

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010

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 001-33982

LIBERTY MEDIA CORPORATION

(Exact name of Registrant as specified in its charter)

| | |
|---|--|
| State of Delaware (State or other jurisdiction of incorporation or organization) | 84-1288730 (I.R.S. Employer Identification No.) |
|---|--|

| | |
|---|----------------------------|
| 12300 Liberty Boulevard Englewood, Colorado (Address of principal executive offices) | 80112 (Zip Code) |
|---|----------------------------|

Registrant's telephone number, including area code: (720) 875-5400

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|--|--|--|--|
| Large accelerated filer <input checked="" type="checkbox"/> | Accelerated filer <input type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> <small>(do not check if smaller reporting company)</small> | Smaller reporting company <input type="checkbox"/> |
|--|--|--|--|

Indicate by check mark whether the Registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

The number of outstanding shares of Liberty Media Corporation's common stock as of October 29, 2010 was:

| | Series A | Series B |
|----------------------------------|-------------|------------|
| Liberty Capital common stock | 77,196,890 | 7,364,839 |
| Liberty Interactive common stock | 569,223,553 | 29,080,216 |
| Liberty Starz common stock | 49,042,721 | 2,590,180 |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|----------------------|
| | amounts in millions | |
| <i>Assets</i> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,531 | 4,835 |
| Trade and other receivables, net | 798 | 1,518 |
| Inventory, net | 1,109 | 985 |
| Program rights | 504 | 469 |
| Financial instruments (note 8) | — | 752 |
| Other current assets | 735 | 168 |
| Total current assets | <u>6,677</u> | <u>8,727</u> |
| Investments in available-for-sale securities and other cost investments, including \$1,148 million and \$851 million pledged as collateral for share borrowing arrangements (note 6) | 4,530 | 4,120 |
| Investments in affiliates, accounted for using the equity method (note 7) | 1,027 | 1,030 |
| Property and equipment, at cost | 2,281 | 2,163 |
| Accumulated depreciation | (986) | (858) |
| | <u>1,295</u> | <u>1,305</u> |
| Intangible assets not subject to amortization (note 9): | | |
| Goodwill | 6,233 | 6,225 |
| Trademarks | 2,492 | 2,508 |
| Other | 153 | 153 |
| | <u>8,878</u> | <u>8,886</u> |
| Intangible assets subject to amortization, net (note 9) | 2,763 | 3,027 |
| Other assets, at cost, net of accumulated amortization | 1,415 | 1,536 |
| Total assets | <u>\$ 26,585</u> | <u>28,631</u> |

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets, continued

(unaudited)

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|----------------------|
| | amounts in millions | |
| <i>Liabilities and Equity</i> | | |
| Current liabilities: | | |
| Accounts payable | \$ 602 | 598 |
| Accrued liabilities | 943 | 1,037 |
| Financial instruments (note 8) | 1,251 | 1,002 |
| Current portion of debt, including \$319 million and \$297 million measured at fair value (note 10) | 477 | 1,932 |
| Current deferred income tax liabilities | 1,232 | 1,247 |
| Other current liabilities | 549 | 360 |
| Total current liabilities | <u>5,054</u> | <u>6,176</u> |
| Long-term debt, including \$2,102 million and \$1,957 million measured at fair value (note 10) | 7,042 | 7,842 |
| Deferred income tax liabilities | 2,757 | 2,675 |
| Other liabilities | 1,476 | 1,700 |
| Total liabilities | <u>16,329</u> | <u>18,393</u> |
| Equity | | |
| Stockholders' equity (note 11): | | |
| Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued | — | — |
| Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 77,184,602 shares at September 30, 2010 and 89,814,862 shares at December 31, 2009 | 1 | 1 |
| Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 7,364,839 shares at September 30, 2010 and 7,405,151 shares at December 31, 2009 | — | — |
| Series A Liberty Starz common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 49,032,088 shares at September 30, 2010 and 49,673,954 shares at December 31, 2009 | — | — |
| Series B Liberty Starz common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 2,590,180 shares at September 30, 2010 and 2,365,545 shares at December 31, 2009 | — | — |
| Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 568,905,438 shares at September 30, 2010 and 567,044,845 shares at December 31, 2009 | 6 | 6 |
| Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,095,216 shares at September 30, 2010 and 29,276,689 shares at December 31, 2009 | — | — |
| Additional paid-in capital | 8,410 | 8,900 |
| Accumulated other comprehensive earnings, net of taxes | 275 | 352 |
| Retained earnings | 1,455 | 850 |
| Total stockholders' equity | <u>10,147</u> | <u>10,109</u> |
| Noncontrolling interests in equity of subsidiaries | 109 | 129 |
| Total equity | <u>10,256</u> | <u>10,238</u> |
| Commitments and contingencies (note 13) | | |
| Total liabilities and equity | <u>\$ 26,585</u> | <u>28,631</u> |

