November 2002 with a total capitalizable cost of $14.9 million.

4. CABLE AND SATELLITE TELEVISION DISTRIBUTION RIGHTS

Cable and satellite television distribution rights consist of the following (in thousands):

	December 31,	
	2002	2001
Cable and satellite television distribution rights	$ 217,587	$ 183,324
Less accumulated amortization	(96,430)	(82,046)
Net cable and satellite television distribution rights	$ 121,157	$ 101,278

In 2002, the Company entered into a 10-year affiliation agreement with Cox Communications, Inc. for carriage of the Company's U.S. shopping service, as well as certain channel placement provisions. In connection with this affiliation agreement, the Company paid $6.7 million in 2002. This agreement requires the Company to make additional payments to Cox upon their achieving certain channel placement benchmarks.

In 2001, the Company entered into a 10-year amendment to an existing affiliation agreement with Adelphia Communications for carriage of the Company's U.S. shopping service within an agreed upon range of numbered channels. In connection with this supplemental affiliation agreement, the Company paid $34.5 million in November 2001.

In 2001, the Company entered into a 10-year amendment to an existing affiliation agreement with Comcast Cable, a subsidiary of Comcast, for carriage of the Company's U.S. shopping service within an agreed upon range of numbered channels. In connection with this supplemental affiliation agreement, the Company paid $11.6 million in December 2001. In 2002, the Company made $24.1 million in additional payments in compliance with certain contract milestones attained by Comcast Cable.

QVC-Deutschland entered into affiliation agreements with various cable systems for the carriage of its shopping service during 2002 and 2001. In connection with these affiliation agreements, QVC-Deutschland paid $1.4 million and $1.0 million in 2002 and 2001, respectively.

QVC-Japan entered into affiliation agreements with various cable systems for the carriage of its shopping service during 2001. In connection with these affiliation agreements, QVC-Japan paid $1.9 million in 2001.

In April 2002, QVC-England entered into a 2.5-year affiliation agreement with Shop! for the carriage of the QVC-England shopping service on Digital Terrestrial TV. In connection with this agreement, QVC-England paid $8.2 million in 2002 while a deferred portion is to be paid over the life of the contract. At December 31, 2002 QVC-England had $2.2 million accrued related to the deferred portion of this contract.

The cable and satellite system operators also receive a commission from the Company based on the level of net sales to subscribers. The Company recorded expense of $168.0 million, $152.0 million and $142.6 million related to these commissions in 2002, 2001 and 2000, respectively.

Cable and satellite television distribution rights are amortized by the straight-line method over the lives of the individual agreements. The remaining weighted average life of the cable and satellite television distribution rights is approximately 7.5 years at December 31, 2002. The Company recorded

amortization expense of $22.5 million in 2002 related to cable and satellite television distribution rights. As of December 31, 2002, estimated related amortization expense for each of the five years ended December 31 is as follows (in thousands):

2003	$ 19,401
2004	17,351
2005	11,269
2006	10,914
2007	10,837

On November 18, 2002, subsidiaries of Comcast completed the acquisition of AT&T's integrated broadband business of AT&T Broadband. Commissions paid to Comcast and AT&T were (in millions):

	2002	2001	2000
Comcast	$ 20.3	$ 17.5	$ 14.2
AT&T	20.4	22.6	21.6

5. OTHER INTANGIBLE ASSETS

Other intangible assets consists of the following (in thousands):

	December 31,	
	2002	2001
Computer software and internal software development	$ 73,293	$ 60,139
Debt acquisition costs	-	31,883
Satellite transponder rights	500	500
Other	577	505
	74,370	93,027
Less accumulated amortization	(31,053)	(55,741)
Other intangible assets, net	$ 43,317	$ 37,286

The Company amortizes computer software and internal software development costs over 3 years. Internal software development costs are capitalized in accordance with Statement of Position 98-1 *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.*

Debt acquisition costs relating to the term loan (as described in Note 10 - Long-Term Debt) arising from the acquisition of the Company were fully amortized as of December 31, 2002 due to the prepayment of the term loan in November 2002.

During the year ended December 31, 2002, the Company recorded $16.7 million in amortization expense related to other intangible assets. As of December 31, 2002, the weighted average amortization period for the Company's other intangible assets subject to amortization is 2.3 years and estimated related amortization expense for each of the five years ended December 31 is as follows (in thousands):

2003	$ 21,233
2004	13,836
2005	7,150
2006	840
2007	198

6. OTHER NON-CURRENT ASSETS

Other assets consists of the following (in thousands):

	December 31,	
	2002	2001
Investment in equity investee - Global	$ 32,850	$ 69,574
Warrant investment- Global	7,611	79,533
Forward Exchange contract (Note 12)	-	694
Other	5,396	8,501
Total other non-current assets	$ 45,857	$ 158,302

In September and October 2000, through a seventy percent owned and consolidated subsidiary, Interactive Technology Holdings, LLC ("ITH") purchased an aggregate of 5.0 million shares of common stock and 4.5 million warrants to purchase additional shares of common stock of GSI Commerce, Inc., formerly Global Sports Inc., ("Global"), a publicly traded company, for $40.8 million. The warrants have an exercise price of $8.15 per share to purchase 2.0 million shares and an exercise price of $10.00 per share to purchase 2.5 million shares. The warrants expire in 2005. The purchase price assigned to the warrants was $17.5 million. Since ITH's investment in Global was less than 20% ownership in 2000, the Company had accounted for the investment in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The fair market value of the Company's investment in Global at December 31, 2000 was $46.5 million. The Company recorded an unrealized gain of $5.2 million, net of income taxes of $1.7 million, to other comprehensive income at December 31, 2000.

In August 2001, ITH purchased an additional 4.0 million shares of common stock of Global for $40.0 million. ITH received 300,000 warrants at an exercise price of $6.00 per share in the transaction. The warrants expire in 2006. The additional investment brought ITH's ownership to 25.8% requiring the application of equity accounting. The change to equity accounting required ITH to record a reversal of a $10.5 million unrealized gain on investment, net of income tax expense of $5.7 million, due to conversion from an equity security under SFAS No. 115 to an equity method investment.

In 2002 and 2001, ITH recorded a realized gain on equity investment of $2.7 million and $13.7 million, respectively, in connection with investments in Global by unrelated third-parties. This gain represents the difference between ITH's recorded basis in the common stock of Global prior to the investment and the fair value of equity securities received from the investing third-party companies.

In 2001, ITH recorded a loss from equity investee of $8.0 million for its proportionate share of Global's losses and a gain on investment of $60.6 million related to the fair market valuation of its Global

warrants. In 2002, ITH recorded a loss from equity investee of $7.4 million for its proportionate share of Global's losses and a loss on investment of $71.9 million related to the fair market valuation of its Global warrants.

At December 31, 2001, included in the Company's other non-current assets is ITH's net equity investment in Global of $69.6 million and warrant investment of $79.5 million, which were acquired for an aggregate purchase price of $81.3 million. A portion of this aggregate purchase price was allocated to goodwill and is subject to impairment testing in accordance with APB 18 *The Equity Method of Accounting for Investments in Common Stock* and SFAS 121 *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* In December 2002, in accordance with this impairment testing, ITH utilized quoted market prices and recorded a loss on investment of $32.0 million as a result of an other than temporary impairment write-down of the asset value of the investment in Global. At December 31, 2002, included in the Company's other non-current assets is ITH's net equity investment in Global of $32.9 million and warrant investment of $7.6 million. While ITH's percentage ownership fluctuates with the change in its outstanding stock shares, the percentage continues to require equity accounting.

The Company and Global have entered into an agreement where Global fulfills orders placed through QVC.com for sporting goods.

In April 1999, ITH purchased 4.0 million shares of Series B Convertible Preferred Stock of The Knot, Inc. ("The Knot") for $15.0 million. In connection with this purchase, The Knot issued a warrant to purchase 1.7 million shares of common stock at $5.00 per share. Upon the closing of the initial public offering of The Knot in December 1999, all of the outstanding shares of the Series B Convertible Preferred Stock converted into an aggregate of 4.0 million shares of common stock and the warrant became exercisable. The Company has accounted for the investment by using the equity method and has recognized a proportionate share of The Knot's losses. In December 1999, the Company recorded an unrealized gain of $4.5 million, net of income taxes of $2.4 million, as a result of The Knot's initial public offering. In the first quarter of 2001, this unrealized gain was reversed due to a change in accounting principle upon adoption of SFAS No. 133. In addition, the Company recorded a loss on investment of $4.2 million as a result of an other than temporary impairment write-down of the asset value of the investment in The Knot. In October 2001, the value of the Company's share of The Knot's losses exceeded the value of the Company's investment and accordingly, the investment was written down to zero. If The Knot was to return to an income position, the Company would record its share of losses retroactively as well as gains in order to reflect its net positive position in accordance with APB 18.

The minority interest with respect to the minority shareholders of ITH is $12.7 million and $46.0 million at December 31, 2002 and 2001, respectively.

7. ACQUISITIONS

In August 2000, ITH purchased 1.2 million shares of Series B Convertible Preferred Stock as an investment in Commerce Technologies, Inc. ("Commerce"), a non-public company. Commerce also authorized the sale and issuance of a warrant to purchase an additional 0.5 million shares of common stock at an exercise price of $2.50 per share. The aggregate purchase price of the preferred stock and the warrant was $3.0 million. In 2000, ITH's investment in Commerce was less than 20% and therefore was accounted for under the cost method in other non-current assets.

In December 2001, ITH purchased an additional 1.1 million shares of common stock and 5.2 million shares of Series C Convertible Preferred Stock. Commerce also authorized the sale and issuance of a

warrant to ITH to purchase an additional 1.7 million shares of common stock at an exercise price of $0.73 per share. The August 2000 warrant was cancelled upon the issuance of the new warrant. The aggregate purchase price for the stock and the warrant was $4.6 million. ITH also purchased an additional 0.5 million shares of Series A Convertible Preferred Stock directly from shareholders for $0.4 million. In connection with this agreement, ITH obtained the right to convert the Series B Convertible Preferred Stock into common stock. As a result of this agreement, ITH's ownership of the outstanding stock of Commerce has exceeded 50% of Commerce's outstanding stock and Commerce's operations have been consolidated in accordance with APB 16, *Business Combinations*, and SFAS No. 141, *Business Combinations*.

In December 2001, the Company and Commerce entered into a services agreement for Commerce to help in the facilitation of the Company's drop-ship sales. In connection with this agreement, Commerce authorized and issued a warrant for the Company to receive 1.0 million options convertible into common stock at an exercise price of $0.73. These options vest at varying dates through June 2004 based on certain sales performance criterion the Company must meet during this time frame. At December 31, 2002, the Company has vested in 250,000 of the options.

8. SEGMENT REPORTING AND INTERNATIONAL OPERATIONS

The Company's reported segments are identified based on geographic areas. All segments are retailers of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised-shopping programs. Segment results for 2002, 2001 and 2000 are as follows (in millions):

	US	England	Germany	Japan	Total
2002					
Net revenue	$ 3,724.3	$ 296.6	$ 274.7	$ 85.7	$ 4,381.3
Depreciation and amortization	92.5	8.7	11.6	6.5	119.3
Operating income (loss)	733.7	19.6	(5.1)	(9.9)	738.3
Interest expense (income), net	5.0	(0.5)	(0.3)	0.0	4.2
Total assets	2,289.9	170.5	333.3	92.8	2,886.5
Goodwill	717.0	-	-	-	717.0
Capital expenditures	62.7	11.9	70.3	5.5	150.4
2001					
Net revenue	$ 3,433.1	$ 271.7	$ 197.8	$ 14.7	$ 3,917.3
Depreciation and amortization	122.8	6.5	4.1	4.8	138.2
Operating income (loss)	600.5	18.6	(11.1)	(23.9)	584.1
Interest expense (income), net	9.4	0.6	0.0	0.0	8.7
Total assets	2,321.1	141.5	190.8	42.6	2,696.0
Goodwill	716.8	-	-	-	716.8
Capital expenditures	39.8	6.4	47.8	19.0	113.0
2000					
Net revenue	$ 3,097.5	$ 300.9	$ 137.5	$ 0.0	$ 3,535.9
Depreciation and amortization	113.4	4.6	2.8	0.0	120.8
Operating income (loss)	501.6	15.5	(14.8)	(3.8)	498.5
Interest expense (income), net	11.1	(0.4)	0.0	0.0	10.7
Total assets	2,276.3	124.5	65.5	44.5	2,510.8
Goodwill	743.5	-	-	-	743.5
Capital expenditures	99.0	26.6	4.2	10.4	140.2

In 1993, the Company established electronic retailing program service in the United Kingdom through a 50% interest in a joint venture agreement with British Sky Broadcasting Limited ("BSkyB"). QVC-England began broadcasting on October 1, 1993 and transmits to approximately 3.2 million cable subscribers, 7.0 million satellite dish homes, and 1.3 million digital terrestrial homes at December 31, 2002.

In 1995, the Company increased its ownership interest in that joint venture to 80% through a revised agreement with BSkyB. Accordingly, effective April 1, 1995, QVC-England is accounted for by the Company as a consolidated subsidiary.

The revised joint venture agreement in QVC-England required, among other things, that the Company provide all funding to QVC-England until it was profitable. The Company would then recover all prior

funding before any profits were shared. Until the Company recovered its funding, it had included 100% of the income (loss) from operations in the consolidated statements of operations and comprehensive income. In August 2000, the Company recovered all prior funding and began to share profits with the minority shareholder. The minority interest at December 31, 2002 is $6.1 million.

In 1996, the Company established an electronic retailing program service in Germany through a wholly owned subsidiary. This subsidiary began broadcasting on December 1, 1996. The subsidiary's program is broadcast to approximately 16.4 million cable subscribers and to 9.4 million satellite dish homes in Germany at December 31, 2002.

In June 2000, the Company began a joint venture with Mitsui & Co. LTD ("Mitsui") to form a new electronic retailing program in Japan. The venture is owned 60% by QVC and 40% by Mitsui. QVC-Japan began broadcasting on April 1, 2001 and transmits to approximately 5.4 million cable subscribers and 2.9 million satellite dish homes at December 31, 2002. The Company and Mitsui share in all profits and losses by their respective ownership proportions. The minority interest at December 31, 2002 is $24.6 million.

Goodwill consists primarily of goodwill resulting from the Company's acquisition in 1995.

9. ACCRUED LIABILITIES

Accrued liabilities consist of the following (in thousands):

	December 31,	
	2002	2001
Income taxes	$ 163,318	$ 161,401
Non-trade accounts payable	65,377	71,037
Sales and other taxes	61,969	57,375
Allowance for sales returns	57,785	53,689
Accrued compensation and benefits	53,834	55,339
Commissions due to cable and satellite system operators	29,175	23,664
Liability for consigned goods sold	25,378	27,691
Reserve for uncollectible accounts under the Company's potential recourse obligation (Note 2)	8,231	17,695
Stock appreciation rights (Note 14)	7,318	4,770
Interest rate swap (Note 12)	296	3,669
Accrued interest	204	1,678
Other	63,573	53,308
	$ 536,458	$ 531,316

10. LONG-TERM DEBT

Amounts of outstanding long-term debt consist of the following (in thousands):

	December 31,	
	2002	2001
Term Loan	$ -	$ 160,000
Revolving Credit Facility	-	140,424
Industrial Development Loan	1,501	1,617
	1,501	302,041
Less—current portion	(122)	(239,385)
Long-term debt	$ 1,379	$ 62,656

On February 15, 1995, the Company entered into a $1.2 billion credit facility (the "Facility") in connection with the acquisition of the Company. The Facility was comprised of Term Loans totaling $800 million, a $325 million Revolving Credit Facility (the "Revolver Commitment") and a $75.0 million Working Capital Credit Facility (the "Working Capital Commitment"). Of the $1.2 billion Facility, $1.1 billion was borrowed under the Term Loans and the Revolver Commitment to finance a portion of the acquisition.

In May 1996, the Company prepaid $200 million of the Term Loans resulting in acceleration of amortization of debt acquisition costs of $1.8 million before income tax benefit. In connection with that prepayment, the Company renegotiated the Facility. The renegotiation, effective July 1996, resulted in an increase in the Revolver Commitment to $425 million and a reduction of 3/8% to the interest rates applicable margin.

In November 2002, the Company prepaid the outstanding balance of $59.8 million related to the Facility which was due in January 2003. The Facility was terminated in its entirety in December 2002. At December 31, 2002, the Company has uncommitted credit lines with two banking institutions available for letters of credit. At December 31, 2002, outstanding letters of credit totaled $46.9 million of available uncommitted lines totaling $120 million.

On July 13, 1998, the Company borrowed $2 million from the Pennsylvania Industrial Development Authority for 15 years at an annual interest rate of 3%. This collateralized loan was granted as financial assistance for the studio and office facility construction in West Chester, Pennsylvania. Borrowings are payable in monthly installments with the remaining principal balance due in July 2013. Maturities of the loan subsequent to December 31, 2002 are $0.1 million for each of the years 2003 to 2007 and $1.0 million thereafter.

11. LEASES AND TRANSPONDER SERVICE AGREEMENTS

Future minimum payments under non-cancelable operating leases and transponder service agreements with initial terms of one year or more at December 31, 2002 consist of the following (in thousands):

Year	Transponders	Leases	Total
2003	$ 15,288	$ 10,692	$ 25,980
2004	15,534	9,149	24,683
2005	12,544	8,004	20,548
2006	12,458	4,567	17,025
2007	11,837	3,380	15,217
Thereafter	30,477	4,432	34,909
Total	$ 98,138	$ 40,224	$ 138,362

Expenses for operating leases, principally for data processing equipment and facilities, and for transponder service agreements amounted to $31.4 million , $27.3 million and $29.4 million in 2002, 2001 and 2000, respectively.

The Company transmits the QVC service in the United States on a protected, non-preemptible transponder on a communication satellite at a monthly cost that averages $224,000 over the term of the agreement, which expires in 2004.

The Company transmitted its analog signal of QVC-England on the Astra 1C Satellite, which it sub-leased from BSkyB at a monthly cost of approximately $413,000 in 2001, which was to expire in 2008. Notice was given for termination of this lease in June 2000, and the lease was terminated in June 2001 at a cost of $2.9 million. In 2001, QVC-England began transmitting a digital signal on the Astra 2A Satellite at a monthly cost of approximately $225,000, under an agreement which expires in 2011.

QVC-England leases its broadcast facility and a portion of its office space from BSkyB at a cost of approximately $88,000 per month over the term of the agreement, which expires in 2013.

The Company transmits its analog signal of QVC-Deutschland on the Astra 1D Satellite, which it sub-leased from BSkyB at a monthly cost of approximately $575,000 over the term of the agreement, which expired in 2001. In 2000, the Company renegotiated this agreement with the supplier, Societe Europeenne des Satellites ("SES"), at a monthly cost of approximately $470,000 for 2002. This agreement expires in June 2011. The Company also began to transmit a digital transmission on the Astra 1G Satellite in December 1999 at a monthly cost of approximately $56,000 for 2002. The satellite is leased from SES and the terms of the agreement expire in 2010.

In December 1999, QVC-Deutschland signed a 5-year lease on a 127,000 square foot broadcasting and administration building. Construction was completed in 2001. The rental cost is approximately $96,000 per month.

The Company transmits its digital signal of QVC-Japan under an agreement with JSAT which expires in September 2006. The monthly cost was $88,000 in 2002. The Company also transmits under a digital signal leased from CTBS at a monthly cost of approximately $73,000 in 2002. This agreement expires in 2008.

In 2000, QVC-Japan began to lease facilities that are used as a studio, call center and corporate offices. The rental cost is approximately $98,000 per month in 2002 and this agreement expires in 2005. In 2001, QVC-Japan began a lease for its warehouse. The rental cost is approximately $152,000 per month in 2002. This agreement expires in 2006.

12. FINANCIAL INSTRUMENTS

In order to manage interest rate risk from floating rate liabilities, the Company entered into an amortizing interest hedge in September 1998 to fix LIBOR interest rates beginning in June 2000 at approximately 4.9%, plus an applicable margin. Interest rate hedges are considered derivatives under SFAS No. 133 (see Note 1). There was $180.3 million of the Facility debt covered by the interest rate hedge at December 31, 2001. The fair value of this hedge at December 31, 2001 was a liability to the Company of $3.7 million. In 2001, the Company recorded an unrealized loss from the fair market value depreciation of its interest rate hedge agreements of $2.0 million, net of income tax benefit of $1.4 million. The loss was recorded as a component of accumulated other comprehensive income. In connection with the prepayment of the debt in 2002, the interest rate hedge became speculative. The amounts previously recorded as a component of accumulated other comprehensive income were recognized in interest expense. Subsequent to the final debt payment in November 2002, changes in the fair market value of the swap were recognized in interest expense. The interest rate swap expired in January 2003. The Company could be exposed to credit risk, up to the fair market value of the hedge, in the event of nonperformance by the other parties to the interest rate hedge agreements. However, the Company does not anticipate nonperformance by the counterparties. The fair value of this hedge at December 31, 2002 was a liability to the Company of $0.3 million.

In 2002 and 2001, the Company managed certain foreign currency risks through the use of forward exchange rate contracts. The purpose of these contracts related primarily to the construction of the Company's warehouse in Germany. These contracts provided for the purchase or sale of foreign currencies at specified future dates at specified exchange rates. These were designated as cash flow hedges and as having a high correlation with the underlying exposures and accordingly gains and losses from changes in derivative fair values are deferred. In 2001, the Company recorded an unrealized gain from the fair market value appreciation of its euro forward contracts of $0.5 million, net of income tax expense of $0.2 million, as a component of accumulated other comprehensive income. This contract settled in 2002 and accordingly the gain previously recorded as a component of accumulated other comprehensive income was recognized in interest expense.

13. CAPITAL STOCK

The following table summarizes information about the Company's Common Stock shares at December 31 of each of the respective years:

	2002	2001	2000
Authorized	5,406,085	5,406,085	5,292,898
Issued and outstanding	5,064,979	5,044,848	5,047,195

14. STOCK OPTIONS, WARRANTS AND AWARDS

The Company has a qualified and nonqualified combination stock option/stock appreciation rights ("SAR") plan (collectively, the "Tandem Plan") for employees, officers, directors and other persons designated by the Stock Option Committee of the Company's Board of Directors. Under the Tandem Plan, the option price is generally not less than the fair market value, as determined by an independent appraisal, of a share of the underlying Common Stock of the Company at the date of grant. The fair value of a share of QVC Common Stock as of the latest value date is $1,768. If the eligible participant elects the SAR feature of the Tandem Plan, the participant receives 75% of the excess of the fair market value of a share of QVC Common Stock over the exercise price of the option to which it is attached at the exercise date. The holders of a majority of the outstanding options have stated an intention not to exercise the SAR feature of the Tandem Plan. Because the exercise of the option component is more likely than the exercise of the SAR feature, compensation expense is measured based on the stock option component. Under the Tandem Plan, option/SAR terms are ten years from the date of grant, with options/SARs generally becoming exercisable over four years from the date of grant.

A summary of the activity of the Tandem Plan with respect to options granted to employees as of and for the years ended December 31, 2002, 2001, and 2000 is presented below:

	Tandem Plan Options	Weighted-Average Exercise Price
Outstanding at December 31, 1999	180,910	$ 651.23
Granted	70,475	1,129.43
Exercised	(27,074)	1,150.46
Canceled	(6,915)	617.80
Outstanding at December 31, 2000	217,396	814.15
Granted	36,191	1,344.01
Exercised	(18,221)	1,315.69
Canceled	(1,735)	835.14
Outstanding at December 31, 2001	233,631	909.90
Granted	42,398	1,580.21
Exercised	(46,663)	712.74
Canceled	(11,924)	1,133.64
Outstanding at December 31, 2002	217,442	1,070.65
Exercisable at December 31, 2002	108,519	$ 812.79

The following table summarizes information about the options/SARs granted to employees, which were outstanding under the Tandem Plan as of December 31, 2002:

Exercise Price	Number Outstanding at 12/31/02	Weighted-Average Remaining Contractual Life	Number Exercisable at 12/31/02
$ 177.05	4,240	2.9	4,240
522.31	123	3.8	123
585.19	1,750	3.9	1,750
634.25	32,688	4.8	32,688
688.14	1,357	5.2	1,357
651.84	18,620	5.8	18,620
741.79	9,700	6.2	6,839
865.47	14,769	6.7	10,147
1,081.00	9,058	7.3	3,628
1,127.00	46,322	7.7	18,708
1,216.00	12,047	8.1	4,179
1,374.00	23,900	8.7	5,963
1,492.00	25,523	9.3	218
1,690.00	13,428	9.7	59
1,768.00	3,917	10.0	-
	217,442	7.3	108,519

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2002, 2001 and 2000: no dividend yield for all three years; expected volatility of 20% for all three years; risk-free interest rate of 5.0%, 5.3%, and 6.2% for 2002, 2001 and 2000, respectively; expected option lives of 8 years for all three years; and a forfeiture rate of 3.0% for all three years. The weighted average fair value at date of grant of a QVC Common Stock option/SAR granted during 2002, 2001 and 2000 was $611.69, $515.66 and $485.41, respectively.

Had compensation expense for the Company's stock-based compensation plan been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology of SFAS No. 123, the Company's net income would have been decreased to the pro forma amounts indicated below (in thousands):

	2002	2001	2000
Net income—As reported	$ 395,968	$ 369,555	$ 267,976
Net income—Pro forma	381,527	355,657	256,261

The pro forma effect on net income for 2002, 2001 and 2000 by applying SFAS No. 123 may not be indicative of the pro forma effect on net income in future years since additional awards in future years are anticipated.

In 1996, the Company granted 20,741, 4,000 and 24,000 stock options to Liberty, Comcast and certain Comcast executives, who are also officers and directors of the Company, respectively. There were 5,512, 1,768 and 7,520 options exercised by Comcast executives in 2002, 2001 and 2000, respectively, resulting in net proceeds to the Company of $5.0 million, $1.4 million and $2.8 million, respectively. In 2002, 2001 and 2000, 4,780, 6,920 and 2,640 shares held by Comcast executives were repurchased by the Company, resulting in a payment of $7.6 million, $8.8 million and $3.0 million, respectively. The features of the options granted to Comcast, Liberty and the Comcast executives are similar in all material respects to those of the QVC Tandem Plan. The fair value at date of grant of these options was $19.9 million. The fair value of each option is estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions: no dividend yield; expected volatility of 20%; risk-free interest rate of 6.9%; expected option lives of 10 years; and a forfeiture rate of 3.0%. Because the issuance of these options represents a pro rata distribution to shareholders, the fair value of these options has been recorded as a dividend. Accordingly, these options have not been included in the QVC Tandem Plan tables and the related pro forma disclosures above.

Stock Appreciation Rights Plan—The Company has a SAR plan for certain employees, officers, directors, and other persons designated by the Compensation Committee of the Company's Board of Directors (the "SAR Plan"). Under the SAR Plan, eligible participants are entitled to receive a cash payment from the Company equal to 100% of the excess, if any, of the fair value of a share of the Company's Common Stock at the exercise date over the fair value of such a share at the grant date. The SARs have a term of ten years from the date of grant and generally become exercisable over four years from the date of grant. No SAR grants were awarded in 2002, 2001 or 2000. An aggregate of 3,874 SARs were outstanding at December 31, 2002, 3,374 of which were exercisable. Compensation expense related to the SAR Plan of $2.4 million, $1.1 million and $0.9 million was recorded during 2002, 2001 and 2000, respectively. There was no significant difference between the amount of compensation expense recognized by the Company and the amount that would have been recognized had compensation expense been determined under the provisions of SFAS No. 123.

Commerce Stock Option Plan—In December 2001, the Company increased its investment in Commerce and converted from cost method to consolidation accounting for the investment (see Note 7). Commerce has a qualified and nonqualified option plan, the 1999 Stock Option Plan (the "Commerce Plan"), for employees, officers, directors and other persons designated by Commerce's Board of Directors. There were 2,000,000 shares reserved for grant at December 31, 2002.

Options outstanding under the Commerce Plan at December 31, 2002 are as follows:

	Commerce Plan Options	Range of Exercise Price	Average Exercise Price	Weighted Average Remaining Contractual life
Outstanding	829,700	$0.73 - $2.50	$ 0.99	7.6
Exercisable	455,325	$0.73 - $2.50	$ 1.07	7.2

15. RETIREMENT AND SAVINGS PLANS

The Company has a defined contribution employee retirement plan, QVC, Inc. Retirement Plan (the "Retirement Plan"), that covers substantially all U.S. employees after completion of one year of service. The Company's contribution under the Retirement Plan is equal to 3% of eligible employees' salaries. Participants become fully vested in the employer contributions when they have attained five years of service, or attain the age of sixty-five. A participant will also become fully vested after he or she retires

from service on or after age fifty-five, retires on account of disability or dies while an active participant. The cost of the Retirement Plan, net of forfeitures, charged to expense was $5.8 million, $4.5 million and $4.8 million in 2002, 2001 and 2000, respectively.

In addition, the Company sponsors the QVC, Inc. 401(k) Matched Savings and Profit Sharing Plan (the "Savings Plan"), which permits U.S. employees to make contributions to the Savings Plan on a pre-tax salary reduction basis in accordance with the Internal Revenue Code. Substantially all full-time and part-time employees are eligible to participate immediately upon start date, with employer contribution beginning after completion of one year of service. The Company matches a portion of the voluntary employee contributions. Participants become fully vested in employer contributions when they have attained three years of service, reach the early retirement age of fifty-five or become permanently disabled or deceased while an active participant. The cost of the Savings Plan, net of forfeitures, charged to expense was $8.0 million, $6.3 million and $6.2 million in 2002, 2001 and 2000, respectively.

QVC-England sponsors an Employee Pension Plan (the "Pension Plan") through BSkyB, which permits QVC-England's employees to make contributions up to an amount equal to 4% of their salary to the Pension Plan on a pre-tax salary reduction basis. Substantially all full-time employees are eligible to participate. QVC-England contributes an amount equal to 8% of the employee's salary. The cost of the Pension Plan charged to expense was $0.8 million for each of the years 2002, 2001 and 2000, respectively.

QVC-Deutschland sponsors a defined contribution "Flexible Benefits Plan" (the "Benefits Plan") that covers certain employees after six months of service. QVC-Deutschland contributes an amount equal to 3% of eligible employees' salaries not exceeding the social security ceiling plus 9% of eligible employees' salaries over the social security ceiling. The cost charged to expense was $0.3 million for 2002.

16. INCOME TAXES

The Company accounts for income taxes in accordance with the principles of SFAS No. 109. The provision for income taxes consists of the following (in thousands):

	2002	2001	2000
Current:			
Federal	$ 241,131	$ 200,184	$ 178,323
State	20,601	33,893	30,418
Foreign	5,158	6,589	2,535
Total	266,890	240,666	211,276
Deferred:			
Federal	(6,370)	11,209	6,457
State	2,039	2,073	(619)
Total	(4,331)	13,282	5,838
Total income tax provision	$ 262,559	$ 253,948	$ 217,114

Total income tax expense differs from the amounts computed by applying the U.S. federal income tax rate of 35 percent to income before income taxes, as follows:

	2002	2001	2000
Provision at statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal benefit	3.4	5.8	6.2
Amortization of intangibles not deductible for tax purposes	-	2.2	2.8
Valuation allowance	1.9	-	-
Other	(0.4)	(2.3)	(0.8)
Total income tax expense	39.9 %	40.7 %	44.8 %

Deferred income tax assets reflect the net effects of temporary differences between the value of assets and liabilities and their tax bases. Significant components of the net deferred tax asset are as follows (in thousands):

	December 31,	
	2002	2001
Deferred tax assets:		
Accounts receivable, principally due to the allowance for doubtful accounts and related reserves for the uncollectible accounts under the Company's revolving credit program	$ 35,135	$ 41,670
Inventories, principally due to obsolescence reserves and additional costs of inventories for tax purposes pursuant to the Tax Reform Act of 1986	46,798	51,217
Allowance for sales returns	22,781	19,223
Costs associated with cable television distribution rights	2,516	4,678
Depreciation	8,131	10,187
Difference between book and tax basis in investments	12,247	-
Other	11,103	11,405
Subtotal	138,711	138,380
Valuation allowance	(12,247)	
Total deferred tax assets	126,464	138,380
Deferred tax liabilities:		
Difference between book and tax basis in investments	-	(14,418)
Other	(3,280)	(4,065)
Total deferred tax liabilities	(3,280)	(18,483)
Net deferred tax asset	$ 123,184	$ 119,897

The Company has foreign tax credit carryforwards of $4.6 million, the majority of which will expire in 2006. The Company anticipates all of the credit will be utilized within the relevant carryforward period.

The valuation allowance for deferred tax assets was $12.2 million and $-0- at December 31, 2002 and 2001, respectively, and is due to the uncertainty of whether the benefit of the capital loss related to investments will ultimately be recognized for income tax purposes.

The Company has realized tax benefits from the exercise of employee stock options that reduced taxes payable and were credited to additional paid-in capital. The amounts of tax benefits aggregated $12.2 million, $2.5 million and $8.8 million in 2002, 2001 and 2000 respectively.

17. COMMITMENTS AND CONTINGENCIES

The Company has been named as a defendant in various legal proceedings arising in the ordinary course of business. Although the outcome of these matters cannot be determined, in the opinion of management, disposition of these proceedings will not have a material effect on the Company's financial position.

In consideration for building the warehouse facility and administrative offices in Hucklehoven, Germany, the Company recorded $17.2 million in grants from government authorities. These grants are earned subject to meeting investment and future staff hiring requirements.

18. SUPPLEMENTAL INFORMATION ON CONSOLIDATED STATEMENTS OF CASH FLOWS

The Company made interest payments of $15.6 million, $28.9 million and $33.0 million in 2002, 2001 and 2000, respectively. Income taxes paid during the years ended 2002, 2001 and 2000 were $254.9 million, $216.9 million and $191.7 million, respectively.

In 2002 and 2001, the Company entered into the following non-cash investing transactions:

As a result of the initial public offering of The Knot, the Company recorded an unrealized gain in 1999 on its investment of $4.5 million, net of income tax expense of $2.4 million. This gain was recorded as a component of retained earnings. This gain was reversed in 2001 and recorded as a component of retained earnings. In addition, in 2001 the Company recorded $4.2 million loss on investment as an other than temporary write-down of the value of the investment in The Knot (see Note 6 – Other Non-Current Assets).

The Company has recorded an unrealized loss from the fair market value depreciation in 2001 of its stock investments of $3.3 million, net of income tax benefit of $1.3 million. This loss was recorded as a component of accumulated other comprehensive income.

In 2001, the Company recorded an unrealized loss from the fair market value depreciation of its interest rate swap contracts of $2.0 million, net of income tax benefit of $1.4 million. The loss was recorded as a component of accumulated other comprehensive income. This loss was recognized in 2002 in conjunction with the prepayment of the term loan.

In 2001, the Company recorded an unrealized gain from the fair market value appreciation of its Euro forward contracts of $0.5 million, net of income tax expense of $0.2 million. The gain was recorded as a component of accumulated other comprehensive income. This gain was recognized in 2002 in conjunction with the termination of the contract.

* * * * * *

running a tight ship

Financial Highlights Comcast Corporation and Subsidiaries

(Dollars in millions)	1996[1]	1995[1]
Revenues	$ 4,038.4	$3,362.9
Operating cash flow	1,207.2	1,018.8
Net loss	(53.5)	(43.9)
Cash and short-term investments	539.6	910.1
Total assets	12,088.6	9,580.3
Long-term debt	7,102.7	6,943.8

[1] Consolidated financial results for the year ended December 31, 1996 include a full year of operations for QVC and two months of operations for Scripps Cable. Consolidated financial results for the year ended December 31, 1995 include eleven months of operations for QVC. The QVC acquisition closed in February 1995 and the Scripps Cable acquisition closed in November 1996.

This Summary Annual Report provides basic financial information on our Company in a condensed format. Comprehensive financial reporting is contained in Comcast's Annual Report on Form 10-K and in our Proxy Statement. We invite you to refer to those documents for a more detailed discussion of our performance.

To our shareholders, employees and friends

Ralph J. Roberts, Chairman; Brian L. Roberts, President

"Why are these men smiling?" A mutual friend saw this photo and suggested the tongue-in-cheek caption. After all, wasn't 1996 supposed to be a calamitous year for companies in the cable industry? Wouldn't our roof collapse from the pressure of competition and the weight of increased capital costs? Hadn't our prospects for growth diminished greatly?

Unfortunately, like most of us, our friend spends too much time reading newspaper headlines rather than digging below the surface for the details. True, increased competition has changed our businesses. Certainly, our languid stock price has given us little to smile about (a matter, we can assure you, that we take very seriously). However, we believe 1996 will be marked as a watershed year in our history for far more positive reasons.

We achieved excellent operating performance while investing in new and existing businesses to drive future growth

Comcast has proven that not only do we know how to respond to the challenges of today's rapidly changing communications industry; we have learned how to thrive on them. Through a balanced but aggressive strategy, we have continued to achieve excellent operating performance, while investing in new and existing businesses to drive our future growth. We refer to this strategy as "running a tight ship," the theme we've adopted for this year's summary annual report. And, while many pundits said it couldn't be done, we can demonstrate our success with concrete results.

Adjusted for acquisitions, revenues increased 14.2% and operating cash flow increased 13.7%

For the second year, we achieved double-digit revenue and cash flow growth. For the year ended December 31, 1996, Comcast Corporation reported consolidated revenues of $4.038 billion, a 20.1% increase over the $3.363 billion reported in 1995. Consolidated operating cash flow was $1.207 billion, an 18.5% increase compared with $1.019 billion the previous year. On a pro forma basis, excluding the cable operations acquired from The E.W. Scripps Company in November 1996, but including QVC revenues for all of 1995 and 1996, consolidated revenues rose 14.2% to $3.970 billion, compared with $3.477 billion in 1995. Pro forma consolidated operating cash flow increased 13.7% to $1.179 billion, compared with $1.037 billion in 1995.

Each of our core businesses contributed to these gains. Despite strong competition from direct-broadcast satellite (DBS) companies and new cable service providers, our Cable division added 72,000 customers, a gain of 2.1%, excluding Scripps' cable operations. Combined with the addition of 66,000 subscribers to *Primestar by Comcast,* our direct-to-home satellite television subsidiary, we provided multichannel video services to an additional 138,000 customers in 1996, a record year and a 4.0% increase in customers over 1995.

Comcast added over 138,000 video customers

QVC, the world's preeminent electronic retailer, continued to expand its loyal customer base in 1996, recording sales of more than $1.836 billion, an increase of 13.4% compared with a full year's sales in 1995. QVC's operating cash flow for the same period grew 17.6% to $300.3 million. Our Cellular division added more than 68,000 customers in 1996, increasing revenues and operating cash flow by 13.7% and 16.3% to $426.1 million and $160.2 million, respectively, over the prior year. Comcast Cellular holds a dominant market share in its regional service area, increasing its penetration to 9.3% in 1996, one of the highest in the country.

Cellular penetration reached 9.3%

Comcast invested nearly $300 million in its cable technical platform

The rebuilding of our cable television technology platform is on track, clearing the way for new product launches. In addition to achieving good operating results, we continued to invest in our future. Through the careful allocation of capital, we've accomplished both of these objectives in all of our businesses, maximizing value for our shareholders. We invested nearly $300 million in our cable networks in 1996 and we plan to double that investment in 1997. The majority of this investment relates to the upgrade of our cable television architecture from a traditional coaxial cable system to an advanced, hybrid fiber-coaxial cable network. We expect that the increased investment in 1997 will result in approximately 70% of our customers being served by systems having capacity in excess of 80 channels.

70% of all cable customers will be in high-channel capacity systems by the end of 1997

This new technology platform will enable us to provide better signal quality and reliability, and to increase the number of analog and digital channels we provide to customers. It will also provide expanded capacity to launch exciting new products, including Comcast@Home high-speed cable modem service, which debuted in our Baltimore and Sarasota markets in December 1996, and digital

cable television, which we will begin to roll out later in 1997. Both new services provide us with new revenue opportunities, and will help us to build distinct competitive advantages.

The remarkable performance of QVC exemplifies the benefit of sensible investments in programming

We continue to build our content and programming businesses. As the number of providers of multichannel delivery systems increases, the demand for high-quality content continues to grow. QVC's outstanding performance illustrates the value of sound programming investments. Since we gained control of the world's largest electronic retailer in February 1995, QVC's operating cash flow has increased almost 50%. In December 1996, we launched QVC Germany, expanding our worldwide audience to more than 70 million households.

Comcast-Spectacor will launch a new all-sports channel in 1997

In March 1996, we strengthened our content portfolio by forming and acquiring a majority interest in Comcast-Spectacor. This joint venture owns and operates the Philadelphia 76ers basketball team, the Philadelphia Flyers and Phantoms hockey teams, and two indoor arenas, the CoreStates Spectrum and the new, state-of-the-art CoreStates Center. We believe Comcast-Spectacor is one of the premier sports franchise and arena operations in the country, and will produce many new revenue and cross-promotional opportunities. In April 1996, Comcast-Spectacor quickly demonstrated this potential by announcing the creation of a new regional, all-sports cable television channel which will broadcast regional sports programming, including the games of the Philadelphia Flyers and Phillies later this year.

Comcast acquired control of E! Entertainment, a valuable cable network reaching 42 million homes

Most recently, in January 1997, we teamed with The Walt Disney Company to purchase a majority interest in E! Entertainment Television, which reaches 42 million U.S. households. C3 (Comcast Content & Communications), our programming venture launched in September 1995, will supervise the management of E! Entertainment's operations. E! is a valuable programming franchise and a nationally recognized brand. We believe that many opportunities exist to enhance the entertainment channel's revenue potential through new programming, increased domestic distribution and expansion into international markets. During 1996, C3 also announced agreements to produce original programming for the ABC, NBC and Fox networks, and for domestic TV syndication.

We have increased our financial flexibility and access to capital by reducing our leverage

In addition to expanding our businesses, we have increased our financial flexibility and access to capital by strengthening our balance sheet through reduced leverage. The principal means by which we reduced our leverage in 1996 was through the issuance of 93 million shares of common stock in connection with the acquisition of The E.W. Scripps Company's cable operations. Evaluated on a pro forma basis, as if the acquisition had closed on January 1, 1996, our net debt-to-cash flow ratio would have been 5.2 to 1 at December 31, 1996. Concurrent with the announcement of the Scripps acquisition in October 1995, our Board of Directors authorized a common stock repurchase plan for up to $500 million. Through the end of 1996, we expended nearly $200 million under this program.

We own a substantial portfolio of nonstrategic assets of significant value to Comcast and our shareholders

We also own a valuable portfolio of investments that will enhance our financial flexibility as we proceed to be in a position to monetize these assets. Among these investments are equity positions in Sprint PCS (personal communications services), Teleport Communications Group (local telecommunications services), PRIMESTAR Partners (national direct-to-home satellite television) and Nextel Communications (specialized mobile radio services). While each of these investments was initially made for reasons that were integral to our long-term vision for the Company, changes in regulation and market conditions have caused us to reevaluate their current strategic fit with the Company's plans.

By many accounts, increased competition was supposed to break our backs. Instead, it has made us better and stronger competitors. It has also helped us to become tougher managers, keenly focused on the needs of our businesses.

Our investments in personnel, training and systems have resulted in outstanding customer service

At every level of our organization we have become more responsive, listening to the needs and desires of consumers, and investing in the personnel, training programs and systems to deliver outstanding customer service.

Comcast shows its commitment to social responsibility in hundreds of ways

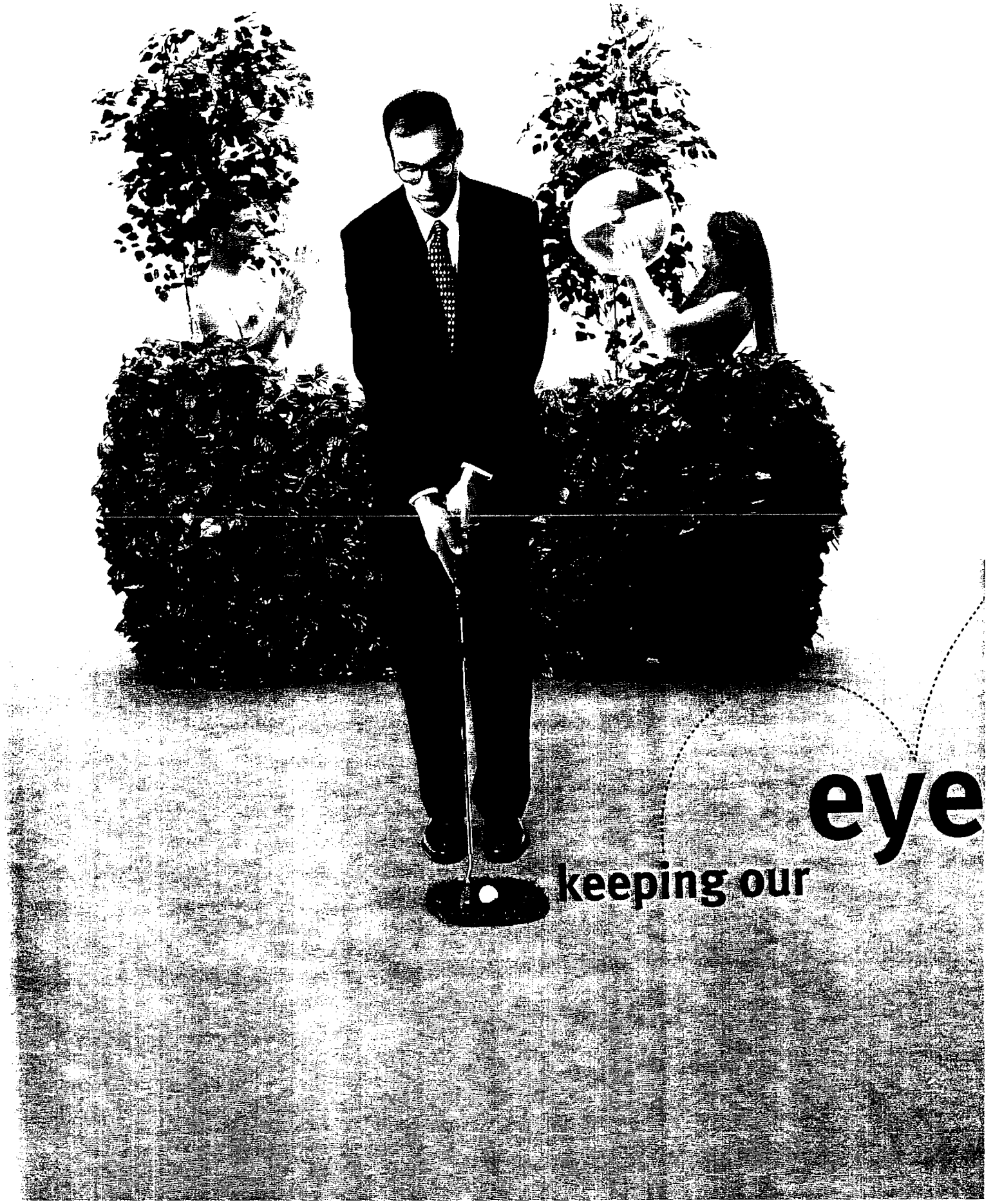
One value that remains constant, however, is our commitment to social responsibility and to good corporate citizenship. We support hundreds of local public service projects in the communities we serve. For the second straight year, QVC and the Fashion Footwear Association of New York teamed up for "QVC Presents FFANY Shoes on Sale," which raised nearly $1.3 million to benefit breast cancer research and education. Through a special holiday promotion, Comcast Cellular raised $285,000 for the Ronald McDonald Houses of greater Philadelphia. In February 1997, the annual Philadelphia Flyers' Wives Fight for Lives Carnival raised more than $850,000 for leukemia research and local charities. Through our participation in "Cable in the Classroom," Comcast Cable has wired more than 4,000 schools for cable TV, providing a valuable service to more than 2.5 million students nationwide.

Learning from our past, we are well positioned for the future. During the 35 years since we started in business, we have built a great foundation from which to grow further. We have always welcomed new technologies and embraced creative ways to build new businesses around these changes. Our financial results have been among the best in our industry. This enables us to maintain the strong support of the numerous financial institutions that work closely with the Company's management.

"Running a tight ship" means many things. We believe it means continuously moving forward, operating with controlled efficiency, employing and associating with bright people who have knowledge and foresight, vision and technical expertise ... balanced with the financial wherewithal to make it all work to the best interest of our shareholders, employees and the communities we serve. Knowing we are doing this well is what keeps those smiles on our faces.

Ralph J. Roberts
Chairman

Brian L. Roberts
President

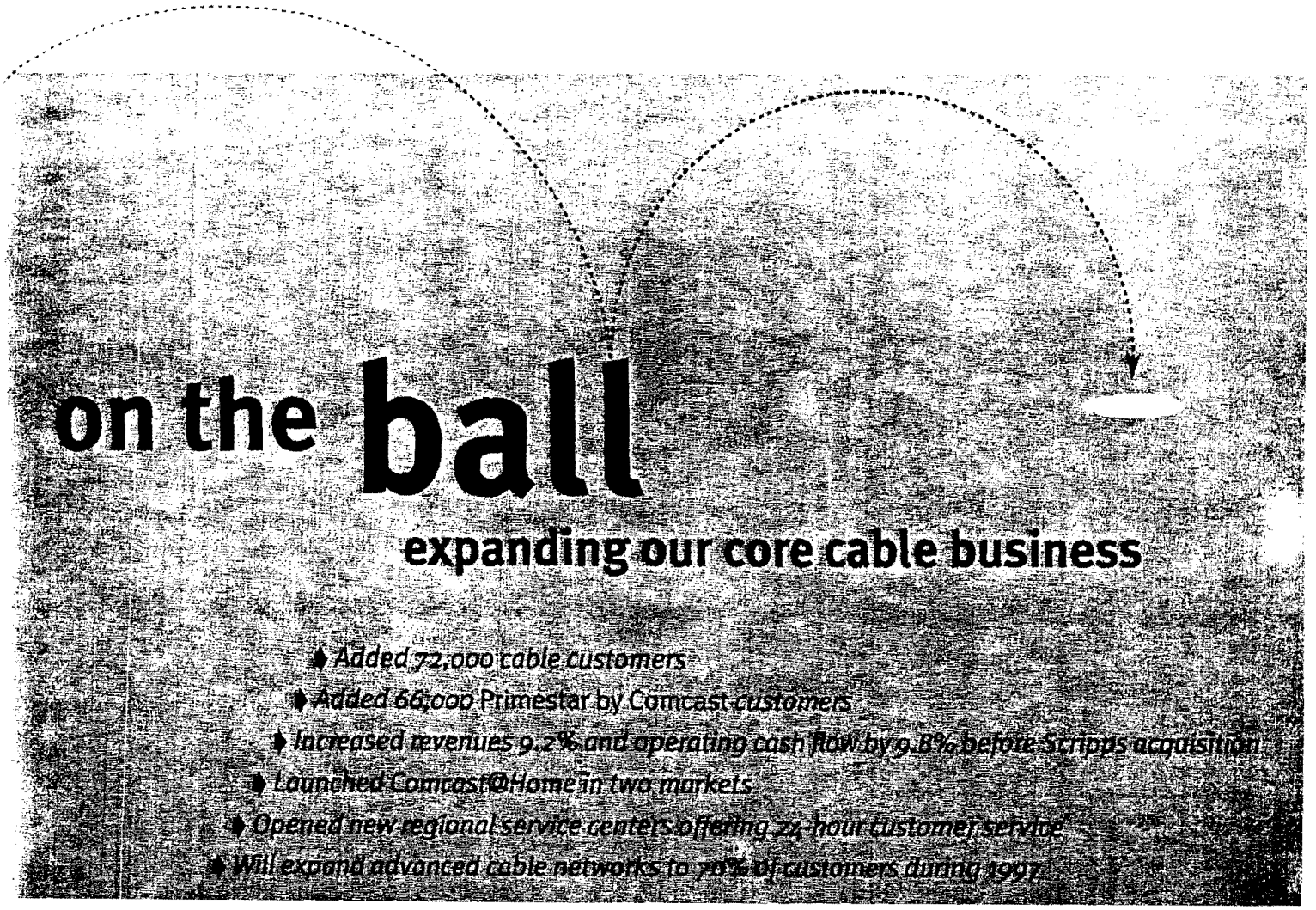

keeping our
eye

cable

Ask anyone in our cable television operations "what's new?" and be prepared for a long conversation. That's because Comcast Cable has undergone a dramatic transformation, as we have moved quickly to upgrade our cable systems, expand our customer service capabilities and create exciting new avenues for growth. With an unblinking eye for opportunity, our cable division continues to grow, producing record revenues and operating cash flow in 1996.

new customers Comcast Cable grew to 4.3 million customers in 1996, making us the fourth largest cable television operator in the United States. Despite competition from satellite TV and new cable providers, we added 138,000 multichannel video customers to our existing operations (including 66,000 *Primestar by Comcast* customers), a 4.0% increase in customers over 1995.

We acquired 800,000 customers by purchasing the cable television operations of The E.W. Scripps Company in November 1996. Nearly 60% of these customers are concentrated in two attractive "clusters" of at least 200,000 subscribers each. We believe these markets offer excellent growth potential, through new sales and increased sell-through of enhanced products and services.



We're upgrading our cable systems to a new hybrid fiber-coaxial technology platform to provide more services, better signal quality and improved reliability to all of our customers. By the end of 1996, nearly 50% of our customers were served by advanced systems. Additional construction during 1997 will bring the number of customers served by these advanced systems to 70%.

In December 1996, we launched Comcast@Home, our high-speed cable modem service, in Baltimore and Sarasota. Comcast@Home delivers 24-hour, unlimited Internet access and exclusive local and national content at speeds many times faster than traditional telephone modems. In early 1997, we expanded this service into northern New Jersey, and we will offer Comcast@Home in additional markets later this year. We're also developing a commercial cable modem service to provide expanded bandwidth and high-speed data services to businesses, schools and government organizations.

Our new digital cable television service will debut during 1997. The service will offer over 150 analog and digital channels of entertainment, news and music, crystal-clear digital video and sound, and an on-screen "navigator" that will allow our customers to review programming choices and to order movies and other pay-per-view selections right on the TV screen. Programming will continue to include local network and independent broadcast stations. Unlike some competitive offerings, we expect our customers will be able to subscribe to our new digital service without significant up-front costs.

During 1996, we opened three new state-of-the-art customer service centers, providing around-the-clock service to almost one million customers. Equipped with proprietary systems and software, account executives at our new centers are able to respond quickly and efficiently to customer inquiries, orders or repair requests. Six more regional centers are scheduled to open nationwide in 1997, expanding 24-hour service to 80% of our customers.

Our three new centers handled nearly five million phone calls in 1996. Each of these three new centers now operates beyond the National Cable Television Association (NCTA) service standards that require us to answer 90% of our customer calls in less than 30 seconds. Nationwide, our cable operations achieved a 99.5% on-time service record, exceeding the NCTA's On-Time Service Guarantee.

Comcast Cable produces a wide range of exclu-[illegible] programming. More than one million of our customers in New Jersey and eastern Pennsylvania enjoy local news, sports and other programs through the *Comcast Network*, a regional cable channel. Through a joint venture with the *Sarasota Herald Tribune*, Comcast Cable provides the only 24-hour news, weather and information channel dedicated to the west coast of Florida.

"Comcast Sneak Peek" gives many of our customers the opportunity to view new cable channel alternatives and to express a preference for their favorite programming options. Once a month, we also present "Comcast Special Presentations," a unique collection of programs, including movie premiers, weekend movie marathons and exciting live events.

new on[illegible] We have been able to accomplish all of these initiatives while increasing operating cash flow. By keeping a sharp focus on the needs of our customers and the reali-[illegible] operating in a competitive environment, we are well prepared to enter a new era in cable television.

shattering

QVC is one of the great American success stories of the past decade. Since the company's first telecast on November 24, 1986—when it sold a modest $7,400 in merchandise—QVC has grown to become the undisputed world leader in electronic retailing. Through a combination of creativity and disciplined management, QVC continues to set new records in sales and operating cash flow.

broadening our U.S. audience QVC has something for everyone. Through creative programming and promotion, we're getting that message to more people and increasing the size and breadth of our U.S. audience. We also want to be known as America's most timely retailer, leveraging our size and speed to be first to market with new product trends and to capitalize on special-event opportunities.

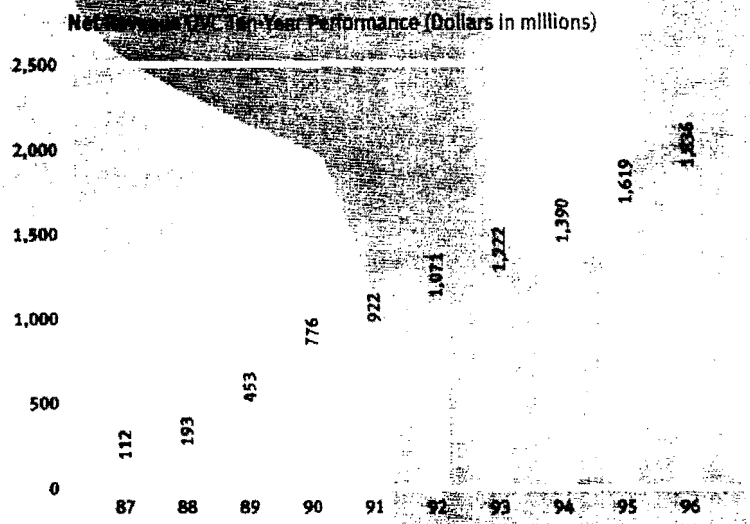
all records

QVC leads electronic retailing

- *Reached more than 70 million homes worldwide in 1996*
- *Answered more than 85 million phone calls*
- *Shipped more than 50 million packages*
- *Received orders for more than $25 million in one day*
- *Sold more than 435,000 items in one day*

That's why you could find us last year at such prominent venues as the Super Bowl and the Olympics. We also hosted events at great cultural institutions, including New York's Metropolitan Museum of Art and the Cézanne Exhibit at the Philadelphia Museum of Art. We have fueled up the QVC Local, our bright-orange television studio on wheels, for "The 1997 Quest for America's Best—50 in 50 Tour"—a cross-country expedition featuring unique local and regional products. We also showcased merchandise from Harrods, London's premier department store.

QVC celebrates its 10th anniversary with record-breaking performance



In early 1997, QVC was named The Official National Retailer of the 53rd Presidential Inaugural. For two weeks, we took millions of viewers behind the scenes of this historic event with a broad range of original programming, including a live, two-hour telecast from the National Mall in Washington, D.C.

QVC is widely recognized for providing world-class service, with a goal of shipping 95% of orders within 48 hours. To maintain this and other high standards, we are continuously upgrading our infrastructure and customer service capabilities. Among our many innovations, we have designed proprietary fulfillment systems, including automated jewelry packagers, each of which can pack 18,000 orders a day (about one every five seconds); we've also installed systems that automatically address and sort pre-packed cartons, dramatically increasing productivity and reducing costs.

During 1997, we will complete a new 250,000-square-foot warehouse to meet the unique inventory and order-processing demands of apparel items, and we will expand our warehouse in Suffolk, Virginia to manage our growing home-products business. We also recently completed a new distribution and customer service center in the United Kingdom.

In September 1996, we launched iQVC, our online shopping service, on the World Wide Web (http://www.iqvc.com). Visitors to iQVC can order any of the products featured on our television programs, plus tens of thousands of additional items not seen on the air. We also established a new "On Call" personal shopping service—a 24-hour, toll-free hotline, enabling customers to access our massive product database.

The same successful concepts—quality, value and convenience—that have made QVC a hit in the United States are now helping us to build a loyal following around the world. Our first international shopping channel, a joint venture established in the United Kingdom in 1993, grew to $98 million in sales during 1996 and today reaches more than five million households throughout the United Kingdom and the Republic of Ireland.

We increased our European presence in December 1996 by launching QVC Germany, our first solo international venture. The German market appears ideal for electronic retailing. In addition to having the highest per capita mail order sales in the world, Germany is second only to the United States in total cable and satellite television households. In January 1997, we teamed with Japan Cable Television, Ltd. to launch "The Best of QVC," a series of 13 half-hour television programs broadcast on TV Asahi in Japan.

To support our growth and to enhance the quality and variety of QVC programming, we are building a television studio and warehouse facility in West Chester, Pennsylvania. Called Studio Park, the new 585,000-square-foot complex is scheduled for completion in late 1997. Studio Park's state-of-the-art facilities will have 15 stages (10 more than our current facility), providing backdrops for a near-limitless variety of sets. A new 150-seat auditorium will enable visitors to view many shows live, and to interact with program hosts, celebrities and on-air guests. Another attraction for visitors to Studio Park will be tours of the new facility.

content

We're always on the lookout for sound content investments. But they must be a strategic fit with our existing businesses, and present an attractive financial opportunity.

network partnerships C3 (Comcast Content & Communications), our programming venture, entered into development contracts with ABC, NBC and Fox in 1996 and has several pilot shows in production. "Home Team," a daytime talk show featuring Terry Bradshaw and created with The Fox Network, has sold in syndication to 23 of the top 25 U.S. markets for launch in the fall of 1997. By forming creative and business partnerships with the major networks, C3 seeks to create superior programming while minimizing its financial risk.

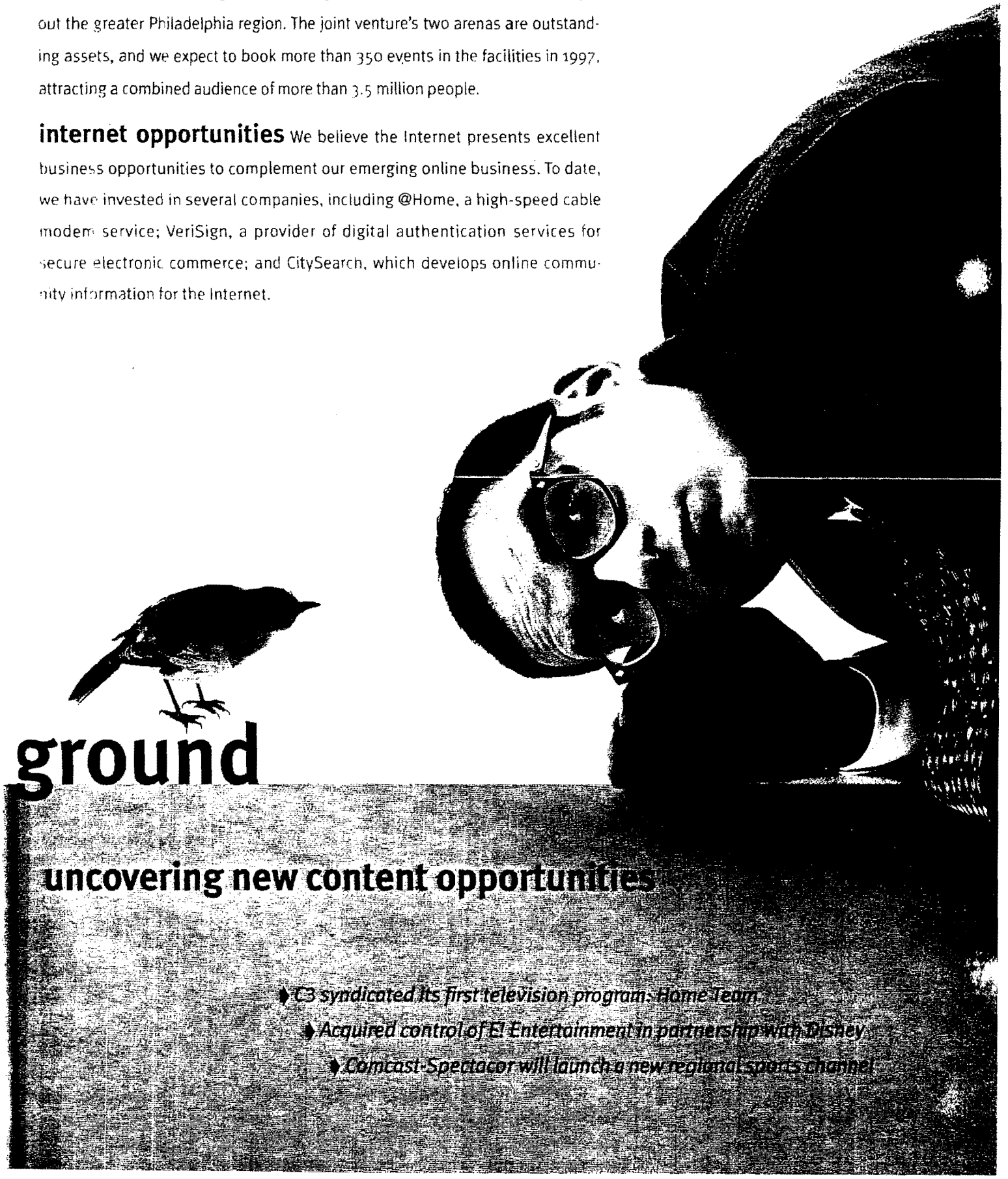
E! Entertainment Television With 42 million subscribers, E! Entertainment Television is an established cable network with a unique programming niche and significant growth potential. By creating a joint venture with The Walt Disney Company in January 1997, we were able to purchase a controlling interest in E!. Through C3 we now manage another valuable content property—and through our partnership with Disney we have gained a powerful programming and marketing partner.

the economic power of sports With the formation of Comcast-Spectacor, we gained majority ownership in the leading sports and entertainment business in the greater Philadelphia region. In October 1997, we will launch a new 24-hour regional sports channel to capitalize on the vast media potential of our new venture. Reaching almost 1.5 million viewers, the new channel will telecast Philadelphia Flyers and Phillies games, as well as a broad range of local college and high school sports, sports talk and sports news.

keeping an to the

In addition to being an invaluable source of live programming, Comcast-Spectacor creates profitable branding and marketing synergies for our businesses throughout the greater Philadelphia region. The joint venture's two arenas are outstanding assets, and we expect to book more than 350 events in the facilities in 1997, attracting a combined audience of more than 3.5 million people.

internet opportunities We believe the Internet presents excellent business opportunities to complement our emerging online business. To date, we have invested in several companies, including @Home, a high-speed cable modem service; VeriSign, a provider of digital authentication services for secure electronic commerce; and CitySearch, which develops online community information for the Internet.



ground

uncovering new content opportunities

- *C3 syndicated its first television program, Home Team.*
- *Acquired control of E! Entertainment in partnership with Disney.*
- *Comcast-Spectacor will launch a new regional sports channel.*

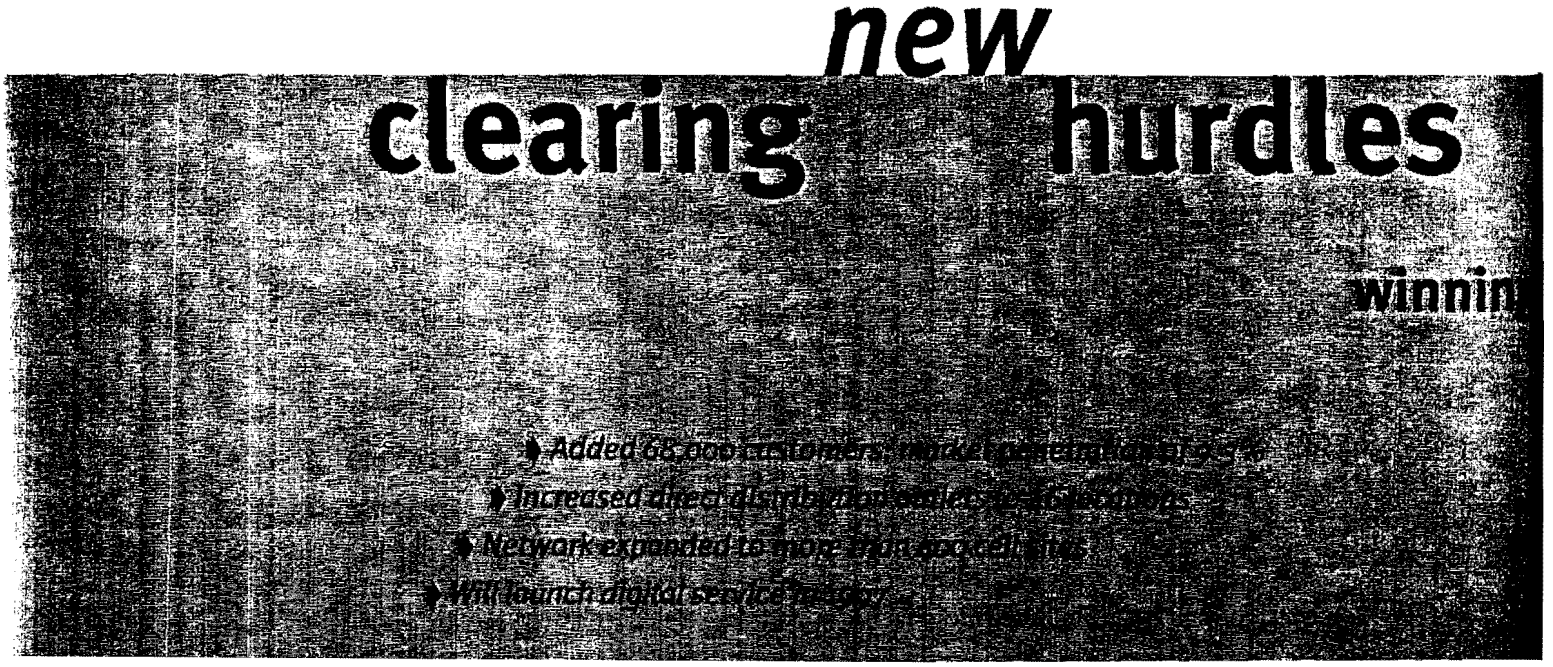
cellular

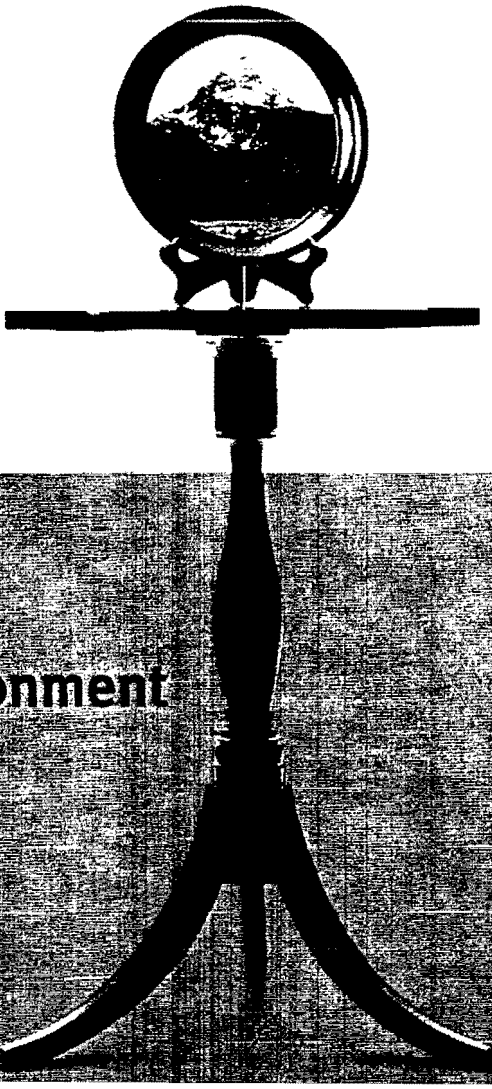
Comcast Cellular knows how to compete. By continuously improving our system and services, we have raised the bar for new wireless telephone providers and strengthened our dominant position in our market.

building a better network Through an ongoing upgrade of our technical platform, we have built a superior cellular network that delivers outstanding call quality and capacity for our growing customer base. During 1996, we expanded the number of our cell sites to improve our service. We also deployed extensive fraud-prevention technologies to tighten security systemwide. Our enhanced technical platform will enable us to launch Comcast Digital PCS service in 1997, further expanding our coverage and service capabilities.

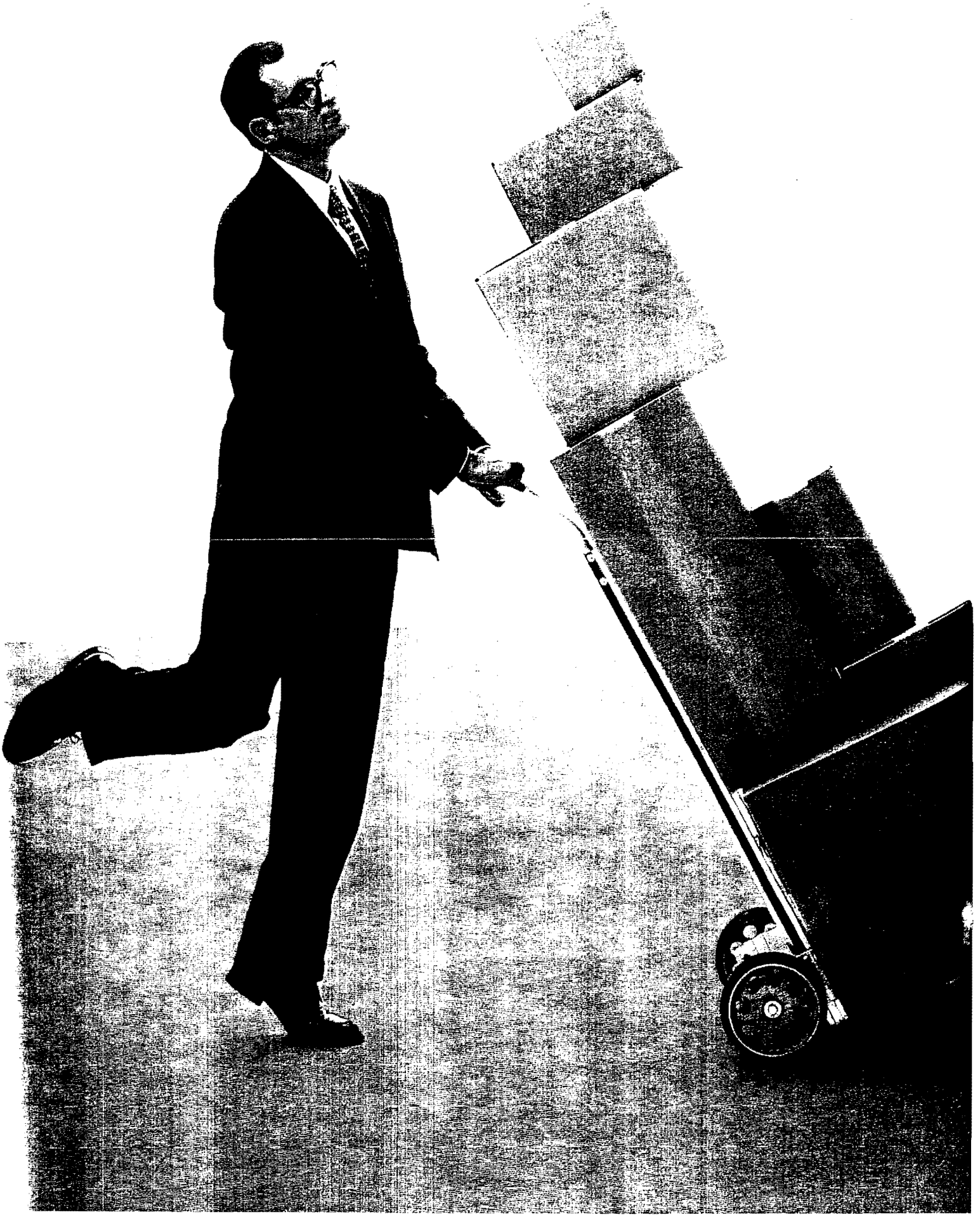
innovative products and services Comcast Cellular is known as an innovator in the cellular industry. In 1996, we launched GroupTalk, which enables businesses to create dependable wireless communications networks for defined work groups. We also began providing personal paging services through PageNet, and created Comcast Long Distance, a discounted long-distance service. To strengthen customer loyalty, we expanded our Comcast Rewards program, which offers "frequent dialers" a wide variety of bonuses—from free cellular air time to unique travel, entertainment and merchandise rewards.

expanding distribution We opened 34 new Comcast-owned cellular outlets in 1996, giving us a total of 46 direct-retail locations. Many more locations are planned for 1997. To increase our retail presence and regional brand identity, we also opened our first Comcast Communications Center in October 1996. Located in King of Prussia, Pennsylvania, the high-tech retail store provides a fun and futuristic environment for customers to shop for Comcast cable and cellular services, QVC products, and Comcast-Spectacor tickets and sports merchandise.





a competitive cellular environment



Delivering the goods in today's business environment is no easy feat. You have to see past the issues of the day and maintain a steady course regardless of the bumps and potholes in the road. It's a rigorous balancing act which determines how your operations stack up in a competitive world.

Fortunately, we have a lot of practice. Guided by a sound strategy and clear vision, we have achieved what might be called "dynamic balance" — a focused style of management in which we don't allow today's challenges to distract us from our long-term goals. At the same time, we don't let long-term goals supplant our responsibility for current performance. When you survey our industry, you'll find it's not an easy balance to achieve. At Comcast, it has always been our way of doing business.

striking a balance

managing resources in changing times

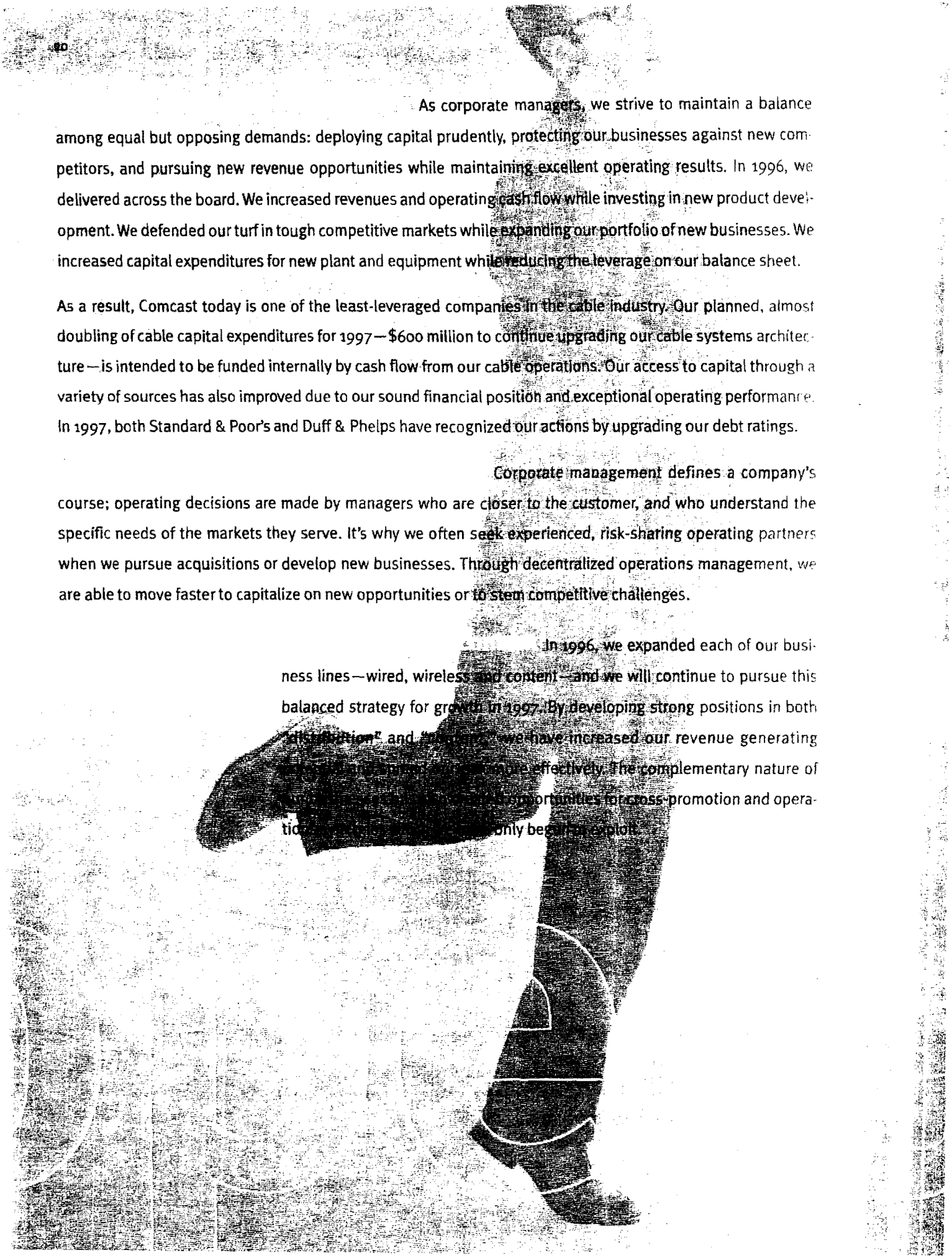
- *Increased revenues and operating cash flow*
- *Invested in networks, new products and customer service*
- *Expanded cable and content businesses*
- *Reduced leverage; strengthened balance sheet*

As corporate managers, we strive to maintain a balance among equal but opposing demands: deploying capital prudently, protecting our businesses against new competitors, and pursuing new revenue opportunities while maintaining excellent operating results. In 1996, we delivered across the board. We increased revenues and operating cash flow while investing in new product development. We defended our turf in tough competitive markets while expanding our portfolio of new businesses. We increased capital expenditures for new plant and equipment while reducing the leverage on our balance sheet.

As a result, Comcast today is one of the least-leveraged companies in the cable industry. Our planned, almost doubling of cable capital expenditures for 1997—$600 million to continue upgrading our cable systems architecture—is intended to be funded internally by cash flow from our cable operations. Our access to capital through a variety of sources has also improved due to our sound financial position and exceptional operating performance. In 1997, both Standard & Poor's and Duff & Phelps have recognized our actions by upgrading our debt ratings.

Corporate management defines a company's course; operating decisions are made by managers who are closer to the customer, and who understand the specific needs of the markets they serve. It's why we often seek experienced, risk-sharing operating partners when we pursue acquisitions or develop new businesses. Through decentralized operations management, we are able to move faster to capitalize on new opportunities or to stem competitive challenges.

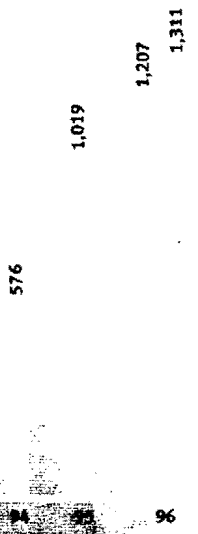
In 1996, we expanded each of our business lines—wired, wireless and content—and we will continue to pursue this balanced strategy for growth in 1997. By developing strong positions in both "distribution" and "[illegible]" we have increased our revenue generating [illegible] more effectively. The complementary nature of [illegible] opportunities for cross-promotion and operati[illegible] only begun to exploit.



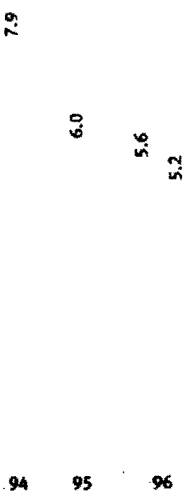
Over the years, we have built an excellent reputation for developing innovative financial structures to support our growth. This has enabled us to pursue attractive long-term opportunities without adding significantly to our debt. By balancing our fast-moving, entrepreneurial culture with prudent financial management, we will continue to develop new ways to deliver value to our shareholders.

Consolidated Revenues
(Dollars in millions)

Consolidated Operating Cash Flow
(Dollars in millions)



Leverage: Ratio of Consolidated Net Debt to Operating Cash Flow



96 pro forma: The Company acquired Scripps Cable in November 1996. Pro forma information is presented as if the Scripps Cable acquisition occurred at the beginning of 1996. Accordingly, pro forma information includes a full year of Scripps Cable operating results.

Sprint PCS℠

TCG

@Home NETWORK

OUTDOOR LIFE NETWORK
Television With A View

PRIMESTAR®

THE GOLF CHANNEL®

SPEEDVISION℠

THE LIGHTSPAN PARTNERSHIP, INC.

SUNSHINE NETWORK

Garden State CABLE TV

MUSIC CHOICE

VIEWER'S CHOICE®

Garden State Cable 50%
Teleport Communications Group 17%
@Home Network 14%

Sprint PCS 15%
PRIMESTAR Partners 10%

Outdoor Life 23%
Speedvision 22%
The Sunshine Network 16%
The Golf Channel 14%
Lightspan 11%
Viewers Choice 10%
Music Choice 6%

UK Cable Partners 26%
MComcast - Brazil 50%

The consolidated financial statements of Comcast Corporation and its subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles and have been audited by Deloitte & Touche LLP, Certified Public Accountants, whose appointment was ratified by the Company's stockholders. Such financial statements and the related Independent Auditors' Report thereon, dated February 28, 1997, which expressed an unqualified opinion, are included in the Company's Annual Report on Form 10-K. The integrity and objectivity of information in those consolidated financial statements, including estimates and judgments, are the responsibility of management, as is all other financial information included in this report.

In meeting its responsibility for the reliability of the financial statements, the Company depends on its system of internal accounting controls. This system, which undergoes continual reevaluation, is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with the appropriate corporate authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Although accounting control procedures are designed to achieve these objectives, it must be recognized that errors or irregularities may nevertheless occur. The design, monitoring and revision of internal accounting controls involve, among other considerations, management's judgments with respect to the relative cost and expected benefits of specific control measures. The Company believes that its accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

Management recognizes its responsibility for conducting the Company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized by and reflected in the Company's Code of Ethics and Business Conduct, which is distributed throughout the Company. Management maintains a systematic program to comply with the policies included in the Code.

The Board of Directors pursues its responsibilities for the financial statements through its Audit Committee, composed entirely of Directors who are not Company employees. This responsibility includes general oversight of the Company's accounting system and related internal controls. The independent auditors and the Company's audit department have full and free access to the Audit Committee, and meet with it, with and without management being present, to discuss auditing and financial reporting matters.

LAWRENCE S. SMITH
Executive Vice President

JOHN R. ALCHIN
Senior Vice President and Treasurer

Independent Auditors' Report Comcast Corporation and Subsidiaries

Board of Directors and Stockholders
Comcast Corporation
Philadelphia, Pennsylvania

We have audited the consolidated balance sheet of Comcast Corporation and its subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity (deficiency) and of cash flows for each of the three years in the period ended December 31, 1996. Such consolidated financial statements and our report thereon dated February 28, 1997, expressing an unqualified opinion (which are not included herein), are included in the Company's 1996 Annual Report on Form 10-K. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1996 and 1995 and the related condensed consolidated statements of operations and of cash flows for each of the three years in the period ended December 31, 1996 is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania
February 28, 1997

Condensed Consolidated Balance Sheet Comcast Corporation and Subsidiaries

(Dollars in millions, except share data)	December 31, 1996	1995
Assets		
Current assets		
Cash and cash equivalents	$ 331.3	$ 539.1
Short-term investments	208.3	371.0
Accounts receivable, less allowance for doubtful accounts of $97.1 and $81.3	439.3	390.7
Inventories, net	258.4	243.4
Other current assets	168.5	109.5
Total current assets	1,405.8	1,653.7
Investments, principally in affiliates	1,177.7	906.4
Property and equipment	3,600.1	2,484.4
Accumulated depreciation	(1,061.3)	(873.2)
Property and equipment, net	2,538.8	1,611.2
Deferred charges		
Franchise and license acquisition costs	4,895.7	3,568.6
Excess of cost over net assets acquired and other	3,683.1	3,075.0
	8,578.8	6,643.6
Accumulated amortization	(1,612.5)	(1,234.6)
Deferred charges, net	6,966.3	5,409.0
	$12,088.6	$ 9,580.3
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities		
Accounts payable and accrued expenses	$ 1,044.3	$ 964.0
Accrued interest	91.1	72.7
Current portion of long-term debt	229.5	85.4
Total current liabilities	1,364.9	1,122.1
Long-term debt, less current portion	7,102.7	6,943.8
Deferred income taxes	2,140.5	1,518.0
Minority interest and other	859.3	772.0
Commitments and contingencies		
Common equity put options	69.6	52.1
Stockholders' equity (deficiency)		
Preferred stock, no par value — authorized, 20,000,000 shares; issued, 5% series A convertible, 6,370 at redemption value	31.9	
Class A special common stock, $1 par value — authorized, 500,000,000 shares; issued, 283,281,675 and 192,844,814	283.3	192.8
Class A common stock, $1 par value — authorized, 200,000,000 shares; issued, 33,959,368 and 37,706,517	34.0	37.7
Class B common stock, $1 par value — authorized, 50,000,000 shares; issued, 8,786,250	8.8	8.8
Additional capital	2,327.4	843.1
Accumulated deficit	(2,127.9)	(1,914.3)
Unrealized gains on marketable securities	0.1	22.2
Cumulative translation adjustments	(6.0)	(18.0)
Total stockholders' equity (deficiency)	551.6	(827.7)
	$12,088.6	$ 9,580.3

See notes to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K.

Condensed Consolidated Statement of Operations Comcast Corporation and Subsidiaries

(Amounts in millions, except per share data)	Year Ended December 31, 1996	1995	1994
Revenues			
Service income	$2,202.6	$1,875.2	$1,375.3
Net sales from electronic retailing	1,835.8	1,487.7	
	4,038.4	3,362.9	1,375.3
Costs and expenses			
Operating	948.7	803.4	409.8
Cost of goods sold from electronic retailing	1,110.9	898.3	
Selling, general and administrative	771.6	642.4	389.2
Depreciation	314.6	339.9	182.2
Amortization	383.7	349.1	154.3
	3,529.5	3,033.1	1,135.5
Operating income	508.9	329.8	239.8
Other (income) expense			
Interest expense	540.8	524.7	313.4
Investment income	(122.6)	(229.8)	(24.6)
Equity in net losses of affiliates	144.8	86.6	40.9
Gain from equity offering of affiliate	(40.6)		
Other	2.6	(6.3)	
	525.0	375.2	329.7
Loss before income tax expense (benefit), minority interest and extraordinary items	(16.1)	(45.4)	(89.9)
Income tax expense (benefit)	84.4	42.1	(9.2)
Loss before minority interest and extraordinary items	(100.5)	(87.5)	(80.7)
Minority interest	(48.0)	(49.7)	(5.4)
Loss before extraordinary items	(52.5)	(37.8)	(75.3)
Extraordinary items	(1.0)	(6.1)	(11.7)
Net loss	$ (53.5)	$ (43.9)	$ (87.0)
Loss per share			
Loss before extraordinary items	$ (.21)	$ (.16)	$ (.32)
Extraordinary items		(.02)	(.05)
Net loss	$ (.21)	$ (.18)	$ (.37)
Weighted average number of common shares outstanding	247.6	239.7	236.3

See notes to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K.

Condensed Consolidated Statement of Cash Flows Comcast Corporation and Subsidiaries

(Dollars in millions)	Year Ended December 31, 1996	1995	1994
Operating Activities			
Net loss	$ (53.5)	$ (43.9)	$ (87.0)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	314.6	339.9	182.2
Amortization	383.7	349.1	154.3
Non-cash interest expense, net	62.2	53.8	53.5
Equity in net losses of affiliates	144.8	86.6	40.9
Gain from equity offering of affiliate	(40.6)		
Gains on sales of subsidiaries		(5.5)	(5.8)
Gains on long-term investments, net	(69.2)	(183.0)	
Minority interest	(48.0)	(49.7)	(5.4)
Extraordinary items	1.0	6.1	11.7
Deferred income taxes and other	14.0	(15.7)	9.7
	709.0	537.7	354.1
Increase in accounts receivable, net	(38.2)	(62.4)	(28.3)
Increase in inventories, net	(5.8)	(57.5)	(7.3)
Decrease (increase) in other current assets	0.6	(23.3)	(5.3)
Increase in accounts payable and accrued expenses	114.9	114.3	57.5
Increase (decrease) in accrued interest	19.1	11.9	(1.6)
Net cash provided by operating activities	799.6	520.7	369.1
Financing Activities			
Proceeds from borrowings	839.5	3,728.2	1,201.1
Retirement and repayment of debt	(734.4)	(1,619.6)	(509.0)
(Repurchases) issuances of common stock, net	(175.9)	(7.1)	2.9
Issuance of common stock of a subsidiary, net			209.4
Equity contributions to subsidiaries		6.6	250.0
Dividends	(26.8)	(22.4)	(22.7)
Other	16.4	(50.0)	(16.5)
Net cash (used in) provided by financing activities	(81.2)	2,035.7	1,115.2
Investing Activities			
Acquisitions, net of cash acquired	(60.4)	(1,386.0)	(1,292.6)
Proceeds from sales (purchases) of short-term investments, net	210.2	(240.8)	389.3
Investments, principally in affiliates	(502.0)	(480.2)	(125.0)
Proceeds from sales of and distributions from long-term investments	167.5	410.5	
Capital expenditures	(670.4)	(623.0)	(269.9)
Proceeds from sale of subsidiary			28.2
Other	(71.1)	(33.1)	(39.4)
Net cash used in investing activities	(926.2)	(2,352.6)	(1,309.4)
(Decrease) increase in cash and cash equivalents	(207.8)	203.8	174.9
Cash and cash equivalents, beginning of year	539.1	335.3	160.4
Cash and cash equivalents, end of year	$ 331.3	$ 539.1	$ 335.3

See notes to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K.

Pro Forma Financial Data by Business Segment (Unaudited) Comcast Corporation and Subsidiaries

(Dollars in millions)	Domestic Cable	Electronic Retailing	Cellular	Corporate and Other[1]	Total
1996					
Revenues	**$1,588.6**	**$1,835.8**	**$426.1**	**$119.0**	**$3,969.5**
Operating cash flow (deficit)	**788.6**	**300.3**	**160.2**	**(70.4)**	**1,178.7**
Capital expenditures	**280.4**	**63.6**	**116.0**	**188.9**	**648.9**
1995					
Revenues	$1,454.9	$1,619.2	$374.9	$ 27.9	$3,476.9
Operating cash flow (deficit)	718.5	255.4	137.8	(75.0)	1,036.7
Capital expenditures	237.8	33.7	228.7	111.9	612.1

[1]Corporate and Other includes certain operating businesses and elimination entries related to the segments presented.

The Company acquired QVC in February 1995 and Scripps Cable in November 1996. Pro forma financial data by business segment is presented as if the QVC acquisition occurred at the beginning of 1995 and as if the Scripps Cable acquisition did not occur in 1996. Accordingly, each period presented includes QVC's operating results for the entire period and excludes Scripps Cable's operating results. The information presented above is not necessarily indicative of what the results would have been had the Company operated QVC since the beginning of 1995. Historical financial data by business segment and unaudited pro forma information, as required under generally accepted accounting principles, is available in the Company's Annual Report on Form 10-K.

Officers

Thomas G. Baxter
President

Bradley P. Dusto
Senior Vice President
Engineering

Thomas A. Hurley
Senior Vice President
Programming

Roger B. Keating
Senior Vice President
On Line Communications

Filemon Lopez
Senior Vice President
Advertising Sales

Ralph G. Rochester
Senior Vice President
Sales and Marketing

Michael S. Tallent
Senior Vice President
Accounting and Administration

Steven M. Brookstein
Senior Vice President
East/West Region

Stephen A. Burch
Senior Vice President
Mid-Atlantic Region

Michael A. Doyle
Senior Vice President
Northeast Region

William R. Goetz, Jr.
Senior Vice President
Southeast Region

Gerald D. Campbell
Senior Vice President
Midwest Region

David A. Scott
Senior Vice President
South Central Region

Roland T. Addis
Vice President
New Products Marketing

Steven C. Craddock
Vice President
New Media Development

Donald R. Erickson
Vice President and Controller

Jonathan R. Gorchow
Vice President
Marketing and Sales

William L. Horrocks, III
Vice President
Planning and Systems

William G. Kingsley
Vice President
Telecommunications

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Vice President
Engineering

Stephen T. Linskey
Vice President
Telecommunications
Technology

Harland E. Moidel
Vice President
Advertising Sales

Timothy F. Munoz
Vice President
Relationship Marketing

Marley D. Myers
Vice President
Customer Service

Thomas R. Nathan
Vice President and
General Counsel

Allen R. Peddrick
Vice President
Human Resources

Gregory V. Pucci
Vice President
Subscriber Information
Systems

David H. Richardson
Vice President
Administration

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Vice President
Marketing

Glenn Wasser
Vice President
Comcast Satellite
Communications

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Vice President
Construction

Sheila R. Willard
Vice President
Public Affairs

Steven L. Dvoskin
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and General Manager
West/Central Florida

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Area Vice President
Northeast Region

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Harford, Howard and
Baltimore Counties,
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Operations
Michigan

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Southeast Region

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Knoxville and Chattanooga,
Tennessee

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Area Vice President
Northeast Region

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New Jersey

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General Manager
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General Manager
Detroit, Michigan

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General Manager
Dothan, Alabama

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Pontiac/Waterford, Michigan

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Linda Avlon-Colaluca
General Manager
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Jersey City, New Jersey

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New Jersey

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General Manager
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General Manager
Danbury, Connecticut

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Vice President and General
Manager, Inland Empire,
and Santa Barbara County,
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Corporate and Division Officers Comcast Corporation

Leonard K. Grace
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Tupelo, Mississippi

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Orange County and
Simi Valley, California

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West Virginia

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Dover and Rehoboth,
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Mississippi

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Paducah, Kentucky

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Operations Manager
Hillsdale, Michigan

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General Manager
Lower Merion,
Philadelphia,
and Willow Grove,
Pennsylvania

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Vice President and
Area General Manager
Florence, Huntsville,
and Gadsden, Alabama
and Corinth and Tupelo,
Mississippi

Scott W. Randall
General Manager
Tuscaloosa, Alabama

Anthony L. Ricchuito
General Manager
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Trenton, New Jersey

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General Manager
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Burlington/Gloucester,
New Jersey

J. Larry Trammell
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Mid-Florida

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Western Kentucky

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General Manager
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General Manager
Southeast Michigan

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Vice President and
General Manager,
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Little Rock, Arkansas

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Lake County, Florida

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Comcast Teesside

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Cambridge Cable

Neil Johnson
Managing Director
Cable London

Frank Webb
Managing Director
Birmingham Cable

Officers

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President

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Senior Vice President
Engineering and
New Technology

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Finance and Administration

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Sales

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Customer Systems
and Technology

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Business Development

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Network Engineering

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Human Resources

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Vice President
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Interconnect

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Marketing

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Vice President
Management Information
Systems

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Vice President and
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Wireless Data

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System Performance and
R.F. Planning

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Chief Financial Officer

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Merchandising

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Chief Information Officer

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Programming and Broadcasting

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Senior Vice President
Information Systems

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International

Rowland C. Gersen
Senior Vice President
Controller

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General Counsel and
Secretary

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Customer Services

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Distribution

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Senior Vice President
Marketing

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Treasurer

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Chief Executive Officer

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Vice President
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Eve Szurley
Vice President
Creative Affairs

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Vice Chairman

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and Treasurer

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and President
Comcast Cable
Communications

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and President
Comcast International

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Secretary

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and President
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Taxation

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Senior Deputy General Counsel

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Strategic Planning

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Vice President and
Corporate Controller

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Labor and Employment Law

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Human Resources
Planning and Development

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Corporate Development

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External Affairs
Public Policy Counsel

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Assistant Treasurer

Christine K. Van Horne
Assistant Treasurer

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Assistant Corporate Controller

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Director of Financial
Reporting and
Consolidations

Thomas Farrell
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Security

Fred A. Graffam III
Director of Financial Planning

Sharon D. Ingram
Director of Corporate
Human Resources

John W. Konvalinka
Chief Information Officer

William J. Montemarano
Director of Internal Audit

John C. Ruth
Director of Financial
Planning and
Reporting – Europe

Rosemarie S. Teta
Director of Corporate
Cash Management

H. Douglas White
Director of Employee Services

Board of Directors Comcast Corporation

Daniel Aaron
Consultant

Gustave G. Amsterdam
Attorney-at-Law

Sheldon M. Bonovitz
Partner
Duane, Morris & Heckscher
Attorneys

Julian A. Brodsky
Vice Chairman

Joseph L. Castle II
Chairman and
Chief Executive Officer
Castle Energy Corporation

Brian L. Roberts
President

Ralph J. Roberts
Chairman

Bernard C. Watson
Chairman
HMA Foundation

Irving A. Wechsler
Partner
Wechsler, Wolsh & Associates
Certified Public Accountants

Anne Wexler
Chairman
The Wexler Group

Quarterly Market Information (Unaudited) Comcast Corporation

	Class A Special Common Stock		Class A Common Stock	
	High	Low	High	Low
1996				
First Quarter	$21 1/16	$17 1/2	$20 5/8	$17 1/4
Second Quarter	18 3/4	16 1/4	18 7/8	16 5/16
Third Quarter	18 3/8	13 7/8	18 1/4	13 7/8
Fourth Quarter	17 7/8	14 5/8	17 3/4	14 1/4
1995				
First Quarter	$16 5/16	$14 9/16	$16 3/8	$14 3/8
Second Quarter	19 1/16	14	18 7/8	13 3/4
Third Quarter	22	18 5/8	22 1/8	18 9/16
Fourth Quarter	20 5/8	16 5/8	20 7/16	16 1/2

The Class A Special Common Stock and Class A Common Stock of the Company are traded on the Nasdaq Stock Market under the symbols CMCSK and CMCSA, respectively. There is no established public trading market for the Class B Common Stock of the Company. The Class B Common Stock is convertible, on a share-for-share basis, into Class A Special or Class A Common Stock. The table above sets forth, for the indicated periods, the closing price range of the Class A Special and Class A Common Stock as furnished by Nasdaq.

As of February 1, 1997, there were 2,672 record holders of the Company's Class A Special Common Stock and 1,793 record holders of the Company's Class A Common Stock. Sural Corporation is the sole record holder of the Company's Class B Common Stock.

Investor Information

Nasdaq Trading Symbols:
Class A Special Common Stock — CMCSK
Class A Common Stock — CMCSA

Transfer Agent:
The Bank of New York
800-524-4458

Shareholder Inquiries

Registered Shareholders (shares held by you in your name) should address communications concerning statements, dividend payments, and other administrative matters to:

The Bank of New York
Shareholder Relations Department — 11E
P.O. Box 11258
Church Street Station
New York, NY 10286

Send Certificates for Transfer and Address Changes to:
The Bank of New York
Receive and Deliver Department — 11W
P.O. Box 11002
Church Street Station
New York, NY 10286

Beneficial Shareholders (shares held for you by your broker in the name of the brokerage house) should direct communications on all administrative matters to your stockbroker.

Availability of Form 10-K A copy of the Company's Annual Report on Securities and Exchange Commission Form 10-K for the year ended December 31, 1996, is available at our Internet site (http://www.comcast.com) or can be provided to shareholders without charge by contacting Investor Relations.

Investor Relations Contact
Investor Relations
Comcast Corporation
1500 Market Street
Philadelphia, PA 19102-2148
Telephone: 215-665-1700
Email: ir@comcast.com
Internet: http://www.comcast.com

Corporate Information

Corporate Headquarters
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Philadelphia, PA 19102-2148
Telephone: 215-665-1700

Comcast on the Internet
http://www.comcast.com

General Counsel
Wolf, Block, Schorr and Solis-Cohen
Philadelphia, PA

Communications Counsel
Dow, Lohnes and Albertson
Washington, DC

Special Counsel
Davis, Polk & Wardwell
New York, NY

Auditors
Deloitte & Touche LLP
Philadelphia, PA

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Exhibit (a)(1)
OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK,

SERIES B PREFERRED STOCK AND

SERIES C PREFERRED STOCK

OF

QVC, INC.
AT

$46 NET PER SHARE OF COMMON STOCK AND

$460 NET PER SHARE OF PREFERRED STOCK

BY

QVC PROGRAMMING HOLDINGS, INC.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THURSDAY, SEPTEMBER 8, 1994, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (i) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE SHARES (THE "SHARES") OF COMMON STOCK, PAR VALUE $.01 PER SHARE (THE "COMMON STOCK"), AND SERIES B PREFERRED STOCK AND SERIES C PREFERRED STOCK, EACH PAR VALUE $.10 PER SHARE (TOGETHER, THE "PREFERRED STOCK") OF QVC, INC. (THE "COMPANY") WHICH, TOGETHER WITH THE 18,883,801 FULLY DILUTED SHARES AGREED TO BE CONTRIBUTED BY COMCAST CORPORATION ("COMCAST") AND LIBERTY MEDIA CORPORATION ("LIBERTY") (OR ANY WHOLLY-OWNED SUBSIDIARY THEREOF) TO QVC PROGRAMMING HOLDINGS, INC. (THE "PURCHASER"), PURSUANT TO THE JOINT BIDDING AGREEMENT (AS DEFINED HEREIN), REPRESENT AT LEAST A MAJORITY OF THE OUTSTANDING SHARES OF COMMON STOCK, CALCULATED ON A FULLY DILUTED BASIS AND (ii) THE PURCHASER HAVING OBTAINED SUFFICIENT FINANCING ON TERMS SATISFACTORY TO IT TO PURCHASE ALL OF THE OUTSTANDING SHARES PURSUANT TO THE OFFER, CONSUMMATE THE MERGER (AS DESCRIBED HEREIN) AND PAY RELATED FEES AND EXPENSES. SEE "THE TENDER OFFER -- 10. CERTAIN CONDITIONS OF THE OFFER".

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE BOARD OF DIRECTORS OF THE COMPANY (OTHER THAN DIRECTORS AFFILIATED WITH COMCAST) HAS UNANIMOUSLY DETERMINED THAT THE OFFER AND THE MERGER DESCRIBED HEREIN ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS (OTHER THAN COMCAST AND LIBERTY AND THEIR AFFILIATES) AND APPROVED THE OFFER AND THE MERGER, AND RECOMMENDS THAT THE COMPANY'S STOCKHOLDERS ACCEPT THE OFFER AND APPROVE THE MERGER.

IMPORTANT

Any stockholder desiring to tender Shares should either (1) complete and sign the Letter of Transmittal (or facsimile thereof) in accordance with the instructions in the Letter of Transmittal and deliver it with the certificate(s) representing tendered Shares and all other required documents to the Depositary or tender such Shares pursuant to the procedures for book-entry transfer set forth in "The Tender Offer -- 3. Procedures for Tendering Shares" or (2) request his or her broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him or her. A stockholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if he or she desires to tender such Shares.

Any stockholder who desires to tender Shares and whose certificates representing such Shares are not immediately available or who cannot comply with the procedures for book-entry transfer on a timely basis may tender such Shares pursuant to the guaranteed delivery procedure set forth in "The Tender Offer -- 3. Procedures for Tendering Shares".

Questions and requests for assistance or additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may also be obtained

Ex4

from brokers, dealers, commercial banks or trust companies.

The Dealer Manager for the Offer is:

LAZARD FRERES & CO.

August 11, 1994

TABLE OF CONTENTS

SECTION	PAGE
INTRODUCTION	1
SPECIAL FACTORS	4
Background of the Transaction	4
Purpose of the Transaction	16
Fairness of the Transaction	16
Opinions and Reports of Financial Advisors	19
Plans for the Company After the Merger	25
Interests of Certain Persons in the Transaction	27
The Merger Agreement	31
Dissenters Rights	36
Certain Tax Consequences	39
Certain Effects of the Transaction	39
Financing of the Transaction	41
Certain Litigation	41
THE TENDER OFFER	42
1. Terms of the Offer	42
2. Acceptance for Payment and Payment	42
3. Procedure for Tendering Shares	43
4. Withdrawal Rights	45
5. Price Range of Shares; Dividends	46
6. Certain Information Concerning the Company	47
7. Certain Information Concerning the Purchaser and Parent Purchasers	49
8. Dividends and Distributions	53
9. Extension of Tender Period; Termination; Amendment	54
10. Certain Conditions of the Offer	55
11. Certain Legal Matters; Regulatory Approvals	56
12. Fees and Expenses	58
13. Miscellaneous	59
Schedule I -- Certain Information Regarding the Directors and Executive Officers of the Company	
Schedule II -- Certain Information Regarding the Directors and Executive Officers of the Purchaser and the Parent Purchasers	
Schedule III -- Certain Information Regarding the Purchaser Designees	
Annex A -- Opinion of Allen & Company Incorporated	
Annex B -- Section 262 of the Delaware General Corporation Law	
Annex C -- Certain Financial Statements of the Company	

To the Holders of Common Stock,
Series B Preferred Stock and
Series C Preferred Stock of
QVC, Inc.:

INTRODUCTION

QVC Programming Holdings, Inc., a Delaware corporation (the "Purchaser") to be wholly owned by Comcast Corporation, a Pennsylvania corporation ("Comcast"), and Liberty Media Corporation, a Delaware corporation ("Liberty" and, together with Comcast, the "Parent Purchasers") and a wholly-owned subsidiary of Tele-Communications, Inc., a Delaware corporation ("TCI"), hereby offers to purchase all outstanding shares (the "Shares") of Common Stock, $.01 par value per share (the "Common Stock"), and Series B Preferred Stock and Series C Preferred Stock, each par value $.10 per share (together, the "Preferred Stock") of QVC, Inc., a Delaware corporation (the "Company") at $46 per share of Common Stock and $460 per share of Preferred Stock, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer"). Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares pursuant to the Offer. The Purchaser will pay all charges and expenses of Lazard Freres & Co. (in such capacity, the "Dealer Manager"), The Bank of New York (the "Depositary") and D.F. King & Co., Inc. (the "Information Agent") incurred in connection with the Offer.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (i) THERE BEING VALIDLY TENDERED (AS HEREINAFTER DEFINED) AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED HEREIN) SHARES WHICH, TOGETHER WITH THE 18,883,801 FULLY DILUTED SHARES AGREED TO BE CONTRIBUTED BY THE PARENT PURCHASERS (OR ANY WHOLLY-OWNED SUBSIDIARY THEREOF) TO THE PURCHASER PURSUANT TO THE JOINT BIDDING AGREEMENT DESCRIBED BELOW, REPRESENT AT LEAST A MAJORITY OF THE OUTSTANDING SHARES OF COMMON STOCK, ON A FULLY DILUTED BASIS (THE "MINIMUM TENDER CONDITION") AND (ii) THE PURCHASER HAVING OBTAINED SUFFICIENT FINANCING ON TERMS SATISFACTORY TO IT TO PURCHASE ALL OF THE OUTSTANDING SHARES PURSUANT TO THE OFFER, CONSUMMATE THE MERGER AND PAY RELATED FEES AND EXPENSES (THE "FINANCING CONDITION"). SEE "THE TENDER OFFER -- 10. CERTAIN CONDITIONS OF THE OFFER".

THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD") (OTHER THAN DIRECTORS AFFILIATED WITH COMCAST) HAS UNANIMOUSLY DETERMINED THAT THE OFFER AND THE MERGER DESCRIBED HEREIN ARE FAIR TO AND IN THE BEST INTERESTS OF THE COMPANY'S STOCKHOLDERS (OTHER THAN THE PARENT PURCHASERS AND THEIR AFFILIATES) AND APPROVED THE OFFER AND THE MERGER AND RECOMMENDS THAT THE COMPANY'S STOCKHOLDERS ACCEPT THE OFFER AND APPROVE THE MERGER.

ALLEN & COMPANY INCORPORATED ("ALLEN & COMPANY" OR "ALLEN"), FINANCIAL ADVISOR TO THE COMPANY, HAS DELIVERED AN OPINION TO THE BOARD TO THE EFFECT THAT THE CONSIDERATION TO BE RECEIVED BY THE STOCKHOLDERS (OTHER THAN THE PARENT PURCHASERS) OF THE COMPANY IN THE OFFER AND MERGER DESCRIBED HEREIN IS FAIR TO SUCH STOCKHOLDERS FROM A FINANCIAL POINT OF VIEW. SEE "SPECIAL FACTORS -- OPINIONS AND REPORTS OF FINANCIAL ADVISORS".

The Offer is being made pursuant to an Agreement and Plan of Merger dated as of August 4, 1994 (the "Merger Agreement") among the Company, the Parent Purchasers and the Purchaser. The Merger Agreement provides, among other things, that as promptly as practicable (but not before October 21, 1994) after the satisfaction or, if permissible, waiver of the conditions set forth therein, including the purchase of Shares pursuant to the Offer, a wholly owned subsidiary of the Purchaser ("MergerCo") will be merged with

and into the Company (the "Merger" and, together with the Offer, the "Transaction"), with the Company continuing as the surviving corporation (the "Surviving Corporation"). Pursuant to the Merger, each outstanding Share (other than Shares held in the treasury of the Company or any wholly-owned subsidiary thereof or owned by the Purchaser and MergerCo or any of its subsidiaries or Shares held by Remaining Stockholders (as defined below) exercising appraisal rights) will be converted into a right to receive $46 (in the case of shares of Common Stock) or $460 (in the case of shares of Preferred Stock) in cash or any higher price that may be paid per share of Common Stock or Preferred Stock, as the case may be, in the Offer, without interest. See "Special Factors -- The Merger Agreement".

Under the Delaware General Corporation Law (the "GCL"), if the Purchaser owns, following the contribution of 18,833,801 Fully Diluted Shares by the Parent Purchasers to the Purchaser pursuant to the Joint Bidding Agreement described below under "Special Factors -- Background" (the "Parent Contribution") and the consummation of the Offer (or through other purchases thereafter), at least 90% of the outstanding shares of each class of stock of the Company, the Purchaser would be able to (and pursuant to the Merger Agreement has agreed that it will) approve a merger of the Company without a vote of the Board or other stockholders. Otherwise, under the GCL and the Company's Certificate of Incorporation, a merger of the Company would require the approval of the Board and the holders of Shares representing a majority of the votes entitled to be cast. The Company's Board of Directors has approved the Merger. If the Purchaser owns, following the Parent Contribution and the consummation of the Offer or otherwise, Shares representing at least a majority of the total number of Fully Diluted Shares (as defined below), the Purchaser would have sufficient voting power to (and pursuant to the Merger Agreement has agreed that it will) approve a merger of the Company without the affirmative vote of any other stockholder of the Company. Such actions could, under the GCL and the Company's Certificate of Incorporation, be taken by written consent without a meeting and without a vote of the other stockholders of the Company. As used in this Offer to Purchase, the term "Fully Diluted Shares" means Shares of Common Stock assuming conversion of all securities convertible into Common Stock and exercise of all options or warrants to purchase Common Stock, but excludes options to purchase an aggregate of 14,294,600 shares of Common Stock held by Bellsouth Corporation ("Bellsouth"), Advance Publications, Inc. ("Advance") and Cox Enterprises, Inc. ("Cox") exercisable at $60 per share.

According to the Company, as of June 30, 1994, there were outstanding 40,226,197 shares of Common Stock, employee stock options ("Options") to purchase 8,194,650 shares of Common Stock, warrants to purchase 1,700,000 shares of Common Stock and 558,673 shares of Preferred Stock. Each share of Preferred Stock is convertible into 10 shares of Common Stock and entitles the holder thereof to one vote per share, together with holders of Common Stock, on all matters requiring a vote of stockholders (other than the election of two directors elected by holders of Common Stock).

Based upon the foregoing, the Purchaser believes that as of June 30, 1994, there were outstanding approximately 55,707,577 Fully Diluted Shares. Subsequent to the Parent Contribution, the Purchaser will beneficially own 18,833,801 Fully Diluted Shares. Accordingly, the Purchaser believes that the Minimum Tender Condition will be satisfied if approximately 8,969,988 shares of Common Stock are validly tendered pursuant to the Offer and not withdrawn prior to Expiration Date.

According to the Company, as of July 31, 1994, all executive officers and directors of the Company as a group beneficially owned 1,126,838 shares of Common Stock and held Options that were exercisable presently or within the next 60 days to purchase 3,590,666 shares of Common Stock, together representing 8.5% of the Fully Diluted Shares. The Purchaser has been advised by the Company that, to the best of the Company's knowledge, all of the Company's executive officers and directors not affiliated with Comcast, other than those individuals, if any, for whom the tender of Shares would cause them to incur liability under the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), currently intend to tender all Shares owned by them pursuant to the Offer. See "Special Factors -- Interests of Certain Persons in the Transaction." In addition, pursuant to the Stockholder Letter Agreement described below under "Special Factors -- Background," Mr. Barry Diller, Chairman of the Board and Chief Executive Officer of the Company, has agreed, subject to certain conditions, to tender 1,000,000 shares of Common Stock owned by him pursuant to the Offer, and, if requested by Comcast and upon satisfaction of certain additional

conditions, to exercise Options to purchase 3,000,000 shares of Common Stock held by him and to tender such 3,000,000 shares pursuant to the Offer.

As of August 8, 1994, all executive officers and directors of Comcast and TCI (Comcast and TCI, together the "Joint Bidders") as a group beneficially owned 34,025 shares of Common Stock (and such executive officers and directors have advised the Purchaser that they will tender all Shares owned by them pursuant to the Offer). In addition, TCI beneficially owns 332,772 Fully Diluted Shares, or 0.6% of the Fully Diluted Shares, which Shares are in addition to the Shares Liberty has agreed to contribute to Purchaser in the Parent Contribution. TCI has advised the Purchaser that it will tender its Shares pursuant to the Offer or, if TCI, Liberty and Comcast mutually agree, to contribute a portion of such Shares to the Purchaser in lieu of the cash contribution required by Liberty pursuant to the Joint Bidding Agreement (as defined herein).

The total amount of funds required by the Purchaser to purchase all of the Fully Diluted Shares pursuant to the Offer and to pay related fees and expenses is estimated to be $1.42 billion. See "Special Factors -- Financing the Transaction".

The information contained in this Offer to Purchase concerning the Company, including, without limitation, financial information and information about the deliberations of the Board in connection with the Transaction and the opinion of Allen & Company, the Company's financial advisor, was supplied by the Company. None of the Joint Bidders or any of their affiliates takes any responsibility for the accuracy of such information.

Stockholders are urged to read this Offer to Purchase and the related Letter of Transmittal carefully before deciding whether to tender their Shares.

SPECIAL FACTORS

BACKGROUND OF THE TRANSACTION

Prior to December 1, 1992, Comcast, which was a founding stockholder of the Company, and Liberty were two of the largest stockholders of the Company with each having two representatives on the Board.

On December 1, 1992, Comcast and Liberty formed a group (the "Comcast-Liberty Group") and entered into an agreement (the "Participation Agreement") setting forth their collective plans and proposals with respect to the Company. Following the formation of the Comcast-Liberty Group, Comcast and Liberty collectively owned approximately 53% of the outstanding Common Stock (assuming the exercise and/or conversion of certain warrants and Preferred Stock held by Liberty and Comcast). At such time, representatives of the Comcast-Liberty Group met with the Board to discuss its plans and presented to the Company its proposal to obtain majority representation on the Board in order to effectuate an orderly change of control. At its regularly scheduled meeting on December 7, 1992, the Board decided not to take any action with respect to such proposal other than to agree to continue its consideration.

The Participation Agreement provided, among other things, that Comcast and Liberty would seek to obtain majority representation on the Board through such methods as they would mutually agree. If necessary, each of Comcast and Liberty would, subject to the expiration of any applicable waiting periods and receipt of any necessary consents and approvals, convert such shares of Preferred Stock and exercise such warrants then owned by them as would be necessary to become the collective owners of a majority of the outstanding voting stock of the Company. Comcast and Liberty also agreed to take such additional steps as they would mutually agree in order to gain majority representation on the Board. Each of Comcast and Liberty agreed to vote all shares of voting stock of the Company beneficially owned by it in favor of the nominees to the Board proposed by the other person, so that Comcast and Liberty would obtain equal representation on the Board. In addition, the Participation Agreement required Comcast and Liberty to vote all shares of voting stock of the Company beneficially owned by each of them in such manner as they would agree in respect of matters, other than the election of directors, presented to the stockholders.

The Participation Agreement further provided that at such time as representatives of Comcast and Liberty constituted a majority of the Board (the "Control Time") and all required consents, approvals and other matters had been received, the member of the Comcast-Liberty Group (the "Greater Party") owning the greater number of the Common Stock, Preferred Stock and warrants to purchase shares of Common Stock (collectively, the "Company Securities") would be required to sell, and the member of the Comcast-Liberty Group (the "Lesser Party") owning the lesser number of the Company Securities would be required to purchase, at any time prior to December 15, 1993, such number of the Company Securities (the "Parity Securities") on a Common Stock equivalent basis as would be required to equalize the Lesser Party's equity ownership in the Company with that of the Greater Party on a Common Stock equivalent basis. In the event that the Lesser Party received all required consents, approvals and other matters, but the Control Time had not occurred by December 15, 1993, then during the period between December 15 and December 31, 1993 the Lesser Party would be entitled to require the Greater Party to sell the Parity Securities to it and the Greater Party would have the right to require the Lesser Party to purchase such Parity Securities from it. The purchase price of any Parity Securities would be $22 per share of Common Stock equivalent (less any exercise price in the case of warrants), plus interest thereon at the "prime rate" as determined from time to time by The Bank of New York from the date of the Participation Agreement until the closing date of the purchase of the Parity Securities.

On December 9, 1992, representatives of the Comcast-Liberty Group met with members of the Executive Committee of the Board and discussed the terms of a proposed summary term sheet (the "Summary Term Sheet"), pursuant to which, among other things, (i) Barry Diller would purchase a significant equity position in the Company from Liberty, Mr. Joseph M. Segel and Mr. Segel's wife, and would replace Mr. Segel as Chairman of the Board and Chief Executive Officer of the Company, (ii) Comcast, Liberty and Mr. Diller (collectively, the "Group") would enter into a stockholders agreement pursuant to which Comcast, Liberty and Mr. Diller would agree to act together with respect to purchases, dispositions and

voting of the Company Securities and (iii) the Company would grant to Mr. Diller, subject to his entering into an employment arrangement with the Company, 160,000 shares of Common Stock and options to purchase an additional 6,000,000 shares of Common Stock. Later that day, each of the Executive Committee and the Compensation Committee of the Board, as well as the Board, unanimously approved the terms of the Summary Term Sheet applicable to the Company as well as the formation of the Group by Comcast, Liberty and Barry Diller.

The members of the Group agreed in principle to the terms outlined in the Summary Term Sheet for the purpose of effecting an orderly change in control of the Company and believed that by obtaining majority representation on the Board, coupled with Mr. Diller's leadership in the roles of Chairman of the Board and Chief Executive Officer of the Company, the Group would be able to control the future direction of the Company and the scope of its business in such a way as to maximize the value of the Company for the benefit of all of its stockholders. At that time, the members of the Group believed that their objectives of expanding the Company's existing lines of business, exploring new lines of business, taking fuller advantage of emerging new technologies in the cable television industry, and exploring the possibility of increasing the Company's leverage in order to provide additional funds to improve and expand present services, for the possible acquisition of other programming businesses in the cable television industry and in order to effect a possible recapitalization of the Company, would enhance the value of the Company to its stockholders.

In the Summary Term Sheet the parties agreed in principle that all voting securities of the Company held by the Group would be voted for the election of directors approved by each member of the Group (with each such member being entitled to designate an equal number of persons to the Board) and otherwise in the manner agreed to by at least two of the three members of the Group. In addition, the Summary Term Sheet provided that, at any time between December 9, 1994 and December 9, 1997, but following the exercise of certain of his options, Mr. Diller would be entitled to purchase shares of Common Stock from each of Comcast and Liberty required to equalize his ownership of Common Stock on a fully diluted basis with that of each of Comcast and Liberty at a price per Share equal to the then current exercise price for certain of his options which had exercise prices which increased over time (options for such shares being referred to as the "Scaled Options"). As described below, the Summary Term Sheet was later superseded by the Compensation Agreement (as defined herein) and the Stockholders Agreement (as defined herein).

Pursuant to agreements entered into on December 9, 1992, Mr. Diller purchased an aggregate of 420,000 shares of Common Stock from Mr. Segel and his wife for an aggregate purchase price of $12.6 million in cash and, following expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") applicable to such purchase, on January 15, 1993, he purchased, through Arrow Investments, L.P., a limited partnership indirectly controlled by Mr. Diller through Arrow Investments, Inc. ("Arrow"), an additional 420,000 shares of Common Stock from Liberty for $12.6 million in cash.

On December 23, 1992, the Company extended an offer to all of the holders (the "Warrantholders") of warrants (the "Warrants") to purchase Common Shares to convert any or all of the Company's 9,479,913 outstanding Warrants into Shares. Pursuant to the terms of such offer, the Company offered, at the Warrantholder's election, (i) to issue to the Warrantholder, in exchange for the Warrantholder's Warrants, Common Shares with an aggregate value (each share being valued at $37.75 per share, representing a market based average stock price at such time (the "Conversion Price")) equal to the difference between the Conversion Price and the price at which the Warrants were exercisable (the "Exercise Price"), multiplied by the number of Common Shares into which the Warrants were exercisable, or (ii) if the Warrantholder elected to exercise its Warrants by making payment of the Exercise Price in cash and delivery of the Warrant certificate, to issue the number of Common Shares into which such Warrants were exercisable and to repurchase from the Warrantholder, at the Conversion Price, all of the Common Shares that could be purchased using all of the proceeds of the payment by the Warrantholder of the Exercise Price. In connection with an election described in (ii) above, the Company also offered to accept payment of the Exercise Price in Common Shares valued at the Conversion Price. As a result of acceptance of such offer by Liberty Media and its affiliates, the Company issued 2,475,434 Common Shares to Liberty Media and its affiliates upon the exercise or exchange of Warrants to purchase 3,903,764 Common Shares.]

As contemplated by the Summary Term Sheet, on January 18, 1993, Mr. Diller became Chairman of the Board and Chief Executive Officer of the Company. In connection with Mr. Diller's serving in these positions, the Company entered into an Equity Compensation Agreement, dated as of December 9, 1992 (the "Compensation Agreement"), with Mr. Diller and Arrow, under which Mr. Diller was granted 160,000 shares of Common Stock and options to purchase an additional 6,000,000 shares of Common Stock. One-half of the options became exercisable on December 9, 1993, and the remaining options will become exercisable on December 9, 1994. The exercisability of the options can be accelerated in the event of
(1) the termination of Mr. Diller's employment with the Company as a result of death or disability, (2) the termination of Mr. Diller's employment with the Company other than for Cause (as defined in the Compensation Agreement) or (3) Mr. Diller's voluntary termination of employment with the Company for Good Reason (as defined in the Compensation Agreement). All of the options, whether or not currently exercisable, will expire and cease to be exercisable upon the termination of Mr. Diller's employment for Cause, or upon his voluntary termination of employment with the Company other than for Good Reason. All of the options have a maximum term of five years from the date of grant.

In connection with its acquisition of a controlling interest in Home Shopping Network, Inc. ("HSN"), the Company's principal television-shopping competitor, on December 7, 1992, Liberty filed a Premerger Notification and Report Form with the Department of Justice (the "DOJ") and the Federal Trade Commission (the "FTC"). Liberty subsequently received a Request for Additional Information from the DOJ on January 6, 1993. Following compliance with such request, the DOJ granted early termination of the waiting period under the HSR Act on February 11, 1993. Upon closing such acquisition, Liberty also delivered a merger proposal to the Board of Directors of HSN. This merger proposal was withdrawn on April 9, 1993 because of the uncertainties concerning the proposed merger. On April 19, 1993, Liberty announced its intention to commence a cash tender offer to purchase up to 15,000,000 shares of the common stock of HSN at a price of $7 per share. On May 20, 1993, Liberty accepted for purchase and purchased 16,296,602 shares of the common stock of HSN tendered to it in the tender offer. Following consummation of such tender offer, Liberty beneficially owned approximately 40% of the outstanding equity securities of HSN, which shares represented in excess of 70% of the outstanding voting power of HSN.

On July 12, 1993, the Company made a proposal to HSN to combine HSN and the Company in a stock-for-stock transaction (the "HSN Proposal"). In connection with the proposed combination of HSN and the Company, the Company filed a Premerger Notification and Report Form with the DOJ and the FTC. On September 8, 1993, the FTC issued Requests for Additional Information regarding the proposed combination. In connection with the HSN Proposal, Liberty indicated that it would support the Company's proposed transaction with HSN.

As contemplated by the Summary Term Sheet, Comcast, Liberty, Arrow and certain affiliates and subsidiaries of such parties (the "Parties") entered into a Stockholders Agreement, dated as of July 16, 1993 (the "Stockholders Agreement"), which superseded, with limited exceptions, specified therein, the Participation Agreement and the Summary Term Sheet. The Stockholders Agreement provided that all securities of the Company (or, if the HSN Proposal were consummated, all HSN securities) held by the Parties would be subject to the Stockholders Agreement, which would govern the manner of all dispositions, acquisitions and voting of Company Securities by the Parties. Such agreement provided, among other things, that (i) the Parties would have to hold certain minimum amounts of the outstanding voting stock (as defined therein) in order to maintain certain rights under the Stockholders Agreement (which provision would not apply to Mr. Diller so long as he was Chairman of the Board and Chief Executive Officer of the Company), (ii) all voting stock held by the Parties would be voted for the election of a slate of directors approved by the Parties (with each Party entitled to designate an equal number of directors (such directors being referred to as the "Stockholder Designees")) and (iii) each Party would use such Party's reasonable best efforts to come to agreement with the other Parties as to the voting of all voting stock on all matters presented to the Company's stockholders and to vote or to use its reasonable best efforts to cause each Stockholder Designee to cast his vote on all matters presented to the Board in accordance with such agreement, subject, with respect to director action, to director's fiduciary duties to the Company's stockholders; otherwise each Party would vote in the manner agreed to by at least two of the three Parties; provided, however, that (i) if there were only two

Eligible Stockholders (as defined therein) and they could not reach a unanimous decision, each Party would be entitled to vote in the manner it chose and (ii) if there was only one Eligible Stockholder, all Parties would be bound to vote all Company Securities as instructed by such Eligible Stockholder.

Following an announcement of the entering into a merger agreement by Viacom Inc. ("Viacom") and Paramount Communications, Inc., then a publicly-held Delaware corporation ("Paramount"), on September 20, 1993 the Company delivered a proposal to Paramount to combine the Company and Paramount (the "Paramount Combination") in a merger in which each share of Paramount's outstanding common stock would be converted into the right to receive $30 in cash and .893 shares of the Company's Common Stock. The Paramount Combination was subject to the negotiation and execution of a definitive merger agreement between the Company and Paramount, the approval of the stockholders of the Company and Paramount and the receipt of all necessary regulatory and other approvals.

In light of the proposed Paramount Combination, the Company requested the Independent Committee of HSN's Board of Directors formed to evaluate the HSN Proposal to expand the scope of its evaluation to take into account the Paramount Combination.

On October 27, 1993, following unsuccessful efforts to negotiate with Paramount regarding the Paramount Combination, the Company made a cash tender offer (with Comcast and Liberty as co-bidders with the Company) (the "Paramount Offer") at $80 per share for 50.1% of the outstanding common shares of Paramount. This tender offer was amended several times during the pendency of a competing tender offer by Viacom for Paramount in connection with their previous merger agreement. In the last round of the bidding, on February 1, 1994, the Company amended the Paramount Offer to increase the cash price per share proposed to be paid in the Paramount Offer to $104. Under the terms of the Company's final amendment to the Paramount Offer, the Company offered approximately $6.4 billion in cash for 61.7 million Paramount common shares with the balance of the Paramount securities to be acquired with a combination of the Company's securities. The Paramount Offer was to have been funded through a $3.25 billion bank loan commitment and purchases of the Company's securities for $1.5 billion by BellSouth and $0.5 billion by each of Advance, Cox and Comcast. In accordance with the bidding procedure agreed to by Paramount, the Company and Viacom on February 15, 1994, the then current expiration date of the Paramount Offer and Viacom's offer, the Company learned that Viacom had received tenders for a majority of the Paramount shares in satisfaction of the minimum condition in its tender offer. Accordingly, on such date the Company terminated the Paramount Offer. The costs incurred by the Company in connection with the Paramount Combination and the Paramount Offer, comprised principally of bank fees and legal and advisory fees, totaled $34.8 million which were expenses in the fourth quarter of 1993. The $3.25 billion bank loan commitment expired on February 15, 1994 upon the termination of the Paramount Offer.

On November 5, 1993, the Company announced that HSN and the Company had agreed to terminate negotiations on the proposed merger of HSN and the Company. On that day, the Company withdrew its Premerger Notification and Report Form with respect to the proposed merger with HSN, without having complied with the Request for Additional Information which has been issued by the FTC on September 8, 1993.

In connection with the contemplated financing of the Company's proposed acquisition of Paramount, the Company and BellSouth entered into a Memorandum of Understanding, dated as of November 11, 1993 (the "Memorandum of Understanding"), pursuant to which, among other things, if the Company's efforts to acquire Paramount were terminated or abandoned, BellSouth would have an option to purchase directly from the Company, during the six-month period following such termination or abandonment, 8,627,934 shares of Common Stock at $60 per share, for an aggregate purchase price of $517,676,040. The Company also entered into a Commitment Letter, dated November 11, 1993 (the "Commitment Letter"), with Comcast, Cox and Advance, pursuant to which, among other things, each of Cox and Advance would be entitled to purchase 2,833,333 shares of Common Stock at $60 per share, for an aggregate purchase price of $170,000,000 which right was exercisable at any time until six months after the Company terminated or abandoned its interest in pursuing the acquisition of Paramount.

In connection with the Paramount Offer, each of Liberty, Comcast, Arrow, Cox, Advance and BellSouth entered into an Agreement Among Stockholders dated as of November 11, 1993 (the "Agreement Among Stockholders"), pursuant to which each agreed to vote all shares of Company voting securities held, if any, in favor of the issuance of Company securities as contemplated by the Commitment Letter and the Memorandum of Understanding and in favor of a merger with Paramount as contemplated by the Paramount Offer.

In connection with the Paramount Offer, on October 22, 1993 the Company filed a Premerger Notification and Report Form with the DOJ and the FTC. On November 5, 1993, the FTC, pursuant to the HSR Act, issued Requests for Additional Information, relevant to the proposed purchase of Paramount shares pursuant to the Paramount Offer to each of the Company and five directors of the Company, namely Barry Diller, John C. Malone (an officer and director of Liberty), Peter R. Barton (also an officer and director of Liberty), Ralph J. Roberts and Brian L. Roberts (each an officer and director of Comcast). Following certain discussions between representatives of the Company, Liberty, and TCI, and the staff of the FTC, on November 11, 1993 Liberty and TCI entered into an Agreement Containing Consent Order (the "Consent Order") with the staff of the Bureau of Competition of the FTC and an Interim Agreement (the "Interim Agreement") relating thereto with the General Counsel of the FTC. Pursuant to the Interim Agreement, on November 15, 1993, the waiting period under the HSR Act was terminated.

The Consent Order contemplated that, if the Company consummated the Paramount acquisition, Liberty and TCI would divest all of their ownership interests in the Company within eighteen months of the date the Consent Order became final. Pursuant to the Consent Order, Liberty and TCI agreed that if the Paramount acquisition were consummated they would not, until such divestiture was completed, enter into any agreements with the Company or Paramount that grant Liberty or TCI any exclusive rights to exhibit recently released theatrical motion pictures after Paramount's then current contract with Time Warner Inc. or Home Box Office, Inc. terminates.

Pursuant to the Consent Order, if the Paramount acquisition had been consummated, for a period beginning on the date the Consent Order became final and ending three years after such divestiture of Liberty's and TCI's interests in the Company was completed, Liberty and TCI would not have been permitted to acquire, without prior FTC approval, any equity interest in, or assets in excess of specified values of, the Company, Paramount or certain other entities. Because the Company later terminated its efforts to acquire Paramount, Liberty and TCI generally were not obligated to comply with the terms of the Consent Order.

The Interim Agreement provided that until certain events specified therein occurred, TCI would not (a) exercise direction of or control over, directly or indirectly, the operations or management of the Company or Paramount, (b) exercise any voting rights or agreements, directly or indirectly, pursuant to Liberty's ownership in the Company or (c) participate in any change in the composition of the management of the Company or Paramount; provided, however, that Liberty and TCI could vote their ownership interests in the Company in favor of the acquisition of Paramount and the transactions providing financing by entities other than Liberty and TCI for such acquisition. Liberty and TCI also agreed that (a) the officers, directors or employees of Liberty or TCI who were then members of the boards of directors of the Company or Paramount would resign such membership, and (b) no officer, director, or employee of Liberty or TCI would serve on such boards until the first to occur of the specified events described in the previous sentence. Effective November 11, 1993, Liberty's representatives on the Board, John Malone and Peter Barton, resigned their positions.

On November 11, 1993, Liberty and the Company entered into an agreement, acknowledged and agreed to by TCI (the "Liberty-QVC Agreement"), pursuant to which, if the Paramount acquisition had been consummated, Liberty would have had the right to require the Company to purchase up to the equivalent of all Company Securities held by Liberty (the "Current Shares") and any Liberty Related Entity (as defined in the Liberty-QVC Agreement) that so elected (other than shares to be sold to Comcast and Arrow pursuant to their parity rights under the Stockholders Agreement and the Liberty-QVC Agreement) for $60 per share of Common Stock equivalent in cash. The Company had the option, in lieu of paying $60 per share, to require Liberty to sell the shares to a third party in a manner reasonably acceptable to each of Liberty and the Company, in which case the Company would have been obligated to reimburse Liberty in cash to the extent

that Liberty received aggregate net proceeds in such sale averaging less than $60 per share of Common Stock equivalent.

Pursuant to the Liberty-QVC Agreement, Liberty no longer had any rights or obligations under or was otherwise subject to any of the terms of the Stockholders Agreement, except with respect to the parity rights of Comcast and Arrow Investments as were provided in the Liberty-QVC Agreement and the Stockholders Agreement. In connection with the Company's termination of the Paramount Offer on February 15, 1994 and withdrawal of the HSR filing with respect thereto, under the Liberty-QVC Agreement, Liberty had the right, exercisable within ninety days of the termination, to be reinstated as a party to the Stockholders Agreement, subject to and in accordance with the terms thereof as in effect on November 11, 1993 and as altered by the Agreement Among Stockholders and Understanding Among Stockholders (as defined below) and the Memorandum of Understanding.

In accordance with the Liberty-QVC Agreement, Comcast purchased from Liberty 1,690,041 shares of Common Stock at an average price per share of $18.615, in settlement of its rights to purchase Parity Securities under the Participation Agreement and the Stockholders Agreement.

In accordance with the Memorandum of Understanding and the Commitment Letter, the Company, BellSouth, Advance and Cox entered into a Stock Option Agreement, dated as of February 15, 1994 (the "Stock Option Agreement"), pursuant to which the Company granted to BellSouth, Cox and Advance the above-described options to purchase shares of Common Stock. These options became exercisable on the date of the Company's public announcement of termination of the tender offer for Paramount (February 15, 1994) and will terminate, if not exercised, on August 15, 1994.

Additionally, under the Stock Option Agreement, BellSouth agreed that if it purchases shares of Common Stock pursuant thereto, it will become a party to the Stockholders Agreement in accordance with the terms of the Understanding Among Stockholders, dated as of November 11, 1993, among BellSouth, Liberty, Comcast and Arrow (the "Understanding Among Stockholders"). Pursuant to the Stock Option Agreement, the Company agreed that if BellSouth becomes a party to the Stockholders Agreement, so long as Comcast, Arrow or BellSouth remains an Eligible Stockholder (as defined in the Stockholders Agreement), the Company will not take any action to (i) block or prevent open market purchases by such Eligible Stockholder of shares of Common Stock so long as such entity's total fully diluted voting power of the Company does not exceed 35% of the fully diluted outstanding voting power of the Company or (ii) discriminate against such Eligible Stockholder or deprive BellSouth, Comcast or Arrow of full rights as a stockholder of the Company.

Contemporaneously with the execution of the Stock Option Agreement, Comcast and Liberty entered into an Acknowledgement and Agreement dated as of February 15, 1994, pursuant to which Comcast and Liberty acknowledged and agreed to the foregoing provisions of the Stock Option Agreement and further agreed that such provisions modified and replaced the $500 million stock option provisions of the Memorandum of Understanding.

Comcast, Liberty, BellSouth, Advance, Arrow and Cox also entered into a Letter Agreement dated as of February 15, 1994, pursuant to which the parties agreed that the Agreement Among Stockholders (whereby each of them had agreed to vote all of their voting shares, if any, in favor of any merger with Paramount and the issuance of securities in connection therewith) was terminated except that (i) each of Comcast, Liberty and Arrow would be required to vote all of its equity voting securities of the Company in favor of the issuance of the shares of Common Stock pursuant to the Stock Option Agreement and (ii) each of Comcast, Liberty, Arrow and BellSouth would remain bound by the provision of the Agreement Among Stockholders acknowledging the Liberty-QVC Agreement.

Copies of the Participation Agreement, the Summary Term Sheet, the Compensation Agreement, the Stockholders Agreement, the Memorandum of Understanding, the Commitment Letter, the Agreement Among Stockholders, the Consent Order, the Interim Agreement, the Liberty-QVC Agreement, the Stock Option Agreement, the Understanding Among Stockholders and the Acknowledgement and Agreement have

been previously filed as exhibits to and described in reports on Schedule 13D relating to securities of the Company by Barry Diller, Comcast and/or Liberty.

On May 19, 1994, Liberty filed an amendment to its Report on Schedule 13D relating to its ownership of Common Stock of the Company stating, among other things, that it no longer may be deemed part of the Group with Comcast and Barry Diller for purposes of Rule 13d-5 under the Exchange Act as a result of the expiration of the 90-day period following the termination of the Paramount Offer, within which Liberty was entitled to elect to be reinstated as an Eligible Stockholder under the Stockholders Agreement. Except for Mr. Diller's options pursuant to the Liberty-QVC Agreement and the Stockholders Agreement to purchase from Liberty the equivalent of 1,627,934 shares of Common Stock, Liberty stated that it no longer has any contract, agreement or understanding with Comcast or Mr. Diller with respect to the disposition or voting of the outstanding equity securities of the Company.

In April 1994, Mr. Diller informed Ralph J. Roberts, Chairman of the Board of Directors of Comcast, and Brian L. Roberts, President of Comcast, that the Company was exploring the possibility of acquiring CBS, Inc. ("CBS"). Comcast retained Lazard Freres & Co. ("Lazard") to act as its financial advisor in connection with this matter. In late May, the Company, through its legal advisors, discussed with Comcast and its financial and legal advisors a proposal under which the Company would acquire CBS, CBS would place its Federal Communications Commission (the "FCC") regulated, broadcast activities and non-broadcast businesses into separate subsidiaries with Comcast having representation on the Board of Directors of the non-broadcast subsidiary. In addition, under this proposal certain activities of the broadcast subsidiary would have been subject to the approval of the Board of Directors of the non-broadcast subsidiary. After several weeks of discussions, the Company and Comcast were unable to reach any agreement or understanding with regard to the proposal referred to above, and Comcast advised the Company it was opposed to any transaction with CBS that would not provide an opportunity for Comcast to have a significant role in the future direction of the continuing entity.

On June 30, 1994, the Company and CBS announced that the companies were in discussions regarding a proposed combination and were close to reaching an agreement under which the Company would be merged into CBS with the shareholders of the Company receiving a combination of voting and non-voting securities of the combined entity (the "CBS Proposal").

In connection with the Proposed CBS Merger, Liberty and Time Warner Inc. ("Time Warner"), another significant stockholder of the Company, were asked to sign agreements obligating them to vote in favor of the Proposed CBS Merger. In addition, in order to comply with the Communications Act and the rules and regulations of the FCC, it was contemplated that Liberty would accept a proportionate amount of nonvoting securities of CBS greater than that proposed to be provided to other QVC stockholders in exchange for its QVC Stock. As part of the proposal, the Company was to relinquish certain rights to repurchase QVC Stock held by Liberty and its affiliates and Liberty and TCI were to grant Mr. Diller a proxy with respect to the voting of their stock in the combined entity for a period of 10 years or until such earlier time as they would be permitted to vote greater than 5% of the combined entity's securities under applicable law.

Subsequent to the announcement, Comcast met with its financial and legal advisors to review its position under the CBS Proposal and to discuss various alternatives. On July 9, 1994, Ralph J. and Brian L. Roberts received copies of the proposed merger agreement with CBS and other related agreements. Based on a review of the draft agreements and due to certain regulatory restrictions limiting Comcast's voting interests in the combined entity to 4.9%, and limiting Comcast's ability to have its representatives participate on the board of directors of the combined entity, Comcast concluded that the terms of the proposed merger would be adverse to its interests as one of the major shareholders of the Company.

On July 12, 1994, the Board of Directors of Comcast met in New York City and considered and authorized a proposal, pursuant to which Comcast would acquire the Company for $44 per share, consisting of $37 in cash and $7 of a new class of Comcast convertible exchangeable preferred stock (the "Comcast Proposal"). Late that afternoon Messrs. Ralph J. and Brian L. Roberts delivered a letter to Mr. Diller, the text of which read as follows:

July 12, 1994

Mr. Barry Diller
Chairman of the Board and
Chief Executive Officer
QVC, Inc.
West Chester, PA 19380

Dear Barry:

As one of the founding shareholders of QVC, we have been strong supporters of your efforts to grow and expand the QVC's business as it represents an important element of our future diversification and programming strategy.

We feel that you have been a powerful and positive force at QVC and we have supported all the initiatives you have undertaken since you first joined QVC 18 months ago. Today, in fact, QVC is a proven franchise with an outstanding track record and a bright future.

However, as we have repeatedly expressed to you, the proposal to sell QVC to CBS is of great concern to us as it represents a fundamental departure from our strategic view of QVC's future. We do not believe that the CBS proposal is in the best interests of Comcast's shareholders.

Therefore, we are proposing an acquisition of QVC by Comcast on terms far more attractive to QVC's stockholders than the transaction proposed by CBS. For us, a combination of Comcast and QVC makes excellent strategic sense and helps fulfill our long-standing vision to build a strong programming capability.

Under our proposal, Comcast would acquire all of the outstanding shares of QVC for a combination of cash and Comcast securities having a combined value of $44 per common share, which represents a 23% premium over the July 12, 1994 closing market price of QVC's common stock.

Each outstanding share of QVC's common stock (other than shares held by Comcast) would be converted into $37 in cash and $7 of a new series of Comcast 7.5% convertible exchangeable preferred stock, convertible into Comcast common stock (CMCSK) at $21 per share. Comcast would have the right to substitute cash for all or any part of the convertible shares.

All outstanding shares of QVC's preferred stock (other than shares held by Comcast) would be treated in the merger as if such shares had been converted into QVC common stock prior to the merger. All QVC options would either be cashed out or rolled over into Comcast stock options on a basis that would preserve the in-the-money value of the options.

We have been advised by The Bank of New York that they are highly confident that they could obtain commitments from lenders for a senior credit facility in the amount of $1,000,000,000. Comcast and its financial advisor, Lazard Freres & Co., believe that the balance of the cash requirements are readily obtainable.

The transaction we offer QVC shareholders would be subject only to execution of a definitive merger agreement and to our review of the same information as that which was provided to CBS. We are prepared to enter into a merger agreement substantially similar to the agreement proposed by CBS (including the same representations, warranties and financing condition) except that Comcast would not require that any breakup fees be paid to us if QVC receives a superior acquisition proposal.

As a matter of good corporate governance, we feel that consideration of the Comcast and CBS proposals should be deferred by the Board of Directors and that the proposals should be submitted to a special committee of independent QVC directors for their evaluation and recommendation. We believe that the committee should have its own independent financial advisors and legal counsel. We are prepared to move expeditiously to work with them and you to ensure that this is an orderly and fair process.

We are confident that you will recognize that our decision confirms our high regard for your leadership of QVC. Indeed, you have begun to build QVC into a recognizable "brand" and have assembled a highly talented senior management team. We would be pleased if you chose to remain as QVC's chief executive and work with us to develop QVC to its fullest.

We look forward to sitting down with you to discuss our proposal.

Respectfully submitted,

/s/ Ralph	/s/ Brian
Ralph J. Roberts	Brian L. Roberts
Chairman	President

On July 13, 1994, Ralph J. and Brian L. Roberts and their counsel attended a meeting of the Board of the Company in New York City and at such meeting discussed the Comcast proposal and the decision by CBS to terminate the CBS Proposal. Messrs. Ralph and Brian Roberts described the terms of the Comcast Proposal to the Board of Directors and stated that, in view of the decision by CBS not to pursue the CBS Proposal, they were withdrawing their request for the formation of a special committee of the Company's directors. After Messrs. Ralph and Brian Roberts left the meeting, the remaining directors met with the Company's legal and financial advisors to discuss the Comcast proposal and the procedures to be followed to maximize stockholder value. Following the conclusion of the meeting, the Company issued the following press release:

QVC, Inc. announced that in response to yesterday's merger proposal from Comcast Corporation, the QVC Board of Directors has authorized management, together with its advisors, to negotiate with Comcast and to explore alternatives in order to maximize shareholder value.

Upon review of the Comcast Proposal, Liberty determined that the Comcast Proposal would be a taxable transaction to Liberty which would result in Liberty incurring significant tax liability in connection with the acquisition of its Company Securities by Comcast in accordance with the Comcast Proposal. In addition to this potential tax liability, Liberty continued to consider the Company to be a valuable cable programming asset which was likely to increase in value over time because of anticipated future growth in the home shopping service area. Therefore, given the adverse tax consequences to Liberty if the Comcast Proposal were consummated and Liberty's view that the Company Securities were likely to continue to grow in value over time, Liberty determined that, although the Comcast Proposal would have provided it with an immediate cash return on its investment, the transactions contemplated by the Comcast Proposal may not be in the best interests of Liberty and its stockholders.

Following the making of the Comcast Proposal, Liberty and Comcast began discussions regarding various alternative transactions which would enable Liberty to maintain a direct or indirect interest in the Company in a transaction which would be tax-free to it or result in significantly less tax liability to it. Representatives of Comcast and Liberty met in New York City on July 18, 19 and 20 to negotiate the terms of a proposed joint acquisition of the Company. On July 21, 1994, the Parent Purchasers executed a joint bidding agreement (the "First Joint Bidding Agreement"). In the First Joint Bidding Agreement, Liberty and Comcast agreed that Liberty would participate in the Comcast Proposal as a joint bidder with Comcast and agree to contribute its equity interest in the Company to one or more entities formed for the transactions in exchange for a minority equity interest in the surviving corporation. As a result of Liberty's agreement to participate, the approximately $390 million which Comcast would have been required to pay to Liberty in respect of the cash portion of the Purchase Price for its Company Securities pursuant to the Comcast Proposal would become available to finance the acquisition, and as a result Comcast and Liberty determined to revise the Comcast Proposal to provide for the purchase of all shares not owned by Comcast or Liberty at $44 per share of Common Stock.

On July 19, 1994, Comcast delivered to the Company a form of proposed merger agreement.

On July 19, 1994 Comcast also met with its financial and legal advisors to discuss alternative all-cash transactions, one in which Time Warner, a significant stockholder of the Company, would retain a 10% interest in the Company and one in which Time Warner would sell its entire interest in the Company. Under the former structure, the equity interests in the Company would be represented by Comcast (51%), Liberty (39%) and Time Warner (10%) and under the latter structure the equity interests in the Company would be represented by Comcast (56%) and Liberty (44%). Following a discussion of such alternatives with Liberty, Comcast met with Time Warner to explore its interest in joining in or otherwise supporting an acquisition of the Company by Comcast, Liberty and Time Warner.

Pursuant to the First Joint Bidding Agreement, the Parent Purchasers agreed to jointly acquire all outstanding equity securities of the Company at a price of $44 in cash per share, with financing to be arranged in the future. In connection with this offer, the Parent Purchasers agreed to make available shares of the Company's capital stock (or rights to acquire such shares) held by them to a mutually acceptable entity or entities for purposes of the offer. In addition, Comcast agreed to contribute to such entity or entities an amount of cash equal to (i) $229 million plus (ii) the amount necessary to exercise all warrants to acquire shares of Common Stock held by Comcast (unless Comcast has exercised such warrants prior to such contribution) to finance the purchase of such securities. The First Joint Bidding Agreement contemplated that the Company would be the surviving corporation in the transaction and would be owned 57.4% by Comcast and 42.6% by Liberty.

On July 21, 1994, a representative of and legal and financial advisors for the Parent Purchasers met with the Company's legal and financial advisors to deliver the $44 per share all cash offer. On July 22, 1994, Comcast delivered to the Company a revised draft of the proposed merger agreement reflecting, among other things, the proposed joint acquisition by means of a first step tender offer and a second step merger. From July 21, 1994 until August 3, 1994, the Company's legal and financial advisors held discussions with the Parent Purchasers' legal and financial advisors and indicated that the price proposed to be paid by the Parent Purchasers was insufficient and that, unless the Parent Purchasers offered to increase the price proposed to be paid, it was not prepared to enter into a merger agreement at $44 per share.

On August 3, 1994, the Parent Purchasers advised the Company that they would consider a transaction involving an increase in the consideration to be paid to the Company's stockholders to $46 in cash per share (on a common equivalent basis), provided, among other things, that the Company would agree to certain limitations regarding solicitation and negotiation of alternative transactions not involving the Parent Purchasers and would agree to pay a break-up fee under certain circumstances, and that Mr. Diller would agree to support the Comcast proposal and to terminate the Stockholders Agreement.

On August 4, 1994, representatives of Comcast, Liberty and TCI executed a revised letter agreement (the "Joint Bidding Agreement"), which superseded the First Joint Bidding Agreement in its entirety, and pursuant to the Joint Bidding Agreement, Comcast and Liberty agreed to amend their offer to raise the offer price from $44 per share of Common Stock to $46 per share of Common Stock and from $440 per share of Preferred Stock to $460 per share of Preferred Stock. In connection with this offer, the Parent Purchasers agreed to contribute to the Purchaser their respective Company securities, consisting of an aggregate of 18,883,801 Fully Diluted Shares. Comcast also agreed to contribute to the Purchaser an amount of cash approximately equal to (i) $267 million plus (ii) the amount necessary to exercise all warrants to acquire shares of Common Stock that it agreed to simultaneously contribute to the Purchaser (approximately $28 million). Liberty agreed to contribute approximately $20 million in cash to the Purchaser. Following the Merger, Comcast and Liberty will own approximately 57.4% and 42.6%, respectively, of the Purchaser. In addition, the Parent Purchasers agreed to work together to arrange debt financing for the remaining cost of the acquisition and, in connection with the consummation of the Merger, to cause the Company to waive any remaining rights it may have pursuant to the Company Repurchase Rights (as defined in the Stockholders Agreement) under the Stockholders Agreement and certain affiliation agreements between each of Comcast and Liberty and the Company. The Parent Purchasers and TCI also agreed to vote all of their respective shares of Common Stock in favor of the Merger.

Also on August 4, 1994, Comcast, Liberty, the Purchaser and the Company executed the Merger Agreement.

In connection with the Offer and the Merger, Comcast, Mr. Diller and Arrow entered into a letter agreement, dated as of August 4, 1994 (the "Stockholder Letter Agreement"). Pursuant to the Stockholder Letter Agreement, Mr. Diller agreed to vote, as a director of the Company, in favor of the Merger Agreement and the transactions contemplated thereby, provided that there is not then a bona fide transaction proposed to the Company or its stockholders which would result in consideration to the Company's stockholders of more than $46 per share of Common Stock (or such higher price then offered by Comcast and Liberty if they increase the $46 per share of Common Stock price provided in the Merger Agreement) and further subject to Mr. Diller's fiduciary obligations as a member of the Board.

The Stockholder Letter Agreement further provides that, until the earlier of consummation of the Merger or termination of the Merger Agreement, Mr. Diller and certain of his affiliates (the "Arrow Group") will not (i) sell, transfer, pledge, assign or otherwise dispose of, or agree to sell, transfer, pledge, assign or otherwise dispose of, any equity securities of the Company or certain options therefor (the "Arrow Options", and together with such equity securities, the "QVC Securities") held by such parties except to tender Shares pursuant to the Offer (provided that the Arrow Group may dispose of such securities to the Company in order to effect a cashless exercise of options); (ii) deposit any QVC Securities owned by them into a voting trust or grant a proxy or enter into a voting agreement with respect to such QVC Securities; (iii) agree with any third party to exercise any voting rights with respect to such QVC Securities, except as described in the following two sentences; or (iv) seek or solicit any of the foregoing, other than as permitted (as a director of the Company) under the Merger Agreement. The Arrow Group also agreed to tender upon the request of Comcast, pursuant to and in accordance with the terms of the Offer, all shares of Common Stock owned by it. Upon the request of Comcast, Mr. Diller agreed to exercise all of the then exercisable options, provided that arrangements satisfactory to Mr. Diller for the financing of the exercise and the purchase of the Shares by Comcast will have been made.

Pursuant to the Stockholder Letter Agreement, unless each share of Common Stock owned by the Arrow Group has been tendered pursuant to the Offer, the Arrow Group will cause each Share that it then owns or has power to vote to be voted (i) at the Company stockholder meeting to approve the Merger, for the approval and adoption of the Merger Agreement and the Merger and (ii) against any recapitalization, merger, business combination, or similar transaction involving the Company unless Comcast or Liberty consents.

As provided in the Stockholder Letter Agreement, the provisions of the preceding two paragraphs will not apply (i) upon the first to occur of (A) the last day on which to tender into a tender or exchange offer which would result in consideration to stockholders of the Company greater than $46 per share of Common Stock (or such higher price then offered by Comcast and Liberty if they increase the $46 price per share of Common Stock provided in the Merger Agreement) (a "Superior Offer") (subject to the subsequent condition that such Superior Offer is consummated) and (B) the fifth business day after any person or entity has made a Superior Offer which has not been matched by Comcast and Liberty (subject to the subsequent condition that such Superior Offer is consummated) or (ii) to the extent it could result in any violation of or liability under the federal securities law.

Pursuant to the Stockholder Letter Agreement, until the earlier of consummation of the Merger or termination of the Merger Agreement, neither Mr. Diller nor Arrow will, directly or indirectly, initiate, solicit or encourage any person concerning the making of any proposal with respect to an Alternative Transaction (as defined in the Merger Agreement), other than as permitted (as a director of the Company) under the Merger Agreement.

Pursuant to the Stockholder Letter Agreement, Comcast agreed to cause the Company and the Surviving Corporation to fulfill and completely discharge all obligations under the Arrow Options. Comcast and Mr. Diller also agreed that (i) upon consummation of the Offer, unless otherwise agreed to by Mr. Diller, Mr. Diller's employment under his current compensation agreement will continue until at least December 12, 1994, (ii) Mr. Diller may perform such services to the Company as provided by such compensation agreement on a non-exclusive basis and without minimum time requirements but that he will be reasonably available to

facilitate the transition, (iii) the Company will continue to pay all expenses incurred by Mr. Diller at least through December 12, 1994, on a basis consistent with past practice, and (iv) upon termination of Mr. Diller's employment, Comcast will cause the Company to execute for the benefit of Mr. Diller and the Arrow Group, and, provided that Mr. Diller has been paid all amounts due in respect of the Arrow Options and his employment (including payment of Mr. Diller's expenses), Mr. Diller will execute for the benefit of the Company, general releases in a form mutually agreed to by the parties.

The Stockholder Letter Agreement provides that, subject to the absence or waiver of any inconsistent agreements, the Stockholders Agreement will terminate without any further obligation thereunder and to release each other from any claim of whatever nature arising out of or under the Stockholders Agreement, provided, that if the Merger Agreement is terminated, the Stockholders Agreement and such claims will be restored, and such termination will be of no effect, effective as of August 4, 1994.

The Stockholder Letter Agreement will terminate automatically and simultaneously with the Merger Agreement in accordance with its terms, except for the agreements described in the preceding paragraph which will survive any such termination if Comcast, together with any other Party, acquires control of a majority of the outstanding voting stock or a majority of the Board.

PURPOSE OF THE TRANSACTION

The purpose of the Offer is to acquire control of, and the entire equity interest in, the Company. The purpose of the Merger is to acquire all outstanding Shares not tendered and purchased pursuant to the Offer. The acquisition of the publicly-held Shares of the Company has been structured as a cash tender offer followed by a cash merger in order to provide a prompt and orderly transfer of ownership of the Company from the public stockholders to the Purchaser and to enable the unaffiliated stockholders to promptly receive the cash payments they are entitled to receive for all of their Shares.

FAIRNESS OF THE TRANSACTION

The Company. At a meeting held on August 4, 1994, the Board, other than Messrs. Ralph J. and Brian L. Roberts, who did not participate in the Board's deliberations and decisions in connection with the Offer, by a unanimous vote of such directors, approved the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, and determined that the transactions contemplated by the Merger Agreement (the "Transactions"), including the Offer and the Merger, are fair to, and in the best interests of, the Company and its stockholders (other than Comcast, Liberty and their affiliates).

THE BOARD OF DIRECTORS OF THE COMPANY (OTHER THAN THOSE DIRECTORS WHO ARE REPRESENTATIVES OF COMCAST WHO EXPRESS NO OPINION AS TO THE FOLLOWING MATTERS) RECOMMENDS THAT STOCKHOLDERS APPROVE AND ADOPT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT AND THAT THE STOCKHOLDERS ACCEPT THE OFFER AND TENDER ALL OF THEIR SHARES PURSUANT TO THE OFFER.

Reasons for Recommendation.

Prior to reaching its conclusions, the Board received presentations from, and reviewed the Offer and the Merger with, management of the Company as well as the Company's financial advisor, Allen. In reaching its conclusions, the Board considered a number of factors, including, but not limited to, the following:

(i) The Board's belief, based on its familiarity with the Company's business, its current financial condition and results of operations and its future prospects, and the current and anticipated developments in the Company's industry, that the consideration to be received by the Company's stockholders (other than Comcast, Liberty and their affiliates) in the Offer and Merger fairly reflects the Company's intrinsic value.

(ii) The oral and written presentations made by the Company's management and Allen to the Board at the meeting held on August 4, 1994 as to various financial and other considerations deemed relevant to the Board's evaluation of the Offer and the Merger, including a review of (A) trends in the cable programming and electronic retailing industries, (B) the business prospects and financial

condition of the Company, (C) historical business information and financial results of the Company, (D) nonpublic financial and operating results of the Company, (E) financial projections and the 1994 budget prepared by the Company's management, (F) information obtained from meetings with senior management of the Company, (G) the trading range of the Common Shares, (H) public financial information of comparable companies in the cable programming and specialty retailing industries, (I) public financial and transaction information related to comparable mergers and acquisitions, and (J) the terms and conditions of the Merger Agreement and related documents.

(iii) The opinion of Allen that the consideration to be received by the Company's stockholders pursuant to the Merger Agreement, is fair to such stockholders (other than Comcast and Liberty) from a financial point of view. A copy of the written opinion of Allen to that effect, which sets forth the matters considered, assumptions made and limits of its review, is attached as Annex A hereto and is incorporated herein by reference. Stockholders are urged to read the opinion carefully. In the course of arriving at its opinion and presenting it to the Board, Allen analyzed the terms of the Offer and Merger, the Company's historical results, present condition and prospects, the trading history of the Common Stock related to selected public announcements regarding the Company, the trading history of the shares of Common Stock compared to that of comparable companies and other market indices, the stock price and market multiples of the shares of Common Stock compared to those of selected cable programmers and selected specialty retailers, the discounted cash flow value per share of the Common Stock based on managements' financial forecast and the premiums and multiples paid in comparable all cash and cash and stock transactions. In considering Allen's opinion, the Board was aware that Allen will become entitled to the fee described below in accordance with the terms of its engagement by the Company upon consummation of the Offer.

(iv) The limited number of conditions to the Purchaser's obligation to consummate the Offer. In this regard, the Board was aware of the fact that in the event the Purchaser is unable to consummate the Offer at any scheduled expiration thereof due to the fact that the waiting periods under the HSR Act applicable to the Offer and the Merger have not expired or been terminated, the Purchaser will not be entitled to terminate the Offer prior to December 31, 1994, and has agreed to extend the Offer until such time in such event. The Board also considered that the conditions to the consummation of the Offer may not be amended in any manner adverse to the holders of QVC Stock and no other conditions other than those specified in Annex 1 to the Merger Agreement may be imposed without the consent of the Company. The Board was also aware of the fact that the Offer is subject to financing.

(v) The possible alternatives to a sale of the Company, including a self tender offer for a portion of the QVC Stock or other possible restructuring alternatives.

(vi) The provisions of the Merger Agreement relating to Alternative Transactions (as defined therein and described under "-- The Merger Agreement"), including the following:

(A) Although the Company is not permitted to initiate, solicit or encourage any inquiries or the making of any proposal in connection with an Alternative Transaction, engage in any discussions or negotiations concerning, or provide information relating to it or its subsidiaries for the purposes of, or otherwise facilitate or encourage any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, a proposal to effect an Alternative Transaction, the Board of Directors of the Company may furnish information to, and participate in negotiations with, third parties making unsolicited requests or proposals regarding Alternative Transactions and, following receipt of a proposal for an Alternative Transaction, the Board may withdraw or modify its recommendation regarding the Offer and the Merger, to the extent it determines in good faith in accordance with, and based upon the advice of, outside counsel that such action is necessary or appropriate in order for the Board

of Directors to act in a manner that is consistent with its fiduciary obligations under applicable law.

(B) The Company must advise Purchaser of, and communicate to Purchaser the terms of, any such proposal it may receive or any such inquiries that the Company receives which may be reasonably expected to lead to a proposal and the identity of the person making such proposal, and, thereafter, if the Company intends to participate in discussions or negotiations or provide information to any such person, the Company must give reasonable notice to Purchaser and consult with Purchaser and must thereafter keep Purchaser reasonably informed of the status and details of any such request, Alternative Transaction, inquiry or proposal (or any amendment to any proposal).

(C) Each of the Company and the Purchaser has the right to terminate the Merger Agreement at any time if the Company's Board of Directors withdraws, modifies or changes its recommendation so that it is not in favor of the Merger Agreement, the Offer or the Merger or resolves to do so, or if the Company's Board of Directors recommends or resolves to recommend to stockholders an Alternative Transaction, and upon such termination the Company must pay the Purchaser $55,000,000, which amount is inclusive of all expenses of the Purchaser and the Parent Purchasers.

The Board concluded that, as a result of these provisions, the Merger Agreement should not significantly deter an interested third party from proposing to the Company, and pursuing, an Alternative Transaction with the Company and that such provisions are reasonable in light of the benefits of the Offer and the Merger and the size of the payment in comparison to such fees in comparable transactions.

(vii) The per share value of the consideration to be received for the shares of QVC Stock in the Comcast/Liberty Offer was substantially more certain than the consideration originally offered in the Comcast Proposal because it is an all cash offer, and is higher than the consideration offered in the Comcast Proposal and in the Comcast/Liberty Proposal.

(viii) The Board considered the relationship between the consideration to be received by stockholders as a result of the Offer and the Merger and the historical market prices and recent trading activity of the shares of Common Stock, and the fact that the Offer and the Merger will enable the Company's stockholders to realize a substantial premium over the closing market price of the shares of Common Stock on June 29, 1994, immediately prior to press reports of the CBS Proposal. The Board was aware that the shares of Common Stock had traded as high as $72.50 in 1993. The Board noted, however, that the price of Common Shares on June 29, 1994 represented, in Allen's opinion, a representative market price of the shares of Common Stock.

(ix) The fact that no party other than the Parent Purchasers had indicated interest in pursuing, and the ability to effect, a business combination with the Company, even though the Comcast Proposal was publicly announced more than three weeks prior to the signing of the Merger Agreement at which time the Company also publicly announced that it would explore alternatives to maximize stockholder value and, in this regard, both Allen and the Company's management had contacted a substantial number of possible interested parties to seek proposals for a business combination. In view of the large percentage of [Fully Diluted Shares] held by Comcast, Liberty and their affiliates, the Board did not believe it was likely that further efforts or additional time would produce an alternative proposal involving consideration greater than that to be paid in the Offer and Merger.

(x) The Board also recognized that, following consummation of the Offer and the Merger, the current stockholders of the Company will no longer be able to participate in any increases or decreases in the value of the Company's businesses and properties. The Board concluded, however, that this consideration did not justify foregoing the opportunity for stockholders to receive an immediate and substantial cash purchase price for their Shares.

The Board considered each of the factors listed above, in addition to the terms and conditions of the Merger Agreement, during the course of their deliberations prior to entering into the Merger Agreement in light of their knowledge of the business and operations of the Company and their business judgment. The Board believed that each of these factors supported the Board's conclusions. In view of the wide variety of factors considered, the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the specific factors considered in making their determination.

Messrs. Ralph J. and Brian L. Roberts did not participate in the deliberations or decisions relating to the Merger Agreement and the engagement of Allen; therefore, the Board did not consider it necessary to retain an unaffiliated representative to act solely on behalf of the public shareholders of the Company for the purpose of negotiating the terms of the Merger Agreement or preparing a report concerning the fairness to such shareholders of the consideration to be received in the Offer and the Merger. The Merger Agreement was unanimously approved by the directors of the Company other than Messrs. Ralph J. and Brian L. Roberts.

The Board recognized that the Merger is not structured to require the approval of a majority of the unaffiliated stockholders of the Company. The Board further recognized that, given the ownership of Fully Diluted Shares by the Parent Purchasers, satisfaction of the Minimum Tender Condition will occur if only 8,969,988 Fully Diluted Shares (on a fully diluted basis) are tendered in the Offer (significantly less than a majority of the Common Shares (on a fully diluted basis) not held by TCI, the Parent Purchasers or their affiliates. As a result, the Purchaser, if it purchases such number of Shares, would have sufficient voting power to approve the Merger without the affirmative vote of any other stockholder of the Company.

Comcast and Liberty. Comcast and Liberty have each concluded that the Transaction is fair to the stockholders of the Company (other than the Purchaser and its affiliates) based upon the following factors: (i) the conclusions and recommendations of the Board; (ii) the written opinion of Allen & Company dated August 4, 1994 to the Board (and not for the benefit of the Parent Purchasers, their affiliates the stockholders of the Company or any other person) to the effect that the consideration to be received by the stockholders of the Company in the Transaction is fair to such stockholders, other than Comcast and Liberty from a financial point of view; (iii) the factors referred to above as having been taken into account by the Board; (iv) the premium represented by the offer price over the historical market prices of the Common Stock, both prior to the announcement of the CBS Proposal and prior to the announcement of the Proposed Transaction; (v) Comcast's and Liberty's respective valuations of the consideration offered by CBS in connection with the CBS Proposal; (vi) the various analyses of Lazard Freres & Co. described under "-- Opinions and Reports of Financial Advisors" and (vii) the fact that the offer price and the other terms of the Merger Agreement were the result of arm's-length negotiations with the Company and its advisors. Comcast and Liberty did not find it practicable to, and did not, quantify or otherwise attach relative weights to the specific factors considered by the Board. However, Comcast and Liberty each gave significant weight to all the factors discussed in (i) through (vii) above.

OPINIONS AND REPORTS OF FINANCIAL ADVISORS

Opinion of Allen & Company. On August 4, 1994, Allen delivered its written opinion to the Board to the effect that the consideration to be received by the holders of QVC Stock and certain of the Company's stock options pursuant to the Merger Agreement is fair to such holders, other than Comcast and Liberty, from a financial point of view. A copy of Allen's opinion is attached hereto as Annex A. The summary of the opinion set forth herein is qualified in its entirety by Annex A which is incorporated herein by reference. Stockholders are urged to read this opinion in its entirety for a description of the assumptions made, matters considered and procedures followed by Allen. The consideration to be paid pursuant to the Offer and Merger was determined by negotiations on behalf of the Company and the Parent Purchasers and was not determined by Allen. In arriving at its opinion, Allen reviewed, among other things, certain publicly available business and financial information related to the Company. Allen also reviewed certain other information provided to it by the Company, including financial forecasts of the Company, and met with the management of the Company to discuss its business and prospects. Allen also considered, among other things, such other information, financial studies, analyses and investigations and financial, economic and market criteria as it deemed relevant. No limitations were imposed by the Board upon Allen with respect to the investigations made or the procedures

followed by Allen in rendering its opinion, and the Company and the members of management cooperated fully with Allen in connection with its investigation. Allen actively sought third parties who might be interested in acquiring the Company in the course of its engagement and assisted the Company in evaluating other alternative transactions.

In delivering its opinion and making its presentation to the Board, Allen discussed certain financial and comparative analyses and other matters it deemed relevant. Among various financial analyses that Allen discussed were:

(i) Multiple of Sales Comparison. Allen prepared a market multiple comparison comparing the Company's ratio of total market capitalization (defined as market value of the Company's equity plus net debt) to its latest twelve months sales (the "LTM Sales Ratio") to the average LTM Sales Ratio for groups of publicly traded cable programming companies (included in such group were Gaylord Entertainment Company, International Family Entertainment, Inc. and Turner Broadcasting System, Inc. (the "Cable Programming Companies")) and publicly traded specialty retailing companies (included in such group were Blockbuster Entertainment Corporation, The Home Depot, Inc., Lowe's Companies, Inc., Melville Corporation, Price/Costco, Inc. and Toys 'R' Us, Inc. (the "Specialty Retailing Companies")). The comparisons were made as of June 29, 1994; July 12, 1994; and August 2, 1994 (collectively, the "Comparison Dates") (assuming for the Company on August 2, 1994, that the common equivalent equity value of the Shares was $46 per share). The analysis showed that the LTM Sales Ratio for the Company, the Cable Programming Companies (on average) and the Speciality Retailing Companies (on average), respectively, were: (a) as of June 29, 1994:
1.26, 3.22, and 1.24; (b) as of July 12, 1994: 1.40, 3.17 and 1.27; and
(c) as of August 2, 1994: 1.79, 3.18 and 1.24.

(ii) Multiple of Operating Cash Flow Comparison. Allen prepared a market multiple comparison comparing the Company's ratio of total market capitalization to its latest twelve months earnings before interest, taxes, depreciation and amortization (the "Cash Flow Ratio") to the average Cash Flow Ratio for the Cable Programming Companies and the Specialty Retailing Companies as of the Comparison Dates (assuming for the Company on August 2, 1994, that the common equivalent equity value of the Shares was $46 per share). The analysis showed that the Cash Flow Ratio for the Company, the Cable Programming Companies (on average) and the Speciality Retailing Companies (on average), respectively, were: (a) as of June 29, 1994: 8.0, 19.3 and 10.5; (b) as of July 12, 1994: 8.9, 19.1 and 10.8; and (c) as of August 2, 1994: 11.4, 19.2 and 10.7.

(iii) Multiple of Earnings Per Share Comparison. Allen prepared a market multiple comparison comparing the Company's ratio of the market value of its equity to its latest twelve months earnings per share (the "EPS Ratio") to the average EPS Ratio for the Cable Programming Companies and the Specialty Retailing Companies as of the Comparison Dates (assuming for the Company on August 2, 1994, that the common equivalent equity value of the Shares was $46 per share). The analysis showed that the EPS Ratio for the Company, the Cable Programming Companies (on average) and the Speciality Retailing Companies (on average), respectively, were: (a) as of June 29, 1994: 21.3, 38.5 and 23.1; (b) as of July 12, 1994: 23.6, 38.0 and 23.6; and (c) as of August 2, 1994: 30.2, 37.4 and 24.0.

(iv) Multiple of 1994 Estimated Earnings Per Share Comparison. Allen prepared a market multiple comparison comparing the Company's ratio of the market value of its equity to its estimated 1994 earnings per share (the "1994 Estimated EPS Ratio") to the average 1994 Estimated EPS Ratio for the Cable Programming Companies and the Specialty Retailing Companies as of the Comparison Dates (assuming for the Company on August 2, 1994, that the common equivalent equity value of the Shares was $46 per share). The analysis showed that the 1994 Estimated EPS Ratio for the Company, the Cable Programming Companies (on average) and the Speciality Retailing Companies (on average), respectively, were: (a) as of June 29, 1994: 20.2, 19.7 and 18.3; (b) as of July 12, 1994: 22.4, 19.3 and 18.7; and (c) as of August 2, 1994: 28.7, 19.0 and 19.0. The foregoing excluded the Company's startup costs with respect to its Q2 project. Including such

startup costs, the Company's 1994 Estimated EPS Ratio on each of the Comparison Dates, in chronological order, would have been: 24.2, 26.9 and 34.3, respectively.

With respect to the foregoing four comparative analyses, Allen's analysis stated that, for the Comparison Dates, the Company traded at multiples closely related to the Specialty Retailing Companies, that as of June 29, 1994, the Company traded at an LTM Sales Ratio, a Cash Flow Ratio, an EPS Ratio and a 1994 Estimated EPS Ratio (collectively, the "Comparison Ratios") within the range of the Specialty Retailing Companies (although the 1994 Estimated EPS Ratio exceeded the average for both Specialty Retailing Companies and Cable Programming Companies), and that as of July 12, 1994 and August 2, 1994, based on the comparisons described above, the Company's share prices traded at Comparison Ratios that were higher (except in one case) than the range for Specialty Retailing Companies.

(v) Discounted Cash Flow Analysis. Allen analyzed the net present value of the future unleveraged free cash flows of the Company based on financial projections prepared, and capital structure assumptions provided, by the management of the Company. Allen added to the present value of the free cash flows the terminal value of the Company based on multiples of the projected 1999 earnings before interest, taxes, depreciation and amortization ("EBITDA"), discounted at the same rates as were applied to discount the free cash flows. Discount rates ranging from 15% to 25% and multiples of EBITDA ranging from 7.0 to 9.0 were applied. Allen's analysis reflected that a price of $46 per share was in line with its discounted cash flow analysis for the Company.

(vi) Other Factors Considered. Allen reviewed recent trends in the shares of Common Stock prices and trading volume in the shares of Common Stock. Allen also (a) compared the recent trend in shares of Common Stock prices versus various market indices, (b) compared market reaction in the price of the shares of Common Stock relating to selected public announcements, (c) studied the above analyses and determined relevant dates for purposes of determining a representative value of the shares of Common Stock, (d) compared the premium of the price offered in the Offer and the Merger over various recent market prices for the shares of Common Stock, as well as a comparison of the premium to be paid in the Offer to premiums paid in selected cash merger transactions, and (d) the multiples to sales, EBITDA, net income and book value offered to the Company in the Offer compared to those multiples in selected merger transactions involving companies in generally comparable industries.

Some of the foregoing analyses used projections provided by management of the Company, which Allen assumed to be reasonably prepared on a basis reflecting the best currently available judgments of the management of the Company as to the future financial performance of the Company. Allen did not make or seek to obtain appraisals of the Company's assets in connection with its analysis of the valuation of the Company.

A copy of Allen's written presentation to the Board has been filed as an exhibit to the Rule 13e-3 Transaction Statement on Schedule 13E-3 filed by the Company, the Parent Purchasers and the Purchaser (the "Schedule 13E-3") with the Commission. Copies will be made available for inspection and copying at the principal executive offices of the Company during regular business hours by any interested stockholder of the Company, or his representative who has been so designated in writing. The summary set forth above does not purport to be a complete description of either Allen's analyses, including those set forth as exhibits to the Schedule 13E-3, or Allen's presentations to the Board. Allen believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all factors and analyses, could create an incomplete view of the processes underlying its opinion. The preparation of a fairness opinion is a complex process and not necessarily susceptible to partial analyses or summary description. In its analyses, Allen made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the Company's control. Any estimates contained therein are not necessarily indicative of actual values, which may be significantly more or less favorable than as set forth therein. Estimates of value of companies do not purport to be appraisals or necessarily reflect the prices at which companies may actually be sold. Because such estimates are inherently

subject to uncertainty, none of the Company, the Purchaser, Allen or any other person assumes responsibility for their accuracy.

The Company has retained Allen as the Company's financial advisor in connection with the Merger, the Offer and other matters arising in connection therewith pursuant to an engagement letter dated August 4, 1994 (the "Engagement Letter") between the Company and Allen. The Engagement Letter provides, among other things, that upon the earlier to occur of the consummation of the Offer or such earlier time as Allen and the Company may agree, the Company will pay to Allen a fee equal to $10.3 million. In addition, the Company has agreed to reimburse Allen for its reasonable out-of-pocket expenses, including reasonable travel and legal expenses, and to indemnify Allen against certain liabilities. In the event of the consummation of an alternative transaction to that contemplated by the Merger Agreement, the Company has agreed to pay Allen a fee in an amount to be agreed upon by Allen and the Company.

The Board selected Allen as its financial advisor because Allen is an internationally recognized investment banking firm and regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions. Allen has particular expertise and experience in the cable and media industries. Allen also represented the Company as its financial advisor in connection with the Company's attempted acquisition of Paramount Communications Inc. and provided financial advisory services to the Company in connection with its consideration of a possible business combination with CBS. Paul A. Gould, a managing director of Allen, has served as a director of Liberty since December 1991. Mr. Gould remains a director of Liberty following the business combination in which Liberty became a wholly owned subsidiary of TCI. Allen acted as dealer manager for a tender offer made by Liberty for HSN in 1993. In addition, as a part of its investment banking and securities trading business, Allen holds positions in and trades in the securities of the Company, Comcast and TCI from time to time, and has previously held positions in and traded the securities of Liberty.

Neither the Company nor any person acting on its behalf has retained any other person to make solicitations or recommendations to stockholders on its behalf concerning the Offer.

Opinions and Report of Lazard. Lazard has delivered its written opinion (the "August 4 Lazard Opinion") dated August 4, 1994 addressed to the Board of Directors of Comcast that, as of such date, based upon the procedures and subject to the assumptions described therein, the consideration to be paid by Comcast in the Transaction is fair, from a financial point of view, to Comcast. In addition, Lazard has delivered its written opinion (the "July 12 Lazard Opinion", and, together with the August 4 Lazard Opinion, the "Lazard Opinions") dated July 12, 1994 addressed to the Board of Directors of Comcast that, as of such date, based upon the procedures and subject to the assumptions described therein, the consideration to be paid by Comcast in the Proposed Transaction is fair, from a financial point of view, to Comcast.

The Board of Directors of Comcast has not requested or received any opinion from Lazard as to the fairness, from a financial point of view, of the consideration to be paid in the Transaction or the Proposed Transaction to the stockholders of the Company. THE LAZARD OPINIONS ARE DIRECTED ONLY TO THE FAIRNESS, FROM A FINANCIAL POINT OF VIEW, TO COMCAST OF THE TRANSACTION AND THE PROPOSED TRANSACTION, RESPECTIVELY, AND DO NOT GO TO THE FAIRNESS, FROM A FINANCIAL POINT OF VIEW, OF THE CONSIDERATION TO BE RECEIVED BY THE STOCKHOLDERS OF THE COMPANY IN THE TRANSACTION OR PROPOSED TRANSACTION, RESPECTIVELY, OR CONSTITUTE RECOMMENDATIONS TO ANY STOCKHOLDER OF THE COMPANY TO TENDER ITS SHARES. The Lazard Opinions were delivered solely for the benefit of the Board of Directors of Comcast and were not on behalf of, and were not intended to confer rights or remedies upon, the Company or Liberty, or any stockholders of Comcast, the Company or Liberty, or any other person other than the Board of Directors of Comcast. Lazard was not requested to pass upon the fairness of the terms of the Merger Agreement or any terms of any proposed financing of the Transaction or the Proposed Transaction. Consideration of these terms was not necessary by Lazard to an evaluation of the fairness to Comcast of the consideration to be paid. Lazard was not requested to and did not recommend to the Board of Directors of Comcast the form or amount of the consideration to be paid to stockholders of the Company in the Transaction or the Proposed Transaction, which (in the case of the Transaction) were determined through negotiations between Comcast, Liberty and the Company and their respective advisors.

The full text of the Lazard Opinions, which set forth assumptions made, matters considered and limits on the review undertaken, are available for inspection and copying at the principal executive office of Comcast during its regular business hours by any interested equity security holder of the Company or his or her representative who has been so designated in writing. In addition, copies of the Lazard Opinions have been filed with the Securities and Exchange Commission (the "Commission") as exhibits to the Schedule 13E-3 (as defined under "The Tender Offer -- 13. Miscellaneous") and may be inspected, copied and obtained in the manner specified in "The Tender Offer -- 6. Certain Information Concerning the Company." The summaries of the Lazard Opinions set forth herein are qualified in their entirety by reference to the full texts thereof.

August 4 Lazard Opinion. In rendering the August 4 Lazard Opinion, Lazard among other things: (i) reviewed the Merger Agreement and the financial terms of the Transaction set forth therein; (ii) reviewed certain publicly available historical business and financial information relating to Comcast and the Company; (iii) held discussions with the senior management of Comcast concerning Comcast's objectives in pursuing the Transaction, its intended method of financing the Transaction and certain other matters; (iv) reviewed certain publicly available information with respect to certain other companies in lines of business they believe to be comparable to those of Comcast and the Company;

(v) reviewed the financial terms of certain recent business combinations involving companies in lines of business they believe to be comparable to those of Comcast, and the Company, and in other industries generally; (vi) analyzed the pro forma financial impact of the Transaction on Comcast; (vii) reviewed the historical stock prices and trading volumes of Comcast's common stock and the Common Stock; and (viii) conducted such other financial studies, analyses and investigations as they deemed appropriate.

July 12 Lazard Opinion. In rendering the July 12 Lazard Opinion, Lazard among other things: (i) reviewed the proposed terms of the Proposed Transaction as outlined in the offer letter dated July 12, 1994 from Comcast to the Company (see "-- Background of the Transaction"); (ii) reviewed certain publicly available historical business and financial information relating to Comcast and the Company; (iii) held discussions with the senior management of Comcast concerning Comcast's objectives in pursuing the Proposed Transaction, its intended method of financing the Proposed Transaction and certain other matters;
(iv) reviewed certain publicly available information with respect to certain other companies in lines of businesses they believe to be comparable to the businesses of Comcast and the Company; (v) reviewed the financial terms of certain recent business combinations involving companies in lines of businesses they believe to be comparable to those of Comcast and the Company, and in other industries generally; (vi) analyzed the pro forma financial impact of the Proposed Transaction on Comcast; (vii) reviewed the historical stock prices and trading volumes of Comcast's common stock and the Common Stock; and (viii) conducted such other financial studies, analyses and investigations as they deemed appropriate.

The Lazard Report. In connection with the delivery of the July 12 Lazard Opinion, Lazard prepared a report, dated July 12, 1994 (the "Lazard Report"). The Lazard Report included an outline of a proposed transaction structure whereby Comcast would acquire the Company, an analysis of the structure of the CBS Proposal (see "-- Background of the Transaction"), a valuation of the CBS Proposal and a valuation of the Company. Certain of the analyses included in the Lazard Report were based in part on financial projections provided by Comcast.

The Lazard Report was prepared solely for internal use and not with a view to public disclosure or compliance with the published guidelines of the Commission or the American Institute of Certified Public Accountants regarding projections, and were not prepared with the assistance of, or reviewed by, independent accountants. The information contained in the Lazard Report is included in this Offer to Purchase solely because such report was furnished by Lazard to Comcast. While presented with numerical specificity, such reports, and the analyses included therein (including the projections provided to Lazard contained therein), are based upon a variety of assumptions relating to the businesses of the Company, industry performance, general business and economic conditions and other matters and are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and, therefore, such report and analyses are inherently imprecise and there can be no assurance that any valuations therein could be realized. None of the

Purchaser, the Parent Purchasers, the Company or Lazard assumes any responsibility for the validity, reasonableness, accuracy or completeness of any of the Lazard Report.

No limitations were placed by Comcast with respect to the investigations made or the procedures followed by Lazard. Lazard is an internationally recognized investment banking firm and regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions. Lazard has from time to time provided financial advice and services to Comcast, but in selecting Lazard, Comcast considered primarily Lazard's general reputation and expertise. See "The Tender Offer -- 12. Fees and Other Expenses" for a description of the terms of Lazard's engagement by Comcast.

The summary of the Lazard Report set forth below does not purport to be a complete description of the Lazard Report or the analyses performed, or the matters considered by Lazard in arriving at the Lazard Opinions, and is qualified in full by reference to the full text of the Lazard Report. Lazard believes that its reports must be considered as a whole and that selecting portions of its report and of the factors considered by it could create an incomplete view as to the results of the Lazard Report and the Lazard Opinions. The full text of the Lazard Report is available for inspection and copying at the principal executive office of Comcast during its regular business hours by any interested equity security holder of the Company or his or her representative who has been so designated in writing. In addition, a copy of the Lazard Report has been filed as an exhibit to the Schedule 13E-3 and may be inspected, copied and obtained in the manner specified in "The Tender Offer -- 6. Certain Information Concerning the Company".

The Lazard Report outlined a transaction structure for Comcast to acquire all the outstanding shares of Common Stock the Company not already owned by Comcast for a consideration of $45.00 per share consisting of $38.00 per share in cash and $7.00 per share in a newly-formed class of convertible exchangeable preferred stock of Comcast. The convertible exchangeable preferred stock was proposed to have a 7.5% annual dividend and to be convertible into Comcast's Class A Special Common Stock at a conversion price of $21.00 per share. The Lazard Report proposed potential sources and uses of funds in the transaction. The Lazard Report also contained an overview of the CBS Proposal, including estimated proceeds to stockholders of both CBS and the Company, a blended multiple analysis and stock trading history. In addition, the report included a valuation of the Company. Lazard outlined the Company's present general operations and certain projects to be launched in 1994. Lazard incorporated projections of the Company's revenues, expenses, capital expenditures and cash flows through 1999 as provided by Comcast. The report also included a range of discounted cash flow values and internal rates of return based upon varying assumptions, an analysis of the implied trading multiples at various stock prices, the Company's stock trading history, a summary of market statistics for comparable public companies and summaries of recent research reports on the Company prepared by other parties. The following describes Lazard's analysis as delivered to the Board of Directors of Comcast on June 12, 1994.

Summary Valuation Results. Lazard prepared summary valuation results indicating unlevered discounted cash flow values per share at earnings before interest, taxes, depreciation and amortization ("EBITDA") exit multiples of 8.0x and 9.0x, at discount rates of 14.0% and 15.0% and with revenue growth rates of 10.0%, 12.5% and 15.0% (the "Respective Revenue Growth Rates"). At an EBITDA exit multiple of 8.0x, the discounted cash flow values per share (i) at a discount rate of 14% were $38.60, $47.54, and $57.07, and (ii) at a discount rate of 15% were $37.09, $45.66, and $54.82, at the Respective Revenue Growth Rates. At an EBITDA exit multiple of 9.0x, the discounted cash flow values per share (i) at a discount rate of 14% were $42.25, $52.07, and $62.63, and (ii) at a discount rate of 15% was $40.58, $50.02, and $60.14, at the Respective Revenue Growth Rates.

Lazard also indicated the leveraged pre-tax internal rate of return, assuming a $1.1 billion equity investment including the value of the Company's Shares already owned by Comcast, at EBITDA exit multiples of 8.0x, 9.0x, 10.0x and 11.0x (the "Respective EBITDA Exit Multiples") and at purchase prices per share ranging from $40.00 to $55.00. At $40.00 per share, the leveraged pre-tax internal rate of return ranged from 27.8% to 37.8% at the Respective EBITDA Exit Multiples. At $45.00 per share, the leveraged pre-tax internal rate of return ranged from 20.8% to 30.3% at the Respective EBITDA Exit Multiples. At $50.00 per share, the leveraged pre-tax internal rate of return ranged from 15.7% to 24.8% at the Respective

EBITDA Exit Multiples. At $55.00 per share, the leveraged pre-tax internal rate of return ranged form 11.6% to 20.4% at the Respective EBITDA Exit Multiples.

Analysis at Various Stock Prices ("AVP"). Lazard prepared an analysis of the relationship of various hypothetical share prices for the Shares ranging from $35.00 to $55.00 to (i) the price on June 27, 1994, (ii) the high price during the 52 week period prior to the date of the report and (iii) the low price during the 52 week period prior to the date of the report, and an analysis of the implied multiples of such share price.

At a per share price of $45.00, the AVP reflected market capitalization as a multiple of revenues of 1.7x for the latest twelve months, of 1.5x for projected 1994 results, and of 1.4x for projected 1995 results.

At a per share price of $45.00, the AVP reflected market capitalization as a multiple of EBITDA of 10.9x for the latest twelve months, of 11.1x for projected 1994 results, and of 9.4x for projected 1995 results.

At a per share price of $45.00, the AVP reflected market capitalization as a multiple of earnings before interest and taxes ("EBIT") of 14.0x for the latest twelve months, of 14.4 for projected 1994 results, and of 11.8x for projected 1995 results.

At a per share price of $45.00, the AVP reflected adjusted market value as a multiple of net income of 44.7x for the latest twelve months and 32.0x for projected 1994 results.

Stock Price and Trading Volume Analysis. Lazard examined the history of the daily trading prices of the Shares for the one year period from July 2, 1993 to July 11, 1994 and for the five year period from July 7, 1989 to July 11, 1994.

Comparable Companies Analysis. Using publicly available information, Lazard prepared an analysis of selected financial data for companies in businesses which Lazard believes to be comparable to the Company's. Although such companies are similar to the Company in some respects, none of such companies possess characteristics identical to those of the Company. Financial data reviewed for these companies included, but was not limited to, revenues, EBITDA, EBIT and net income, for the periods of the latest twelve months, projected 1994 results and projected 1995 results.

Based on projected 1994 results, the market capitalization of the comparable companies to: (a) revenues ranged from 0.9x to 3.5x, (b) EBITDA ranged from 9.3x to 15.0x, (c) EBIT ranged from 11.7x to 17.7x. The price-to-earnings multiples of the comparable companies on projected 1994 results ranged from 17.6x to 27.2x.

Other Opinions. In the course of determining the fairness of the TCI/Liberty Merger to the respective stockholders of each of Liberty and [Old TCI] during the first and second quarter of 1994, CS First Boston and Merrill Lynch each estimated the value of the two companies' respective component assets and businesses. In assigning values to publicly traded, non-control investments held by the two companies (or, in the case of non-publicly traded securities which are convertible into or exercisable or exchangeable for publicly traded securities, to the equivalent publicly traded security basis), such as Liberty's minority equity interest in the Company, such investment advisors principally relied on the market price of such publicly traded securities as of particular dates, and did not prepare any specific report, opinion or appraisal as to the value of the Company or the underlying Common Stock.

PLANS FOR THE COMPANY AFTER THE MERGER

In connection with its consideration of the Offer, the Purchaser has made a preliminary review, and will continue to review, on the basis of available information, various possible business strategies that it might consider upon completion of the Transaction. Upon completion of the Offer, the Purchaser intends to conduct a detailed review of the Company and its assets, businesses, operations, properties, policies (including dividend policies), corporate structure, capitalization and the responsibilities and qualifications of the Company's management and personnel and consider what, if any, changes the Purchaser deems desirable in light of the circumstances which then exist.

Pursuant to the Joint Bidding Agreement, the equity interests in the Surviving Corporation will be owned 57.4% by Comcast and 42.6% by Liberty. The management committee of the board of directors of the

Surviving Corporation will be comprised of three representatives appointed by Comcast who shall be reasonably acceptable to Liberty and two representatives appointed by Liberty who shall be reasonably acceptable to Comcast. The day-to-day operations of the Surviving Corporation will be managed by Comcast. However, neither the Surviving Corporation nor the Company will, subject to certain exceptions, engage in certain transactions or take certain actions unless approved in advance by Liberty, including: (i) any action which would result in the Surviving Corporation, conducting, participating in or making certain investments in a business other than the marketing of goods or services among electronic media and activities ancillary thereto or vertically integrated therewith; (ii) transactions not in the ordinary course of business; (iii) the disposition, by the Surviving Corporation not in its ordinary course of business, of a material amount of its assets; (iv) the merger or consolidation or the dissolution or liquidation of the Surviving Corporation or the Company;
(v) amendments to the Surviving Corporation's Certificate of Incorporation or By-Laws; (vi) the issuance or purchase of any shares of the capital stock or other equity securities of the Surviving Corporation or the Company; (vii) the amendment or modification of any outstanding options, warrants or rights to acquire shares of capital stock or other securities of the Surviving Corporation; (viii) the filing by the Surviving Corporation of a petition under the Bankruptcy Act or any other insolvency law, or the admission in writing of its bankruptcy, insolvency or general inability to pay its debts; (ix) the commencement or settlement of litigation or arbitration which is material to the Surviving Corporation other than in the ordinary course of business; (x) entering into by the Surviving Corporation of material contracts not connected with carrying on its principal business; and (xi) certain transactions between the Surviving Corporation and Comcast. Upon consummation of the Merger, Comcast and TCI have agreed to cooperate in good faith to cause the Surviving Corporation and HSN to pursue jointly business opportunities outside the United States and Canada. Following consummation of the Merger, neither Comcast nor Liberty (nor the directors, officers, members of the Management Committee, employees or agents of the Surviving Corporation or any subsidiary who are also directors, officers, employees or agents of either Comcast or Liberty) will be obligated to present any corporate opportunity to the Surviving Corporation or its subsidiaries.

Following the Merger, each of Comcast and Liberty will have the right to three demand registrations to have their shares of the Surviving Corporation registered under the Securities Act of 1933, as amended (the "Securities Act"). Such demand registration rights will be subject to the right of first refusal of the other party, at a price to be determined by three investment bankers based upon a projected initial secondary public offering price of the Surviving Corporation's common stock. Any other transfers will be subject to the other party's right of first refusal except that a change in control of Liberty, Comcast or certain affiliates thereof will not trigger such rights of first refusal.

Unless Liberty, through the exercise of its demand registration rights, shall have been the party which first caused the Surviving Corporation's common stock to be registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), then Liberty may at any time during the 60-day period following the fifth anniversary of the Merger (or if not previously exercised, at any time during the 60-day period following each of the sixth, seventh, eighth, and ninth anniversary of the Merger) exercise its exit rights as described below and in the Joint Bidding Agreement.

Liberty may exercise its exit rights by delivering written notice to Comcast, whereupon Liberty and Comcast will seek to agree upon the fair market value of the Surviving Corporation on a going concern or a liquidation basis, whichever is higher. If they are unable to agree upon a fair market value, then each of Liberty and Comcast will appoint an independent appraiser to determine such value. If the amount of the higher of the two appraisers is greater than 110% of the lower, then a third independent appraiser designated by the first two appraisers will be retained and deliver its appraisal. The final appraisal will be the average of the closest two appraisals.

Comcast shall have the right to purchase all of the common stock of the Surviving Corporation held by Liberty at a price equal to the fraction of the fair market value of the Surviving Corporation represented by such common stock as a percentage of the fully diluted common stock of the Surviving Corporation. Comcast may pay Liberty for such shares in cash, a Comcast promissory note maturing not more than three years after issuance, or Comcast equity securities. In certain circumstances, Comcast may be required to pay Liberty in Comcast equity securities

If Comcast fails to purchase the shares of the Surviving Corporation held by Liberty in accordance with the terms of The Joint Bidding Agreement, then Liberty shall have the right to purchase the shares of the Surviving Corporation held by Comcast on the same terms on which Liberty's shares of the Surviving Corporation were offered to Comcast.

If Liberty fails to purchase the shares of the Surviving Corporation held by Comcast by the time agreed, then Liberty and Comcast will use their best efforts to sell the Surviving Corporation in a sale in which Liberty, Comcast or any of their respective affiliates may be purchasers.

Liberty and Comcast have also agreed to use all reasonable efforts to consummate any purchase and sale in the most tax efficient method available.

Except as described above or elsewhere in this Offer to Purchase, the Purchaser has no present plans or proposals that would relate to or result in an extraordinary corporate transaction involving the Company or any of its subsidiaries (such as a merger, reorganization, liquidation, relocation of any operations or sale or other transfer of a material amount of assets), any change in the Company's Board of Directors or management, any material change in the Company's capitalization or dividend policy or any other material change in the Company's corporate structure or business.

INTERESTS OF CERTAIN PERSONS IN THE TRANSACTION

In considering the recommendations of the Board, stockholders of the Company should be aware that certain members of the Board have certain interests that present actual or potential conflicts of interest in connection with the Transaction. The Board was aware of these actual or potential conflicts of interest and considered them along with other matters described under "-- Fairness of the Transaction".

The Joint Bidders and their affiliates beneficially own approximately 34.5% of the Fully Diluted Shares, and as result of such ownership the Joint Bidders may be deemed to control the Company. Of the 18,883,801 Fully Diluted Shares beneficially owned by the Parent Purchasers, 8,627,934 are held by Comcast (6,207,434 shares of Common Stock, 72,050 shares of Preferred Stock and warrants to purchase 1,700,000 of Common Stock, or 15.5% of the Fully Diluted Shares) and 10,255,867 are held by Liberty (6,527,207 shares of Common Stock and 372,866 shares of Preferred Stock, or 18.4% of the Fully Diluted Shares). In addition, Old TCI (as defined under "The Tender Offer -- 7. Certain Information Concerning the Purchaser and the Parent Purchasers") beneficially owns 332,772 Fully Diluted Shares (153,552 shares of Common Stock and 17,922 shares of Preferred Stock, or 0.6% of the Fully Diluted Shares).

Brian L. Roberts, the President and a director of Comcast, has served as a director of the Company since October 1987 and Ralph J. Roberts, the Chairman of the Board of Comcast, has served as a director of the Company since June 1991. Peter Barton, the President and a director of Liberty and Executive Vice President of TCI, served as a director of the Company from December 1989 to November 1993 and John Malone, the President and a director of TCI, served as a director of the Company from June 1991 to November 1993.

Paul A. Gould, a managing director of Allen, has served as a director of Liberty since December 1991. Mr. Gould remains a director of Liberty following the business combination transaction in which Liberty became a wholly owned subsidiary of TCI. Allen acted as dealer manager for a tender offer made by Liberty for HSN in 1993. In addition, as a part of its investment banking and securities trading business, Allen holds positions in and trades in the securities of the Company, Comcast, and TCI from time to time, and has previously held positions in and traded in the securities of Liberty.

J. Bruce Llewellyn, a director of the Company, is Chairman of the Board and Chief Executive Officer of Garden State Cablevision, Inc., the general partners and owner of approximately 20% of the equity of Garden State Cablevision, L.P. ("Garden State"). A subsidiary of Comcast is a limited partner of Garden State and owns approximately 40% of the equity of Garden State.

In connection with the merger of the Company with CVN Companies, Inc. ("CVN"), Satellite Services, Inc. ("SSI"), a wholly owned subsidiary of TCI, entered into an Equity Participation Agreement (the "TCI Equity Participation Agreement") and an Addendum to CVN Affiliation Agreement (the "TCI Adden-

dum"), both dated October 27, 1987, with the Company. The TCI Addendum extends the original term of an affiliation agreement (the "TCI Affiliation Agreement") between CVN and SSI from July 1, 1994 to June 30, 2004 and requires TCI, its subsidiaries and certain of its affiliates, (the "TCI Affiliates") to distribute the QVC service to a minimum of 4,519,435 cable television subscribers for the remainder of the term. The TCI Affiliation Agreement provides for the payment of a 5% commission to the TCI Affiliates on net sales of the Company's merchandise sold in the zip code areas served by the TCI Affiliates. The remedy for failure to meet the carriage requirements under the TCI Addendum is a pro rata repurchase by the Company, at $1.00 per share, of up to 372,866 shares of Preferred Stock issued to the TCI Affiliates pursuant to the TCI Equity Participation Agreement and other similar agreements between certain subsidiaries and affiliates of TCI and the Company.

On July 26, 1993, Liberty and the Company entered into a letter agreement (the "Q2 Agreement") pursuant to which Liberty agreed to use its reasonable best efforts to cause the TCI Affiliates to carry the Q2 service to a minimum of 10,000,000 cable television subscribers by July 26, 1996, such carriage to continue for seven years from commencement. The terms of the Q2 Agreement also require the TCI Affiliates to transmit the QVC service to an additional 701,000 cable television subscribers by July 26, 1995. The remedy for failure to meet the carriage requirements under the Q2 Agreement is the pro rata repurchase by the Company from Liberty of up to 571,480 shares of Common Stock at $1.00 per share.

Cable systems operated by TCI subsidiaries and of its affiliates representing approximately 10.5 million of approximately 14 million of the cable subscribers served by all of such systems distribute the QVC service to approximately 8.8 million cable television subscribers and the Q2 service to approximately 290,000 cable television subscribers. During the calendar year 1993 and the seven month period from January 1 to July 31, 1994, respectively, such systems received an aggregate of approximately $12 million and $8.5 million in commissions for sales of the Company's merchandise.

In connection with Equity Participation Agreements dated June 26, 1987 and October 26, 1989 respectively, Comcast entered into an Affiliation Agreement with the Company dated June 26, 1987 (the "Comcast Affiliation Agreement") and an Addendum to the Comcast Affiliation Agreement dated October 26, 1989 (the "Addendum"). The Comcast Affiliation Agreement provides for the payment of a 5% commission to Comcast on net sales of the Company's merchandise sold in the zip code areas served by Comcast. The Addendum extends the term of the Comcast Affiliation Agreement from June 26, 1994 through June 26, 2004 and requires Comcast to distribute the QVC service to a minimum of 1,441,000 cable subscribers for the remainder of the term. In connection with the Comcast Affiliation Agreement, the Company paid to Comcast and its subsidiaries approximately $3.2 million in respect of the fiscal year ended January 31, 1993, $3.5 million in respect of the fiscal year ended January 31, 1994 and $1.3 million in respect of the period from February 1, 1994 through July 31, 1994.

In addition to the Comcast Affiliation Agreement and the Addendum, Comcast and the Company executed a Charter Affiliation Agreement dated May 1, 1994 (the "CAA") governing Comcast's carriage of the Q2 service. Under the CAA, Comcast has agreed to distribute both the QVC and the Q2 service to a minimum of 85% of its subscriber base by December 31, 1998 (the "Minimum Carriage Commitment") in exchange for Q2 launch incentives totalling approximately $10 million. The remedy for failure to meet the Minimum Carriage Commitment by December 31, 1998 is a pro rata return of the launch incentives. The CAA further provides that once a system commences carriage of QVC and/or Q2 that system must continue to carry the service in question through the remainder of the term. The remedy for failure to continue carriage of a service once launched in a system is specific performance.

In addition, in the Joint Bidding Agreement Comcast and Liberty have agreed, in connection with the consummation of the Merger, to cause the Company to waive any remaining rights it may have pursuant to the Company Repurchase Rights (or any similar contingent right of the Company to reacquire shares of its capital stock) with respect to all shares of capital stock of the Company (or rights to acquire such shares) currently held by Liberty, TCI or Comcast (or any of their respective direct and indirect subsidiaries and affiliates).

Comcast currently distributes the QVC service to 2,670,259 subscribers and the Q2 service to 428,662 subscribers.

According to the Company, as of July 31, 1994, all executive officers and directors of the Company as a group beneficially owned 1,126,838 shares of Common Stock and held Options to purchase an aggregate of 7,385,000 shares of Common Stock. If the Transaction is consummated, such persons will receive an aggregate of $51,834,548 in cash for their shares of Common Stock and, in addition, an aggregate of $88,788,500 in respect of the cash-out of their Options, assuming all Options are actually cashed out and assuming 3,000,000 scaled price options held by Mr. Diller are cashed out as of December 9, 1994, the first date on which the last 1,500,000 of such Options become exercisable. See "-- The Merger Agreement" for a discussion of the treatment of Options in the Merger.

According to the Company, the following table sets forth, as of July 31, 1994, the number of shares of Common Stock and Options owned by, the percentage of Fully Diluted Shares beneficially owned by, and the aggregate amounts to be received in connection with the Transaction (in the case of Options, net of the exercise price) by, each executive officer and director of the Company who owns any Common Stock or Options and all executive officers and directors of the Company as a group. Other than the individuals named below, no executive officer or director of the Company owns any Shares or Options.

NAME OF DIRECTOR OR EXECUTIVE OFFICER OF THE COMPANY	SHARES OF COMMON STOCK	OPTIONS	PERCENT OF CLASS BENEFICIALLY OWNED	TOTAL CASH AMOUNT TO BE RECEIVED IN THE TRANSACTION
Douglas Briggs	20,888	387,500	1.01%	$ 6,253,348
Candice Carpenter	0	50,000	0.12	0
William Costello	0	361,250	0.89	6,141,250
Thomas Downs	0	153,750	0.38	2,489,250
Barry Diller(1)	1,000,000	6,000,000	15.14	114,130,000
Neal Grabell	200	160,000	0.40	2,699,700
James Held	0	10,000	0.02	0
John Link	0	152,500	0.38	2,438,000
Brian L. Roberts	750	0	0.002	34,500
Ralph J. Roberts	5,000	0	0.01	230,000
William Schereck	0	10,000	0.02	50,000
Joseph Segel	100,000	100,000	0.50	6,157,000
	1,126,838	7,385,000	17.88%	$ 140,623,048

(1) The calculation of the cash amount to be received by Barry Diller assumes the exercise of his 3,000,000 scaled options on 12/9/94.

On July 11, 1994, Thomas Downs exercised options to purchase 3,750 shares of Common Stock at an exercise price of $5 per share and sold those shares on such date at a price of $35.75 per share.

As of August 8, 1994, all executive officers and directors of the Joint Bidders as a group beneficially owned an aggregate of 34,025 shares of Common Stock. If the Transaction is consummated, such persons will receive an aggregate of $1,505,150 in cash for such shares.

The following table sets forth, as of August 8, 1994, the number of shares of Common Stock and the percentage of Fully Diluted Shares owned by, and the aggregate amounts to be received by, each executive officer and director of the Joint Bidders who owns any Common Stock and all executive officers and directors of the Joint Bidders as a group pursuant to the Transaction. Other than the individuals named below, no executive officer or director of the Joint Bidders owns any Shares.

NAME OF DIRECTOR OR EXECUTIVE OFFICER OF THE JOINT BIDDERS	SHARES OF COMMON STOCK	PERCENT OF CLASS BENEFICIALLY OWNED	TOTAL CASH AMOUNT TO BE RECEIVED
Peter R. Barton	2,975	0.007%	$ 136,850
Bob Magness	3,750	0.009	172,500
Fred A. Vierra	50	0.000	2,300
Ralph J. Roberts	5,000	0.01	230,000
Brian L. Roberts	750	0.002	34,500
Daniel Aaron	1,500	0.004	69,000
Irving A. Wechsler	12,000	0.03	552,000
Sheldon M. Bonovitz	1,500	0.004	69,000
Suzanne F. Roberts	5,000	0.01	230,000
Anne Wexler	500	0.001	2,300
Robert B. Clasen	1,000	0.002	46,000
	34,025	0.08%	$1,565,150

In June 1992, the Company repurchased 1,970 shares of Common Stock at a repurchase price of $0.38 per share, for a total repurchase amount of $752.30. In July 1992, the Company repurchased 310 shares of Common Stock at a repurchase price of $1.00 per share, for a total repurchase amount of $310.00. The total amount of shares of Common Stock repurchased by the Company during the second quarter of fiscal year ending January 31, 1993, was 2,280 at an average price of $0.47 per share, for a total repurchase amount of $1,062.30.

In October 1992, Comcast converted a $30 million convertible note of the Company (which had been called by the Company) into 1,704,546 shares of Common Stock at an average price of $17.60 per share. Such conversion was the only transaction in the Common Stock by the Company, the Purchaser or its affiliates during the third quarter of the fiscal year ending January 31, 1993.

In January 1993, the Company repurchased 290 shares of Common Stock at a repurchase price of $1.00 per share, for a total repurchase amount of $290.00. Also in January 1993, the Company repurchased 800 shares of Common Stock at a repurchase price of $38.125 per share, for a total repurchase amount of $30,500.00. The total amount of shares repurchased by the Company during the fourth quarter of fiscal year ending January 31, 1993 was 1,090 at an average price of $28.25 per share, for a total repurchase amount of $30,790.00.

On November 15, 1993 Comcast purchased 1,690,041 shares of Common Stock from Liberty at an average price per share of $18.615 per share.

In December 1993, the Company repurchased 380 shares of Common Stock at a repurchase price of $1.00 per share, for a total repurchase amount of $380.00. In January 1994, the Company repurchased 350 shares of Common Stock at a repurchase price of $1.00 per share, for a total repurchase amount of $350.00. The total amount of shares purchased by the Company, the Purchaser or its affiliates during the fourth quarter of fiscal year ending January 31, 1994 was 1,690,041 at an average price of $18.607 per share.

On April 29, 1994, Comcast exercised warrants to purchase 310,000 shares of Common Stock at an average price of $10.00 per share. Such exercise was the only transaction in the Common Stock by the Company, the Purchaser or its affiliates during the first quarter of the fiscal year ending January 31, 1995.

In July 1994, the Company repurchased 310 shares of Common Stock at a repurchase price of $1.00 per share, for a total repurchase price of $310.00 per share. Such repurchase was the only transaction in the Common Stock by the Company, the Purchaser or its affiliates during the second quarter of the fiscal year ending January 31, 1995 to date.

In July 1994 the Company paid Comcast approximately $2.1 million in connection with Comcast beginning to carry certain of the Company's secondary programs to certain of its cable television subscribers.

In addition, from time to time holders of shares of Preferred Stock have converted such shares into Common Stock. In July 1994, 128 shares of Preferred Stock were converted into 1,280 shares of Common Stock.

In April 1994, Comcast exercised warrants to purchase 310,000 Common Shares for $10.00 per share.

On December 23, 1992, the Company extended an offer to all of the holders (the "Warrantholders") of warrants (the "Warrants") to purchase Common Shares to convert any or all of the Company's 9,479,913 outstanding Warrants into Shares. Pursuant to the terms of such offer, the Company offered, at the Warrantholder's election, (i) to issue to the Warrantholder, in exchange for the Warrantholder's Warrants, Common Shares with an aggregate value (each share being valued at $37.75 per share, representing a market based average stock price at such time (the "Conversion Price")) equal to the difference between the Conversion Price and the price at which the Warrants were exercisable (the "Exercise Price"), multiplied by the number of Common Shares into which the Warrants were exercisable, or (ii) if the Warrantholder elected to exercise its Warrants by making payment of the Exercise Price in cash and delivery of the Warrant certificate, to issue the number of Common Shares into which such Warrants were exercisable and to repurchase from the Warrantholder, at the Conversion Price, all of the Common Shares that could be purchased using all of the proceeds of the payment by the Warrantholder of the Exercise Price. In connection with an election described in (ii) above, the Company also offered to accept payment of the Exercise Price in Common Shares valued at the Conversion Price. As a result of acceptance of such offer by Liberty Media and its affiliates, the Company issued 2,475,434 Common Shares to Liberty Media and its affiliates upon the exercise or exchange of Warrants to purchase 3,903,764 Common Shares.

THE MERGER AGREEMENT

The following is a summary of the Merger Agreement, a copy of which is filed as an Exhibit to the Schedule 14D-1. Such summary is qualified in its entirety by reference to the Merger Agreement.

The Offer. The Merger Agreement provides that the obligation of the Purchaser to consummate the Offer and to accept for payment and purchase the Shares tendered pursuant to the Offer shall be subject only to the conditions set forth in the Merger Agreement, which are described under "The Tender Offer -- 10. Certain Conditions of the Offer". Comcast, Liberty and the Purchaser have agreed in the Merger Agreement that, without the prior written consent of the Company, the Purchaser will not make any change in the terms or conditions of the Offer that is adverse to the holders of the Shares, change the form of consideration to be paid in the Offer, decrease the price per Share payable in the Offer or the number of Shares sought in the Offer, waive the Minimum Condition or impose conditions to the Offer in addition to those set forth in the Merger Agreement, add additional conditions to the Offer, or make any other change in the terms or conditions of the Offer which is adverse to the holders of Shares.

The Merger. The Merger Agreement provides that, upon the terms and subject to the conditions thereof, at the time at which the Company and the Purchaser file articles of merger with the Secretary of State of the State of Delaware and make all other filings or recordings required by the GCL in connection with the Merger, the Purchaser will cause MergerCo to be merged with and into the Company in accordance with the GCL. The Merger shall become effective at such time (but not prior to October 21, 1994) as the Certificates of Merger are duly filed with the Secretary of State of the State of Delaware or at such later time as is specified in the Certificates of Merger (the "Effective Time"). As a result of the Merger, the separate corporate existence of MergerCo will cease and the Company will be the Surviving Corporation.

At the Effective Time, (i) each issued and outstanding Share held in the treasury of the Company, or held by any wholly owned subsidiary thereof, or owned by the Purchaser and MergerCo or any of its subsidiaries shall be canceled, and no payment shall be made with respect thereto; (ii) each Share outstanding immediately prior to the Effective Time shall, other than as provided in (i) above and other than any Dissenting Shares (as defined below), be converted into the right to receive $46 (in the case of shares of

Common Stock) or $460 (in the case of shares of Preferred Stock) in cash or any higher price per share of Common Stock or Preferred Stock, as the case may be, that may be paid pursuant to the Offer, without interest (the "Merger Consideration"); (iii) each share of common stock of MergerCo then outstanding shall be converted into and become one share of common stock of the Surviving Corporation; and (iv) each outstanding Option, whether or not exercisable, shall be canceled and the holder thereof shall be entitled to receive, and shall receive, cash in an amount equal to the difference between $46 and the per share exercise price thereof, multiplied by the number of shares issuable pursuant to such Option, provided, that if such Option was not issued pursuant to an employee benefit plan meeting the requirements described in Rule 16b-3 of the Exchange Act, and is held by a person subject to the short swing profit recovery provisions of Section 16(b) of the Exchange Act, such Option shall not be canceled at the Effective Time and shall remain an obligation of the Surviving Corporation and shall remain enforceable in accordance with the terms thereof.

The Merger Agreement provides that Shares that are outstanding immediately prior to the Effective Time and which are held by stockholders who shall have not voted in favor of the Merger or consented thereto in writing and who shall be entitled to and shall have demanded properly in writing appraisal for such shares in accordance with Section 262 of the GCL and who shall not have withdrawn such demand or otherwise have forfeited appraisal rights (collectively, the "Dissenting Shares") shall not be converted into or represent the right to receive the Merger Consideration. Such stockholders shall be entitled to receive payment of the appraised value of such Shares held by them in accordance with the provisions of the GCL, except that all Dissenting Shares held by stockholders who shall have failed to perfect or who effectively shall have withdrawn, forfeited or lost their rights to appraisal of such Shares under the GCL shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Effective Time, for the right to receive, without any interest thereon, the Merger Consideration, upon surrender of the certificate or certificates that formerly evidenced such Shares.

The Merger Agreement provides that, at the Effective Time, the certificate of incorporation of MergerCo will be the certificate of incorporation of the Surviving Corporation, except that the name of the Surviving Corporation shall be "QVC, Inc." and except for certain changes that may be necessary or appropriate for the Merger and the transactions contemplated by the Merger Agreement to qualify as a reclassification under the GCL. The bylaws of the Surviving Corporation will be the bylaws of MergerCo until such time as they are amended in accordance with applicable law.

Agreements of the Purchaser and the Company. The Merger Agreement provides that effective upon acceptance for payment of any Shares by Purchaser, the Purchaser shall be entitled to designate the number of directors, rounded up to the next whole number, on the Company's Board that equals the product of (i) the total number of directors on the Board of Directors of the Company (giving effect to the election of any additional directors [described in] this paragraph) and (ii) the percentage that the number of Shares owned by the Purchaser, the Parent Purchasers or any of their respective wholly owned subsidiaries (including Shares accepted for payment) bears to the total number of Shares outstanding, and the Company [has agreed to] take all action necessary to cause the Purchaser's designees (the "Purchaser Designees") to be elected or appointed to the Board of Directors of the Company, including, without limitation, increasing the number of directors or seeking and accepting resignations of its incumbent directors. Notwithstanding the foregoing, until such time as the Purchaser acquires a majority of the outstanding Common Shares on a fully diluted basis, the Company will use its reasonable best efforts to ensure that all of the members of the Board of Directors and such boards and committees of the Company and each of the Company's subsidiaries as of August 4, 1994 who are not employees of the Company shall remain members of the Board of Directors of the Company and such boards and committees until the Effective Time. Following the election or appointment of the Purchaser Designees and prior to the Effective Time, any amendment or termination of the Merger Agreement (see "-- Termination" and "-- Amendment"), grant of extension or waiver by the Company will require the concurrence of a majority of the Company's directors then in office who are directors on the date of the Merger Agreement, or are directors (other than the Purchaser Designees) designated by such persons to fill any vacancy.

The Purchaser has advised the Company that it currently intends to designate one or more of the executive officers listed in Schedule II hereto and the person listed in Schedule III hereto to serve as directors

of the Company (but with respect to any executive officers of TCI, any such designations shall only be until the Merger is consummated). All of such persons have consented to act as directors of the Company. The foregoing information and certain other information contained in this Offer to Purchase and Schedules II and III hereto and in the Company's Solicitation/Recommendation Statement on Schedule 14D-9 being mailed to stockholders herewith is being provided in accordance with the requirements of Section 14(f) of the Exchange Act and Rule 14f-1 thereunder.

Pursuant to the Merger Agreement, if required by applicable law to consummate the Merger, the Company will cause a meeting of its stockholders (the "Company Stockholder Meeting") to be duly called and held as soon as practicable after consummation of the Offer for the purpose of voting on the adoption of the Merger Agreement and approval of the Merger. The Merger Agreement provides that the Company will, as promptly as practicable after consummation of the Offer, prepare and file (if necessary) with the Commission under the Exchange Act a proxy statement relating to the Company Stockholder Meeting (the "Proxy Statement"). The Company has agreed, subject to the fiduciary duties of its Board of Directors on the basis of advice of independent counsel, to use its best efforts to obtain the necessary approvals by its stockholders of the Merger Agreement and the Merger. The Purchaser and the Parent Purchasers have agreed to vote all Shares acquired in the Offer, or heretofore owned, in favor of the Merger. The Purchaser and the Parent Purchasers have agreed to vote all Shares acquired in the Offer, or heretofore owned, in favor of the Merger.
Notwithstanding anything in the foregoing to the contrary, in the event that the Purchaser, the Parent Purchasers, MergerCo and/or any direct or indirect wholly-owned subsidiaries thereof acquire at least 90% of the outstanding shares of each class of capital stock of the Company, the Parent Purchasers and the Company have agreed to take all necessary and appropriate action to cause the Merger to become effective as promptly as practicable after the expiration of the Offer and the satisfaction or waiver of the conditions set forth under "The Tender Offer -- 10. Certain Conditions of the Offer," without a meeting of the Company's Stockholders, in accordance with Section 253 of the GCL.

Certain Covenants of the Company, the Parent Purchasers and the Purchaser. The Company has agreed that, prior to the Effective Time, unless the Purchaser consents in writing, which consent shall not be unreasonably withheld, the Company will not amend or otherwise change its Certificate of Incorporation or Bylaws; in addition, the Company has agreed that, prior to the Effective Time unless the Purchaser consents in writing, which consent shall not be unreasonably withheld, each of the Company and its respective subsidiaries (each, a "Subsidiary") will not (a) conduct its business in any manner other than in the ordinary course of business consistent with past practice; (b) except as disclosed in the Company's disclosure schedule to the Merger Agreement, issue, grant, sell, pledge, redeem or acquire for value (i) any of its securities, including options thereon (other than the issuance of equity securities upon the conversion of outstanding convertible securities or in connection with a dividend reinvestment plan or by an employee benefit plan of the Company or the exercise of options or warrants outstanding as of the date of the Merger Agreement) or (ii) any material assets, except for sales of assets in the ordinary course of business; (c) declare, set aside, make or pay any dividend or other distribution with respect to any of its capital stock, except dividends declared and paid by a subsidiary of the Company only to the Company, or subdivide, re-classify, recapitalize, split, combine or exchange any of its shares of capital stock (other than in connection with the exercise of currently outstanding options or warrants); (d) incur any material amount of indebtedness for borrowed money or make any loans or advances, except borrowings under existing bank lines of credit in the ordinary course of business; (e) increase the compensation payable or to become payable to its executive officers or employees, except for increases in the ordinary course of business in accordance with past practices, or grant any severance or termination pay to, or enter into any employment or severance agreement with any director or executive officer of it or any of its subsidiaries, or establish, adopt, enter into or amend in any material respect or take action to accelerate any rights or benefits under any collective bargaining agreement or any employee benefit plan, agreement or policy; (f) take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures (including tax accounting policies and procedures); (g) acquire by merger or consolidation, or by purchase of assets, or by any other manner, any material business; (h) mortgage or otherwise encumber or subject to any lien any of its properties or assets that are material to the Company and its subsidiaries taken as a whole, except for liens in connection with

indebtedness incurred in connection with the Merger as permitted by clause (d) above; or (i) authorize any of, or commit or agree to take any of, the foregoing actions.

Pursuant to the Merger Agreement, the Company has agreed that it will not, and will not permit any of its subsidiaries, or its subsidiaries' officers, directors, employees, agents or representatives (including, without limitation, any investment banker, attorney or accountant retained by it) to, initiate, solicit or encourage, directly or indirectly, any inquiries or the making of any proposal with respect to an Alternative Transaction (as defined below), engage in any discussions or negotiations concerning, or provide to any other person any information or data relating to the Company or its subsidiaries for the purposes of, or otherwise cooperate in any way with or assist or participate in, facilitate or encourage, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, a proposal to seek or effect an Alternative Transaction, or agree to or endorse any Alternative Transaction; provided that the Company or its Board of Directors will not be prohibited from (i) taking and disclosing to its stockholders a position contemplated by Rule 14e-2 under the Exchange Act or (ii) making any disclosure to its stockholders that, in the judgment of its Board of Directors in accordance with, and based upon the advice of, outside counsel, is required under applicable law; and provided further that (x) the Board of Directors of the Company on behalf of the Company may upon the unsolicited request of a third party furnish information or data (including, without limitation, confidential information or data) relating to the Company for the purposes of an Alternative Transaction and participate in negotiations with a person making an unsolicited proposal regarding an Alternative Transaction and (y) following receipt of a proposal for an Alternative Transaction, the Board of Directors of the Company may withdraw or modify its recommendation relating to the Offer or the Merger to the extent that it determines in good faith in accordance with, and based upon the advice of, outside counsel that such action is necessary or appropriate in order for the Board of Directors of the Company to act in a manner that is consistent with its fiduciary obligations under applicable law. The Company has agreed to promptly advise the Purchaser of, and communicate the terms of, any proposal it may receive, or any inquiries it receives which may reasonably be expected to lead to a proposal, and the identity of the person making it; prior to taking any such action, if the Company intends to participate in any such discussion or negotiation or provide any such information to any such third party, it shall give reasonable notice to the Purchaser and shall consult, and thereafter shall continue to consult, with the Purchaser. If the Company is required by this provision to give notice of a request, Alternative Transaction proposal or inquiry, it shall keep the Purchaser reasonably informed of the status and details of any such request, Alternative Transaction, [inquiry or proposal it shall keep the Purchaser reasonably informed of the status and details of any such request, Alternative Transaction, inquiry or proposal] (or any amendment to any proposal). "Alternative Transaction" means a transaction or series of related transactions (other than the Transactions) resulting in (a) any change of control of the Company, (b) any merger or consolidation of the Company in which another person acquires 25% or more of the aggregate voting power of all voting securities of the Company or the surviving corporation, as the case may be, (c) any tender offer or exchange offer for, or any acquisitions of, any securities of the Company which, if consummated, would result in another person owning 25% or more of the aggregate voting power of all voting securities of the Company or (d) any sale or other disposition of assets of the Company or any of its subsidiaries if the Fair Market Value of such assets exceeds 25% of the aggregate Fair Market Value of the assets of the Company and its subsidiaries taken as a whole before giving effect to such sale or other disposition. "Fair Market Value" of any assets or securities means the fair market value of such assets or securities, as determined by the Board of Directors of the Company in good faith.

The Parent Purchasers, the Purchaser and the Company have each agreed that from and after the Effective Time, the Surviving Corporation will indemnify, defend and hold harmless the present and former officers and directors of the Company (collectively, the "Indemnified Parties") against all losses, expenses, claims, damages, liabilities or amounts that are paid in settlement of, with the approval of the Surviving Corporation (which approval shall not unreasonably be withheld), or otherwise in connection with any claim, action, suit, proceeding or investigation based in whole or in part on the fact that such person is or was a director or officer of the Company and arising out of actions or omissions occurring at or prior to the Effective Time (including, without limitation, the transactions contemplated by the Merger Agreement), in each case to the full extent permitted under the GCL (and shall pay any expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the fullest extent permitted under the GCL), upon

receipt from the Indemnified Party to whom expenses are advanced of any undertaking to repay such advances required under the GCL. In addition, for three years after the Effective Time, the Surviving Corporation will provide officers' and directors' liability insurance in respect of facts or events occurring prior to the Effective Time covering each such person currently covered by the Company's officers' and directors' liability insurance policy of at least the same coverage and amount on terms and conditions no less advantageous than those of such policy in effect on the date of the Merger Agreement. The Surviving Corporation will not be obligated to pay premiums in excess of 200% of the amount per annum that the Company currently pays for such insurance.

For a period of two years after the Effective Time, the Purchaser and the Parent Purchasers will cause the Surviving Corporation to maintain employee compensation and benefit plans, programs and policies and fringe benefits (including post-employment welfare benefits) that, in the aggregate, are no less favorable than those provided to employees of the Company and its subsidiaries, as applicable, as in effect on the date of the Merger Agreement, and will cause the Surviving Corporation to provide severance pay and benefits no less favorable than those provided by the Company and its subsidiaries as of the date of the Merger Agreement. Immediately prior to consummation of the Offer, the Purchaser has agreed to establish with a trustee satisfactory to the Company and the Purchaser, a "Rabbi" trust, in a form reasonably acceptable to the Company and shall deposit in such trust cash in an amount sufficient to satisfy all obligations under the Options. Comcast and Liberty have agreed to cause the Purchaser and the surviving corporation to perform their respective obligations under the Merger Agreement and to be jointly and severally liable for any breach of any representation, warranty, covenant or agreement of the Purchaser and for any breach of the covenant described in this sentence [by the Purchaser].

Representations and Warranties. The Merger Agreement contains customary representations and warranties of the parties thereto, including representations by the Company as to the absence of certain changes or events concerning its respective business, compliance with law, employee benefit plans, taxes and other matters.

Conditions to Certain Obligations. The obligations of the Company, the Parent Purchasers and the Purchaser to consummate the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions: (i) if required by the GCL, the Merger Agreement and the Merger shall have been approved and adopted by the requisite vote of the stockholders of the Company;
(ii) no governmental entity or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which materially restricts, prevents or prohibits consummation of the Merger or any transaction contemplated by the Merger Agreement, provided, however, that the parties will use their reasonable efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted, (iii) other than the filing of merger documents in accordance with the GCL, all authorizations, consents, waivers, orders or approvals required to be obtained, and all filings, notices or declarations required to be made prior to the consummation of the Merger and the transactions contemplated by the Merger Agreement shall have been obtained and made, except for such authorizations, consents, waivers, orders, approvals, filings, notices or declarations the failure to obtain or make which would not have a material adverse effect, at or after the Effective Time, on the business, results of operations or financial condition (as existing immediately prior to the consummation of the Merger) of the Company and its subsidiaries, taken as a whole; and (iv) the Purchaser shall have purchased Shares pursuant to the Offer.

Termination. The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the Merger Agreement and the Merger by the stockholders of the Company, (i) by mutual consent of the Company and the Purchaser; (ii) prior to the purchase of Shares pursuant to the Offer, (A) by either the Company or the Purchaser upon termination of the Offer by reason of the non-occurrence of a condition described under "The Tender Offer
- -- 10. Certain Conditions to the Offer", (B) by the Purchaser if the Company shall breach any covenant or agreement on its part which has not been cured or if any representation or warranty of the Company shall have become untrue, in either case such that such breach or untruth is incapable of being cured by February 28, 1995, or (C) by the Company in the event of a breach of any representation, warranty, agreement or covenant on the part of the Purchaser or the Parent

Purchasers which has not been cured (and cannot reasonably be expected to be cured before February 28, 1995) and will prevent or delay consummation of the Merger by or beyond February 28, 1995 (other than the covenant relating to the establishment of a "Rabbi" trust described above); or (iii) by either the Company or the Purchaser if (A) the Merger or the Offer has not been consummated before February 28, 1995, unless, in the case of termination by the Purchaser, the Purchaser shall not have purchased Shares pursuant to the Offer by reason of any failure of the Purchaser or the Parent Purchasers to fulfill its obligations under the Merger Agreement, (B) if any permanent injunction or action by any governmental entity preventing the consummation of the Merger shall have become final and nonappealable, or (C) the Board of Directors of the Company shall withdraw, modify or change its recommendation so that it is not in favor of the Merger Agreement, the Offer or the Merger or shall have resolved to do any of the foregoing or the Board of Directors of the Company shall have recommended or resolved to recommend to its stockholders an Alternative Transaction, provided, that in the case of any such termination by the Company or the Purchaser pursuant to the provisions described in this clause (C), with such termination it pays to the Purchaser an amount of $55,000,000, which amount is inclusive of all expenses of the Purchaser and the Parent Purchasers.

Fees and Expenses. The Merger Agreement provides that the Company, the Parent Purchasers and the Purchaser shall each bear all expenses incurred by it in connection with the Merger Agreement and the transactions contemplated thereby except that all costs and expenses relating to printing and mailing the Proxy Statement will be borne equally by the Company and the Purchaser.

Amendment and Waivers. Any provision of the Merger Agreement may be amended or waived prior to the Effective Time if, and only if, such amendment or waiver is in writing and signed, (i) in the case of an amendment, by the Company, the Parent Purchasers and the Purchaser or (ii) in the case of a waiver, by the party or parties to be bound thereby. After the adoption of the Merger Agreement by the stockholders of the Company, no amendment, which under applicable law may not be made without the approval of the stockholders of the Company, will be made without such approval.

DISSENTERS RIGHTS

Under Section 262 of the GCL, any holder of Shares at the Effective Time (a "Remaining Stockholder") who does not wish to accept the per Share cash consideration pursuant to the Merger has the right to seek an appraisal and be paid the "fair value" of its Shares at the Effective Time (exclusive of any element of value arising from the accomplishment or expectation of the Merger) judicially determined and paid to them in cash provided that such holder complies with the provisions of such Section 262 of the GCL.

The following is a brief summary of the statutory procedures to be followed by a Remaining Stockholder in order to dissent from the Merger and perfect appraisal rights under Delaware law. THIS SUMMARY IS NOT INTENDED TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SECTION 262 OF THE GCL, THE TEXT OF WHICH IS SET FORTH IN ANNEX B HERETO. ANY REMAINING STOCKHOLDER CONSIDERING DEMANDING APPRAISAL IS ADVISED TO CONSULT LEGAL COUNSEL. APPRAISAL RIGHTS WILL NOT BE AVAILABLE UNLESS AND UNTIL THE MERGER (OR A SIMILAR BUSINESS COMBINATION) IS CONSUMMATED.

Remaining Stockholders of record who desire to exercise their appraisal rights must fully satisfy all of the following conditions. A written demand for appraisal of Shares must be delivered to the Secretary of the Company (x) before the taking of the vote on the approval and adoption of the Merger Agreement if the Merger is not being effected as a "short-form" merger but, rather, is being consummated following approval thereof at a meeting of the Company's stockholders (a "long-form merger") or (y) within 20 days after the date that the Surviving Corporation mails to the Remaining Stockholders a notice (the "Notice of Merger") to the effect that the Merger is effective and that appraisal rights are available (and includes in such notice a copy of Section 262 of the GCL and any other information required thereby) if the Merger is being effected as a "short-form" merger without a vote or meeting of the Company's stockholders. If the Merger is effected as a "long-form" merger, this written demand for appraisal of Shares must be in addition to and separate from any proxy or vote abstaining from or against the approval and adoption of the Merger Agreement and, neither voting against, abstaining from voting, nor failing to vote on the Merger Agreement will constitute a demand for appraisal within the meaning of Section 262 of the GCL. In the case of a "long-form" merger, any

stockholder seeking appraisal rights must hold the Shares for which appraisal is sought on the date of the making of the demand, continuously hold such Shares through the Effective Time, and otherwise comply with the provisions of Section 262 of the GCL.

In the case of both a "short-form" and a "long-form" merger, a demand for appraisal must be executed by or for the stockholder of record, fully and correctly, as such stockholder's name appears on the stock certificates. If Shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, such demand must be executed by the fiduciary. If Shares are owned of record by more than one person, as in a joint tenancy or tenency in common, such demand must be executed by all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose the fact that in exercising the demand, he is acting as agent for the record owner.

A record owner, such as a broker, who holds Shares as a nominee for others, may exercise appraisal rights with respect to the Shares held for all or less than all beneficial owners of Shares as to which the holder is the record owner. In such case the written demand must set forth the number of Shares covered by such demand. Where the number of Shares is not expressly stated, the demand will be presumed to cover all Shares outstanding in the name of such record owner. Beneficial owners who are not record owners and who intend to exercise appraisal rights should instruct the record owner to comply strictly with the statutory requirements with respect to the exercise of appraisal rights before the date of any meeting of stockholders of the Company called to approve the Merger in the case of a "long-form" merger and within 20 days following the mailing of the Notice of Merger in the case of a "short-form" merger.

Remaining stockholders who elect to exercise appraisal rights must mail or deliver their written demands to: Secretary, QVC, Inc., Goshen Corporate Park, West Chester, Pennsylvania 19380. The written demand for appraisal should specify the stockholder's name and mailing address, the number of Shares covered by the demand and that the stockholder is thereby demanding appraisal of such Shares. In the case of a "long-form" merger, the Company must, within ten days after the Effective Time, provide notice of the Effective Time to all stockholders who have complied with Section 262 of the GCL and have not voted for approval and adoption of the Merger Agreement.

In the case of a "long-form" merger, Remaining Stockholders electing to exercise their appraisal rights under Section 262 must not vote for the approval and adoption of the Merger Agreement or consent thereto in writing. Voting in favor of the approval and adoption of the Merger Agreement, or delivering a proxy in connection with the stockholders meeting called to approve the Merger Agreement (unless the proxy votes against, or expressly abstains from the vote on, the approval and adoption of the Merger Agreement), will constitute a waiver of the stockholder's right of appraisal and will nullify any written demand for appraisal submitted by the stockholder.

Regardless of whether the Merger is effected as a "long-form" merger or a "short-form" merger, within 120 days after the Effective Time, either the Company or any stockholder who has complied with the required conditions of
Section 262 and who is otherwise entitled to appraisal rights may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the Shares of the dissenting stockholders. If a petition for an appraisal is timely filed, after a hearing on such petition, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights and thereafter will appraise the Shares owned by such stockholders, determining the fair value of such Shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest to be paid, if any, upon the amount determined to be the fair value. In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In Weinberger v. UOP, Inc., et al., the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered and that "[f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that in making this determination of fair value the court must consider "market value, asset value, dividends, earning prospects, the nature of the enterprise and any other facts which were known or which could be

ascertained as of the date of merger which throw any light on future prospects of the merged corporation..." The Delaware Supreme Court has construed Section 262 of the GCL to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." However, the court noted that Section 262 provides that fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the merger."

Remaining Stockholders who in the future consider seeking appraisal should have in mind that the fair value of their Shares determined under Section 262 could be more than, the same as, or less than the per Share cash consideration pursuant to the Merger if they do seek appraisal of their Shares, and that opinions of investment banking firms as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262 of the GCL. Moreover, the Parent Purchasers intend to cause the Surviving Corporation to argue in any appraisal proceeding that, for purposes thereof, the "fair value" of the Shares is less than that paid in the Offer. The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable in the circumstances. Upon application of a dissenting stockholder, the Delaware Court of Chancery may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all Shares entitled to appraisal. In the absence of such determination or assessment, each party bears its own expenses.

Any Remaining Stockholder who has duly demanded appraisal in compliance with Section 262 of the GCL will not, after the Effective Time, be entitled to vote for any purpose the Shares subject to such demand or to receive payment of dividends or other distributions on such Shares, except for dividends or other distributions payable to stockholders of record at a date prior to the Effective Time.

At any time within 60 days after the Effective Time, any former holder of Shares shall have the right to withdraw his or her demand for appraisal and to accept the per Share cash consideration pursuant to the Merger. After this period, such holder may withdraw his or her demand for appraisal only with the consent of the Surviving Corporation. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the Effective Time, stockholders' rights to appraisal shall cease and all stockholders shall be entitled to receive the per Share cash consideration pursuant to the Merger. Inasmuch as the Company has no obligation to file such a petition, and the Parent Purchasers have no present intention to cause or permit the Surviving Corporation to do so, any stockholder who desires such a petition to be filed is advised to file it on a timely basis. However, no petition timely filed in the Delaware Court of Chancery demanding appraisal shall be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, and such approval may be conditioned upon such terms as the Delaware Court of Chancery deems just.

Failure to take any required step in connection with the exercise of appraisal rights may result in the termination or waiver of such rights.

APPRAISAL RIGHTS CANNOT BE EXERCISED AT THIS TIME. THE INFORMATION SET FORTH ABOVE IS FOR INFORMATIONAL PURPOSES ONLY WITH RESPECT TO ALTERNATIVES AVAILABLE TO STOCKHOLDERS IF THE MERGER (OR ANY SIMILAR BUSINESS COMBINATION) IS CONSUMMATED. STOCKHOLDERS WHO WILL BE ENTITLED TO APPRAISAL RIGHTS IN CONNECTION WITH THE MERGER (OR SIMILAR BUSINESS COMBINATION) WILL RECEIVE ADDITIONAL INFORMATION CONCERNING APPRAISAL RIGHTS AND THE PROCEDURES TO BE FOLLOWED IN CONNECTION THEREWITH BEFORE SUCH STOCKHOLDERS HAVE TO TAKE ANY ACTION RELATING THERETO.

STOCKHOLDERS WHO SELL SHARES IN THE OFFER WILL NOT BE ENTITLED TO EXERCISE APPRAISAL RIGHTS WITH RESPECT THERETO BUT, RATHER, WILL RECEIVE THE PRICE PAID IN THE OFFER THEREFOR.

In addition, the Merger will have to comply with other applicable procedural and substantive requirements of Delaware law, including any duties to other stockholders imposed upon a controlling or, if applicable,

majority stockholder. Several recent decisions by the Delaware courts, which may or may not apply to the Merger, have held that a controlling stockholder of a company involved in a merger has a fiduciary duty to other stockholders which requires that the merger be "entirely fair" to such other stockholders. In determining whether a merger is fair to minority stockholders, Delaware courts have considered, among other things, the type and amount of the consideration to be received by the stockholders and whether there was fair dealing among the parties. The Delaware Supreme Court stated in Weinberger that, although the remedy ordinarily available in a merger that is found not to be "fair" to minority stockholders is the right to appraisal described above, such appraisal remedy may not be adequate "in certain cases, particularly where fraud, misrepresentation, self-dealing, deliberate waste of corporate assets, or gross and palpable overreaching are involved", and that in such cases the Delaware Chancery Court would be free to fashion any form of appropriate relief.

CERTAIN TAX CONSEQUENCES

Sales of Common Stock by stockholders of the Company pursuant to the Offer and the receipt of cash in exchange for Common Stock pursuant to the Merger will be taxable transactions for federal income tax purposes and may also be taxable transactions under applicable state and local and other tax laws.

In general, a stockholder will recognize gain or loss equal to the difference between the adjusted tax basis of his or her Common Stock and the amount of cash received in exchange therefor. Such gain or loss will be capital gain or loss if the Common Stock is a capital asset in the hands of the stockholder and will be long-term gain or loss if the holding period for the Common Stock is more than one year as of the date of the sale of such Common Stock, which would be the date the Offer is consummated or the Effective Time, as the case may be.

The foregoing discussion may not apply to (i) Shares acquired pursuant to the exercise of employee stock options or other compensation arrangements with the Company, (ii) the sale or exchange of Preferred Stock or (iii) to stockholders who are not citizens or residents of the United States or who are otherwise subject to special tax treatment under the Internal Revenue Code of 1986, as amended (the "Code").

To the extent that the Company or its subsidiaries owns or leases real property in New York State, New York City or other jurisdictions having similar real property transfer taxes, the New York State Real Property Gains Tax, the New York State Real Estate Transfer Tax, the New York City Real Property Transfer Tax or other similar transfer taxes may apply to the sale or exchange of Shares by a stockholder pursuant to the Offer or the Merger. Although the Purchaser has agreed to pay any such taxes on behalf of the stockholders, such payment may be treated as additional consideration paid for the Shares. In such case, the amount of such additional consideration would be offset by treatment of the taxes as additional selling expenses incurred by the stockholder. Accordingly, the payment of such taxes by the Purchaser should have no effect on the amount of gain or loss recognized by a stockholder.

The tax discussion set forth above is included for general information only. Due to the individual nature of tax consequences, stockholders are urged to consult their tax advisors as to the specific tax consequences to them of the Offer and the Merger, including the effects of applicable state, local or other tax laws.

CERTAIN EFFECTS OF THE TRANSACTION

Consummation of the Transaction will terminate the equity interest of the Company's stockholders other than the Purchaser and its affiliates. Following the Merger, the interest of the Parent Purchasers in the Company's net book value and net income will increase to 100%. The Parent Purchasers, as the sole indirect stockholders of the Company, will thereafter benefit from any increases in the value of the Company and also bear the risk of any decreases in the value of the Company's operations.

Stockholders of the Company whose Shares are tendered and purchased will receive cash for all their Shares at the Offer price and will avoid brokerage and similar commissions. However, such stockholders will sustain the detriment of foregoing any participation in any possible increase in the value of the Shares. See "The Tender Offer -- 6. Certain Information Concerning the Company -- Certain Projections" for a discussion of certain projections of the Company's future financial performance.

The purchase of Shares pursuant to the Offer will reduce the number of shares of Common Stock that might otherwise trade publicly and may reduce the number of holders of Common Stock, which could adversely affect the liquidity and market value of the remaining Common Stock held by stockholders other than the Purchaser. The Purchaser cannot predict whether the reduction in the number of shares of Common Stock that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of the Common Stock or whether it would cause future market prices to be greater or less than the Offer price. There is currently no established trading market for the Preferred Stock. See "The Tender Offer -- 5. Price Range of Shares; Dividends".

Depending upon the number of shares of Common Stock purchased pursuant to the Offer, the Common Stock may no longer meet the standards for continued inclusion in the National Association of Securities Dealers, Inc. Automated Quotation System/National Market System (the "NASDAQ NMS"). If, as a result of the purchase of Common Stock pursuant to the Offer, the Common Stock no longer meets the criteria for continuing inclusion in the NASDAQ NMS, the market for the Common Stock could be adversely affected. According to the published guidelines of the NASDAQ NMS, the Common Stock would not meet the criteria for continued inclusion in the NASDAQ NMS if, among other things, the number of publicly-held shares of Common Stock were less than 200,000, the aggregate market value of the publicly-held shares of Common Stock were less than $2,000,000 or there were less than two market makers for the shares of Common Stock. If these standards were not met, quotations might continue to be published in the over-the-counter "additional list" or one of the "local lists" unless, as set forth in the published guidelines of the NASDAQ NMS, the number of publicly-held shares of Common Stock (excluding shares of Common Stock held by officers, directors and beneficial owners of more than 10% of the shares of Common Stock) were less than 100,000, there were fewer than 300 holders in total, or there were not at least one market maker for the Common Stock. If the Common Stock is no longer eligible for NASDAQ NMS quotation, quotations might still be available from other sources.

The extent of the public market for the Common Stock and availability of such quotations would, however, depend upon such factors as the number of holders and/or the aggregate market value of the publicly-held shares of Common Stock at such time, the interest in maintaining a market in the Common Stock on the part of securities firms, the possible termination of registration of the Common Stock under the Exchange Act, and other factors.

The shares of Common Stock are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such shares. Depending upon factors similar to those described above regarding listing and market quotations, the shares of Common Stock might no longer constitute "margin securities" for the purposes of the Federal Reserve Board's margin regulations and, therefore, could no longer be used as collateral for loans made by brokers.

The Common Stock is currently registered under the Exchange Act. Such registration may be terminated upon application of the Company to the Commission if the Common Stock is not listed on a national securities exchange and there are less than 300 holders of record. Termination of the registration of the Common Stock under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Common Stock and to the Commission and would make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy or information statement in connection with stockholder action and the related requirement of an annual report to stockholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable with respect to the Common Stock. Furthermore, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of shares of Common Stock pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"). If registration of the Shares under the Exchange Act were terminated, the Common Stock would no longer be included on the Federal Reserve Board's list of "margin securities" or eligible for listing or NASDAQ NMS reporting. The Purchaser intends to seek to cause the Company to terminate registration of the Common Stock under the Exchange Act as soon

after consummation of the Offer as the requirements for termination of registration of the Common Stock are met.

FINANCING OF THE TRANSACTION

The total amount of funds required by the Purchaser to purchase all of the Fully Diluted Shares pursuant to the Offer and to pay related fees and expenses is estimated to be approximately $1.42 billion. The Purchaser expects that it will obtain such funds from capital contributions to the Purchaser by Comcast and Liberty, and borrowings from various commercial banks and the issuance of subordinated debt securities. Pursuant to the Joint Bidding Agreement, Comcast has agreed to contribute to the Purchaser an amount of cash equal to (i) $267 million plus (ii) $29 million, which represents the amount necessary to exercise all warrants to acquire shares of Common Stock held by Comcast (unless Comcast has exercised such warrants prior to such contribution) to finance the purchase of Shares and Liberty has agreed to contribute to the Purchaser $20 million in cash.

Comcast has received a letter dated July 12, 1994 from The Bank of New York ("BNY") indicating that BNY is highly confident that it could obtain commitments from lenders for a senior secured debt facility of up to $1 billion to be made available to finance a portion of the payment obligations arising out of the Transaction. Comcast and Liberty are in discussions with a group of banks including The Bank of New York concerning the financing required to consummate the Transaction.

The Offer is conditioned upon, among other things, satisfaction of the Financing Condition. See "The Tender Offer -- 10. Certain Conditions of the Offer."

It is anticipated that the borrowings described above will be refinanced or repaid from funds generated internally by the Purchaser (including, after consummation of the Merger, funds generated by the Company).

CERTAIN LITIGATION

In July 1994, after the announcement that the Parent Purchasers would make a joint offer to purchase all of the outstanding Shares of the Company, 8 putative class action lawsuits were filed by certain shareholders of the Company in the Delaware Court of Chancery on behalf of a purported class consisting of all public shareholders of the Company. These actions were consolidated under the caption In Re QVC, Inc. Shareholders Litigation, Consolidated Civil Action No. 13590 (Court of Chancery, New Castle County, State of Delaware) (the "Consolidated Action"). The defendants in the Consolidated Action include the Company and directors of the Company. Plaintiffs allege, among other things, that the defendants breached their fiduciary duties when considering the Comcast offer in that they failed to take all possible steps to seek out and encourage the best offer for the Company. Plaintiffs sought, among other things, an injunction ordering the defendants to auction the Company and an award of unspecified compensatory damages to the members of the plaintiff class. On August 5, 1994, counsel for plaintiffs, defendants, Comcast and Liberty reached an agreement-in-principle providing for the settlement and dismissal with prejudice of the Consolidated Action. The agreement-in-principle provides, among other things, that an affiliate of the Parent Purchasers will commence a tender offer to purchase all of the outstanding shares of Common Stock for $46 per share in cash, to be followed by a merger in which the remaining holders of Common Stock will receive $46 per share in cash. Further, any fees and expenses awarded to plaintiffs' counsel will be paid by the Company on behalf of all defendants in the event that the offer and merger are consummated.

THE TENDER OFFER

1. Terms of the Offer. Upon the terms and subject to the conditions set forth in the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), the Purchaser will accept for payment and pay for all Shares that are validly tendered and not withdrawn by the Expiration Date as provided under "-- 4. Withdrawal Rights". The term "Expiration Date" shall mean 12:00 Midnight, New York City time, on Thursday, September 8, 1994, unless the Purchaser, in its sole discretion (subject to the terms of the Merger Agreement), shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire. Pursuant to the Merger Agreement, the Purchaser will extend the Offer in the event that the waiting periods under the HSR Act described below shall not have expired or been terminated at the Expiration Date, provided that the Purchaser is not obligated to extend the Offer beyond December 31, 1994. For purposes of this Offer to Purchase, "Common Shares" means the shares of Common Stock and "Preferred Shares" means the shares of Preferred Stock.

The Offer is subject to certain conditions set forth under "-- 10. Certain Conditions of the Offer", including satisfaction of the Minimum Tender Condition, satisfaction of the Financing Condition and expiration or termination of the waiting periods under the HSR Act applicable to the Purchaser's acquisition of Shares pursuant to the Offer, the acquisition by the Parent Purchasers of the shares of Purchaser and the Parent Contribution. If any such condition is not satisfied, the Purchaser may (subject to the terms of the Merger Agreement) (i) terminate the Offer and return all tendered Shares to tendering stockholders, (ii) extend the Offer and, subject to withdrawal rights as set forth under "-- 4. Withdrawal Rights", retain all such Shares until the expiration of the Offer as so extended, (iii) waive such condition and, subject to any requirement to extend the period of time during which the Offer is open, purchase all Shares validly tendered by the Expiration Date and not withdrawn (provided, that pursuant to the Merger Agreement, the Purchaser has agreed that it will not, without the prior written consent of the Company, waive the Minimum Condition or make any change in the terms or conditions of the Offer that is adverse to the holders of Shares (see "Special Factors -- The Merger Agreement -- The Offer")) or (iv) delay acceptance for payment or payment for Shares, subject to applicable law, until satisfaction or waiver of the conditions to the Offer. For a description of the Purchaser's right to extend the period of time during which the Offer is open and to amend, delay or terminate the Offer, see "-- 9. Extension of Tender Period; Termination; Amendment".

The Company has provided the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. Acceptance for Payment and Payment. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), the Purchaser will accept for payment and pay for all Shares validly tendered and not withdrawn by the Expiration Date as soon as practicable after the later of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth under "-- 10. Certain Conditions of the Offer". In addition, the Purchaser reserves the right, in its sole discretion and subject to applicable law (including applicable rules of the Commission), to delay the acceptance for payment or payment for Shares in order to comply in whole or in part with any applicable law. For a description of the Purchaser's right to terminate the Offer and not accept for payment or pay for Shares or to delay acceptance for payment or payment for Shares, see "-- 9. Extension of Tender Period; Termination; Amendment".

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment tendered Shares if, as and when the Purchaser gives oral or written notice to the Depositary of its acceptance of such Shares for payment pursuant to the Offer. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price with the Depositary, which will act as agent for the tendering stockholders for the purpose of receiving payments from the Purchaser and transmitting such payments to tendering

stockholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares or, in the case of Common Shares, of a confirmation of a book-entry transfer of such Common Shares into the Depositary's account at one of the Book-Entry Transfer Facilities (as defined under "-- 3. Procedure for Tendering Shares"), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents. For a description of the procedure for tendering Shares pursuant to the Offer, see "-- 3. Procedure for Tendering Shares". Accordingly, payment may be made to tendering stockholders at different times if delivery of the Shares and other required documents occur at different times. Under no circumstances will interest be paid by the Purchaser on the consideration paid for Shares pursuant to the Offer, regardless of any delay in making such payment.

If the Purchaser increases the consideration to be paid for shares of Common Stock or Preferred Stock pursuant to the Offer, the Purchaser will pay such increased consideration for all shares of Common Stock or Preferred Stock, as the case may be, purchased pursuant to the Offer.

The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment.

If any tendered Shares are not purchased pursuant to the Offer for any reason, or if certificates are submitted for more Shares than are tendered, certificates for such unpurchased or untendered Shares will be returned (or, in the case of Common Shares tendered by book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility pursuant to the Offer, see "-- 3. Procedure for Tendering Shares," such Common Shares will be credited to an account maintained at such Book-Entry Transfer Facility), without expense to the tendering stockholder, as promptly as practicable following the expiration or termination of the Offer.

3. Procedure for Tendering Shares. To tender Shares pursuant to the Offer, either (a) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by the Letter of Transmittal (including, if applicable, any required signature guarantees) must be received by the Depositary by the Expiration Date at one of its addresses set forth on the back cover of this Offer to Purchase and either (i) certificates for the Shares to be tendered must be received by the Depositary at one of such addresses or (ii) in the case of Common Shares, such Common Shares must be delivered pursuant to the procedures for book-entry transfer described below (and a confirmation of such delivery received by the Depositary including an Agent's Message if the tendering stockholder has not delivered a Letter of Transmittal). in each case by the Expiration Date. or (b) the guaranteed delivery procedure described below must be complied with. The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility (as hereinafter defined) to and received by the Depositary and forming a part of a book-entry confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Common Shares which are the subject of such book-entry confirmation, that such participant has received and agrees to be bound by the Letter of Transmittal and that the Company may enforce such agreement against such participant.

The Depositary will establish an account with respect to the Common Shares at The Depository Trust Company, Midwest Securities Trust Company and Philadelphia Depository Trust Company (collectively referred to as the "Book-Entry Transfer Facilities") for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in the system of any Book-Entry Transfer Facility may make delivery of Common Shares by causing such Book-Entry Transfer Facility to transfer such Common Shares into the Depositary's account in accordance with the procedures of such Book-Entry Transfer Facility. However, although delivery of Common Shares may be effected through book-entry transfer, the Letter of Transmittal (or facsimile thereof) properly completed and duly executed together with any required signature guarantees or an Agent's Message and any other required documents must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase by the Expiration Date, or the guaranteed delivery procedure described below must be complied with. Delivery

of the Letter of Transmittal and any other required documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

THE PREFERRED SHARES ARE NOT ELIGIBLE FOR ADMISSION TO THE BOOK-ENTRY TRANSFER FACILITIES AND DELIVERY OF PREFERRED SHARES MAY NOT BE EFFECTED BY BOOK-ENTRY TRANSFER.

Except as otherwise provided below, all signatures on a Letter of Transmittal must be guaranteed by a firm which is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., or by a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution"). Signatures on a Letter of Transmittal need not be guaranteed (a) if the Letter of Transmittal is signed by the registered holder of the Shares tendered therewith and such holder has not completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (b) if such Shares are tendered for the account of an Eligible Institution. See Instructions 1 and 5 to the Letter of Transmittal. If the certificates are registered in the name of a person other than the signer of the Letter of Transmittal or if payment is to be made or certificates for Shares not accepted for payment or not tendered are to be returned to a person other than the registered holder, then the tendered certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appears on the certificates, with the signatures on the certificates or stock powers guaranteed as described above. See Instruction 5 to the Letter of Transmittal.

If certificates for Shares are forwarded separately to the Depositary, the Letter of Transmittal (or a facsimile thereof) properly completed and duly executed must accompany each such delivery.

If a stockholder desires to tender Shares pursuant to the Offer and cannot deliver such Shares and all other required documents to the Depositary by the Expiration Date, or, in the case of Common Shares, such stockholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Shares may nevertheless be tendered if all of the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser is received by the Depositary (as provided below) by the Expiration Date; and

(iii) the certificates for such tendered Shares (or, in the case of Common Shares, a confirmation of a book-entry transfer of such Common Shares into the Depositary's account at one of the Book-Entry Transfer Facilities), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantee or an Agent's Message and any other documents required by the Letter of Transmittal, are received by the Depositary within five trading days on the NASDAQ NMS after the date of execution of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Depositary and must include a signature guarantee by an Eligible Institution in the form set forth in such Notice.

THE METHOD OF DELIVERY OF SHARES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING THROUGH BOOK-ENTRY TRANSFER FACILITIES, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF CERTIFICATES FOR SHARES ARE SENT BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Under the federal income tax laws, the Depositary may be required to withhold 31% of the amount of any payments made to certain stockholders pursuant to the Offer or the Merger unless the tendering stockholder, and, if applicable each other payee, provides the Depositary with such stockholder's or payee's correct taxpayer identification number and certifies that such stockholder or payee is not subject to backup federal income tax withholding by completing the Substitute Form W-9 included in the Letter of Transmittal. Please see Instruction 8 to the Letter of Transmittal for additional information regarding backup withholding.

In addition, the Depositary will withhold 10% of the amount of any payments made to foreign stockholders under Section 1445 of the Code unless the Depositary receives from the Company the documentation necessary to avoid the withholding tax applicable to transfers of interests in a "United States real property holding corporation" as defined in Section 897 of the Code. There can be no assurance that the necessary documentation will be obtained. Non-foreign stockholders who want to be assured of avoiding withholding under Section 1445 regardless of whether the necessary documentation is obtained from the Company must certify under penalties of perjury their non-foreign status by completing the Section 1445 Certification included in the Letter of Transmittal. Please see Instruction 9 to the Letter of Transmittal for additional information regarding withholding under Section 1445 of the Code.

By executing a Letter of Transmittal, a tendering stockholder irrevocably appoints designees of the Purchaser as such stockholder's proxy in the manner set forth in the Letter of Transmittal to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by the Purchaser (and any and all other Shares or other securities issued or issuable in respect of such Shares on or after August 4, 1994). All such proxies shall be irrevocable and coupled with an interest in the tendered Shares. Such appointment is effective only upon the acceptance for payment of such Shares by the Purchaser. Upon such acceptance for payment, all prior proxies and consents granted by such stockholder with respect to such Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given nor subsequent written consents executed by such stockholder (and, if given or executed, will not be deemed to be effective). Such designees of the Purchaser will, with respect to such Shares and other securities, be empowered to exercise all voting and other rights of such stockholder as they, in their sole discretion, may deem proper at any annual, special or adjourned meeting of the Company's stockholders, by written consent or otherwise. The Purchaser reserves the right to require that, in order for Shares to be validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares, the Purchaser is able to exercise full voting rights with respect to such Shares and other securities (including voting at any meeting of stockholders then scheduled or acting by written consent without a meeting).

The tender of Shares pursuant to any one of the procedures described above will constitute an agreement between the tendering stockholder and the Purchaser upon the terms and subject to the conditions of the Offer.

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. The Purchaser reserves the absolute right to reject any or all tenders of Shares determined by it not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any defect or irregularity in any tender of Shares. The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Instructions thereto) will be final and binding. None of the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in tenders or incur any liability for failure to give any such notification.

4. Withdrawal Rights. Tenders of Shares made pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after October 9, 1994 unless theretofore accepted for payment as provided in this Offer to Purchase. If the Purchaser extends the period of time during which the Offer is open, is delayed in accepting for payment or paying for Shares or is unable to accept for payment or pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may, on behalf of the Purchaser, retain all Shares tendered, and such Shares may not be withdrawn except as otherwise provided in this Section 4.

To be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and must specify the name of the person who tendered the Shares to be withdrawn. If certificates representing the Shares to be withdrawn have been delivered or otherwise identified to the Depositary, a signed notice of

withdrawal with (except in the case of Shares tendered by an Eligible Institution) signatures guaranteed by an Eligible Institution must be submitted prior to the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering stockholder) and the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn or, in the case of Common Shares tendered by book-entry transfer, the name and number of the account at one of the Book-Entry Transfer Facilities to be credited with the withdrawn Common Shares.

Withdrawals may not be rescinded, and Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described under "-- 3. Procedure for Tendering Shares" at any time prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. None of the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification.

5. Price Range of Shares; Dividends. The Common Shares are traded in the over-the-counter market and are quoted on the NASDAQ NMS. The following table sets forth for the periods indicated the high and low sale prices per Common Share as reported on the NASDAQ NMS, as reported in the Company's Annual Report on Form 10-K for the year ended January 31, 1994 (the "Company 10-K") with respect to the fiscal years ended January 31, 1993 and 1994, and thereafter as reported in published financial sources. There is currently no established trading market for the Preferred Shares. The Company has not declared or paid any cash dividends with respect to any Shares for the periods indicated.

	PRICE PER COMMON SHARE	
	HIGH	LOW
Feb. 1, 1992 - April 30, 1992	$20 1/2	$16 1/2
May 1, 1992 - July 31, 1992	24 1/4	16 1/4
Aug. 1, 1992 - Oct. 30, 1992	24 1/4	16 1/4
Nov. 1, 1992 - Jan. 31, 1993	42 1/4	20 1/8
Feb. 1, 1993 - April 30, 1993	60 1/2	38 1/4
May 1, 1993 - July 31, 1993	73	51 3/4
Aug. 1, 1993 - Oct. 30, 1993	70 1/4	52 3/4
Nov. 1, 1993 - Jan. 31, 1994	58 3/4	37
Feb. 1, 1994 - April 30, 1994	52 3/4	34
May 1, 1994 - July 31, 1994	46 1/4	29 1/2
Aug. 1, 1994 - Aug. 10, 1994	45 1/4	44

On August 10, 1994, the last full day of trading prior to the commencement of the Offer, the last reported sales price per share of Common Stock on the NASDAQ NMS was $44 7/8.

STOCKHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE COMMON STOCK.

According to the Company, as of July 31, 1994, there were 4,908 record holders of the Common Stock and 14 record holders of the Preferred Stock.

On October 1, 1991, the Company sold 3,250,000 shares of Common Stock to the public in an underwritten offering at a price of $14 5/8 per share with aggregate proceeds to the Company of $45,028,750, net of underwriting discounts. On October 10, 1991, the Company sold an additional 487,500 shares of Common Stock pursuant to overallotment arrangements with the underwriters at a price of $14 5/8 per share with the aggregate proceeds to the Company of $6,754,312.50, net of underwriting discounts.

6. Certain Information Concerning the Company. The Company was incorporated in 1986 under the laws of the State of Delaware. The principal office of the Company is located at 1365 Enterprise Drive, West Chester, Pennsylvania 19380.

The Company is a nationwide general merchandise retailer, operating as one of the leading televised shopping retailers in the United States. Through its merchandise-focused television program (the "QVC Service"), the Company sells a wide variety of products directly to consumers. The products are described and demonstrated live by program hosts, and orders are placed directly with the Company by viewers who call a toll-free "800" telephone number. The Company's television programming is produced at the Company's facilities and is broadcast nationally via satellite to affiliated local cable system operators who have entered into carriage agreements with the Company and who retransmit the Company's programming to their subscribers.

The QVC Service currently reaches approximately 80% of all cable television subscribers in the United States. The Company's main channel (the "Primary Channel"), as of January 31, 1994, is transmitted live on a 7-day-a-week, 24-hour-a-day basis, to approximately 44 million cable television homes and on a part-time basis to approximately 3 million additional cable television homes. In addition, the QVC Service can be received at any time by approximately 3 million home satellite dish users.

The following selected financial data relating to the Company and its subsidiaries has been taken or derived from the audited financial statements contained in the Company 10-K and the unaudited financial statements contained in the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended April 30, 1994 and 1993 (the "Company 10-Qs"). More comprehensive financial information is included in the Company 10-K and the Company 10-Qs and the other documents filed by the Company with the Commission, and the financial data set forth below is qualified in its entirety by reference to such reports and other documents including the financial statements contained therein. Such reports and other documents may be examined and copies may be obtained from the offices of the Commission in the manner set forth below. A copy of the financial statements set forth in the Company 10-K and the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended April 30, 1993 is reproduced as Annex C hereto.

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Adware-Spyware

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(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, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 0-6983

COMCAST CORPORATION

[GRAPHIC OMITTED - LOGO]

(Exact name of registrant as specified in its charter)

PENNSYLVANIA	23-1709202
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1500 Market Street, Philadelphia, PA	19102-2148
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 665-1700

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

NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Class A Common Stock, $1.00 par value

Class A Special Common Stock, $1.00 par value

Ex 5

Electronic Retailing

QVC is a domestic and international electronic media general merchandise retailer which produces and distributes merchandise-focused television programs, via satellite, to affiliated video program providers for retransmission to subscribers. At QVC, program hosts describe and demonstrate the products and viewers place orders directly with QVC. We own 57% of QVC.

Revenue Sources

QVC sells a variety of consumer products and accessories including jewelry, housewares, electronics, apparel and accessories, collectibles, toys and cosmetics. It purchases, or obtains on consignment, products from domestic and foreign manufacturers and wholesalers, often on favorable terms based on the volume of the transactions. QVC intends to continue introducing new products and product lines. QVC does not depend upon any one particular supplier for any significant portion of its inventory.

Viewers place orders to purchase QVC merchandise by calling a toll-free telephone number. QVC uses automatic call distributing equipment to distribute calls to its operators. The majority of all payments for purchases are made with a major credit card or QVC's private label credit card. QVC's private label credit card program is serviced by an unrelated third party. QVC ships merchandise promptly from its distribution centers, typically within 24 hours after receipt of an order. QVC's return policy permits customers to return, within 30 days, any merchandise purchased for a full refund of the purchase price and original shipping charges.

Distribution Channels

In the United States, QVC is transmitted live 24 hours a day, 7 days a week, to approximately 58 million cable television homes. Approximately 1.5 million additional cable television homes receive QVC on a less than full time basis. Approximately 9.8 million home satellite dish users receive QVC programming. The QVC program schedule consists of one-hour and multi-hour program segments. Each program theme is devoted to a particular category of product or lifestyle. From time to time, special program segments are devoted to merchandise associated with a particular celebrity, event, geographical region or seasonal interest.

QVC sells products over electronic media in Germany, the United Kingdom and Ireland. In the UK and Ireland, this service currently reaches over 7.3 million cable television and home satellite dish-served homes. In Germany, this service currently is available to over 14 million cable television and home satellite dish-served homes. However, we estimate that only 4.6 million homes in Germany have programmed their television sets to receive this service.

QVC also offers an interactive shopping service, iQVC, on the Internet. The iQVC service offers a diverse array of merchandise, on-line, 24 hours a day, 7 days a week. iQVC also maintains a mailing list which e-mails product news to

subscribers.

QVC Transmission

An exclusive, protected, non-preemptible transponder on a communications satellite transmits the QVC domestic signal. QVC subleases transponders for the transmission of its signals to the UK and Germany. Each communications satellite has a number of separate transponders. If our transponder fails, QVC's signal will be transferred to a spare transponder. If no transponder is available, the signal will be transferred to a preemptible transponder located on the same satellite or, if available, to a transponder on another satellite owned by the same lessor. The transponder cannot be preempted in favor of a user of a "protected" transponder that has failed. QVC has never had an interruption in programming due to transponder failure. Because it has the exclusive use of a protected, non-preemptible transponder, interruption is unlikely to occur. However, we cannot offer assurances that there will not be an interruption or termination of satellite transmission due to transponder failure. Interruption or termination could have a material adverse effect on QVC.

Program Providers

We have entered into affiliation agreements with video program providers in the US to carry QVC programming. Generally, there are no additional charges to subscribers for the distribution of QVC. In return for carrying QVC, each programming provider receives an allocated portion, based upon market share, of up to five percent of the net sales of merchandise sold to customers located in the programming provider's service area. The terms of most affiliation agreements are automatically renewable for one-year terms unless terminated by either party on at least 90 days notice prior to the end of the term. Affiliation agreements covering most of QVC's cable television homes can be terminated in the sixth year of their respective terms by the programming provider unless the programming provider earns a specified minimum level of sales commissions. QVC's sales are currently at levels that meet minimum requirements. The affiliation agreements provide for the programming provider to broadcast commercials regarding QVC on other channels and to distribute QVC's advertising material to subscribers. As of December 31, 1998, approximately 27% of the total homes reached by QVC were attributable to QVC's affiliation agreements with us and TeleCommunications, Inc., the indirect owner of a 43% interest in QVC, and their respective subsidiaries.

If QVC can successfully negotiate with programming providers, then renewal of these affiliation agreements will be on favorable terms. QVC competes for cable channels against similar electronic retailing programming, as well as against alternative programming supplied by other sources, including news, public affairs,

entertainment and sports programmers. QVC's business depends on its affiliation with programming providers for the transmission of QVC programming. If a

significant number of homes are no longer served because of termination or non-renewal of affiliation agreements, our financial results could be adversely affected. QVC has incentive programs to induce programming providers to enter into or extend affiliation agreements or to increase the number of homes under existing affiliation agreements. These incentives include various forms of marketing, launch and equipment purchase support. QVC will continue to recruit additional programming providers and seek to enlarge its audience. Despite these efforts, it is difficult to both renew or reach affiliation agreements with programming providers.

Competition

QVC operates in a highly competitive environment. As a general merchandise retailer, QVC competes for consumer expenditures and interest with the entire retail industry, including department, discount, warehouse and specialty stores, mail order and other direct sellers, shopping center and mall tenants and conventional retail stores. Many of QVC's competitors are connected in chain or franchise systems. On television, QVC competes with other satellite-transmitted programs for channel space and viewer loyalty. We believe that, until digital compression is utilized on a large-scale basis, most programming providers will not devote more than two channels to televised shopping and may allocate only one. Large-scale use of digital compression is several years in the future. Many systems have limited channel capacity and may be precluded from adding any new programs at the present time. The development and use of digital compression is expected to provide programming providers with greater channel capacity. Greater channel capacity would increase the opportunity for QVC, in addition to other home shopping programs, to be distributed on additional channels.

Other Programming Investments

We have made investments in cable television networks and other programming related enterprises as a means of generating additional revenues and subscriber interest. Our programming investments as of December 31, 1998 include:

Investment	Description	Ownership Percentage
CN8-The Comcast Network	Regional and local programming	100.0%
Comcast SportsNet	Regional sports programming and events	46.4%
E! Entertainment	Entertainment-related news and original programming	39.7%
The Golf Channel	Golf-related programming	43.3%
Outdoor Life	Outdoor activities	16.8%
Speedvision	Automotive, marine and aviation	14.8%
Sunshine Network	Regional sports, public affairs and general entertainment	13.0%
Viewer's Choice	Pay-per-view programming	11.1%

(Calendar year corporations — Due March 15, 2000)
(Employees' trust and IRA — Due April 17, 2000)
(Calendar year exempt organizations — Due May 15, 2000)

YEAR 1999

Payment Voucher for Automatic Extension for Corporations and Exempt Organizations

CALIFORNIA FORM 3539 (CORP)

or calendar year 1999 or fiscal year beginning month ____ day ____ year 1999, and ending month ____ day ____ year ____.

[redacted]	Federal employer identification number [redacted]	Tax Due	30,000.
D-1549977			

Corporation/exempt organization name

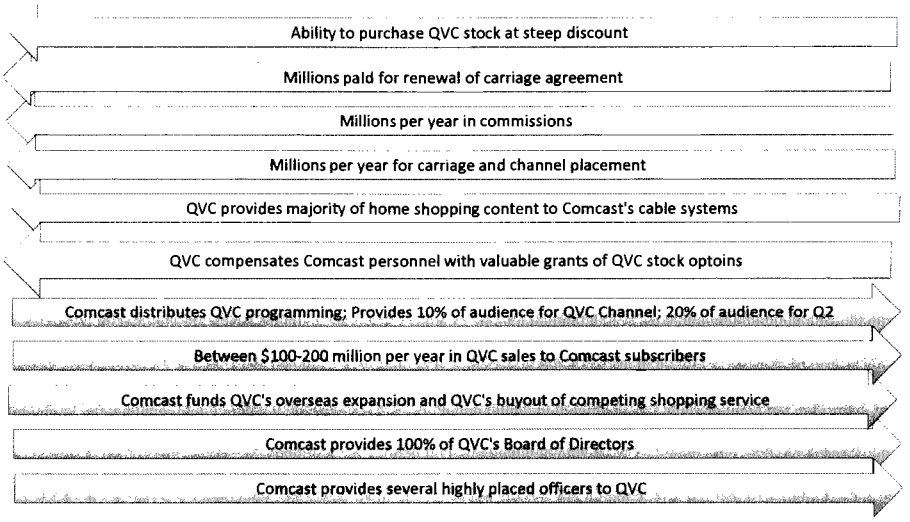
COMCAST CABLEVISION CORP. OF CALIFORNIA

Address	PMB no.	Type of form filed.
1500 MARKET STREET, 36TH FLOOR		[X] Form 100
City / State / ZIP Code		[ ] Form 100S
PHILADELPHIA PA 19102-2148		[ ] Form 109
		[ ] Form 199

IF NO PAYMENT IS DUE, DO NOT FILE THIS FORM

EFT TAXPAYERS, DO NOT USE THIS FORM 353999104082 FTB 3539 1999

Unitary Flows of Value



Overlapping Officers and Directors

Expertise
Comcast helps QVC's relationships with carriers; high-speed internet;

Joint Investments/Interactive Technology Holdings (ITH)
The Knot; CommerceHub; Global Sports

EX. 1