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations

(unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|--|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions, except per share amounts | | | |
| Revenue: | | | | |
| Net retail sales | \$ 1,968 | 1,827 | 6,046 | 5,594 |
| Communications and programming services | 570 | 475 | 1,554 | 1,395 |
| | <u>2,538</u> | <u>2,302</u> | <u>7,600</u> | <u>6,989</u> |
| Operating costs and expenses: | | | | |
| Cost of sales | 1,254 | 1,182 | 3,832 | 3,573 |
| Operating | 535 | 492 | 1,549 | 1,396 |
| Selling, general and administrative, including stock-based compensation (note 3) | 287 | 297 | 904 | 819 |
| Depreciation and amortization | 168 | 164 | 494 | 500 |
| | <u>2,244</u> | <u>2,135</u> | <u>6,779</u> | <u>6,288</u> |
| Operating income | 294 | 167 | 821 | 701 |
| Other income (expense): | | | | |
| Interest expense | (170) | (177) | (514) | (457) |
| Share of earnings (losses) of affiliates, net (note 7) | (23) | 10 | 25 | (81) |
| Realized and unrealized gains (losses) on financial instruments, net (note 8) | 2 | (167) | 88 | (165) |
| Gains (losses) on dispositions, net (note 6) | 28 | (13) | 416 | 98 |
| Other, net | 35 | 16 | 35 | 108 |
| | <u>(128)</u> | <u>(331)</u> | <u>50</u> | <u>(497)</u> |
| Earnings (loss) from continuing operations before income taxes | 166 | (164) | 871 | 204 |
| Income tax benefit (expense) | 28 | 63 | (237) | (57) |
| Earnings (loss) from continuing operations | 194 | (101) | 634 | 147 |
| Earnings (loss) from discontinued operations, net of taxes (note 2) | — | (26) | — | 85 |
| Net earnings (loss) | 194 | (127) | 634 | 232 |
| Less net earnings attributable to the noncontrolling interests | 15 | 9 | 29 | 26 |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ 179</u> | <u>(136)</u> | <u>605</u> | <u>206</u> |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders: | | | | |
| Liberty Capital common stock | \$ 26 | (132) | (34) | (91) |
| Liberty Starz common stock | 48 | 2 | 166 | 232 |
| Liberty Interactive common stock | 105 | (6) | 473 | 65 |
| | <u>\$ 179</u> | <u>(136)</u> | <u>605</u> | <u>206</u> |

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations, continued

(unaudited)

| | <u>Three months ended</u> | | <u>Nine months ended</u> | |
|--|--|-------------|--------------------------|-------------|
| | <u>September 30,</u> | | <u>September 30,</u> | |
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <small>amounts in millions, except per share amounts</small> | | | |
| Basic earnings (loss) from continuing operations attributable to Liberty Media Corporation | | | | |
| stockholders per common share (note 4): | | | | |
| Series A and Series B Liberty Capital common stock | \$.30 | (1.38) | (.37) | (.95) |
| Series A and Series B Liberty Starz common stock | \$.96 | .05 | 3.32 | .28 |
| Series A and Series B Liberty Interactive common stock | \$.18 | (.01) | .79 | .11 |
| Diluted earnings (loss) from continuing operations attributable to Liberty Media | | | | |
| Corporation stockholders per common share (note 4): | | | | |
| Series A and Series B Liberty Capital common stock | \$.29 | (1.38) | (.37) | (.95) |
| Series A and Series B Liberty Starz common stock | \$.92 | .05 | 3.19 | .28 |
| Series A and Series B Liberty Interactive common stock | \$.17 | (.01) | .78 | .11 |
| Basic net earnings (loss) attributable to Liberty Media Corporation shareholders per | | | | |
| common share (note 4): | | | | |
| Series A and Series B Liberty Capital common stock | \$.30 | (1.38) | (.37) | (.95) |
| Series A and Series B Liberty Starz common stock | \$.96 | — | 3.32 | .45 |
| Series A and Series B Liberty Interactive common stock | \$.18 | (.01) | .79 | .11 |
| Diluted net earnings (loss) attributable to Liberty Media Corporation shareholders per | | | | |
| common share (note 4): | | | | |
| Series A and Series B Liberty Capital common stock | \$.29 | (1.38) | (.37) | (.95) |
| Series A and Series B Liberty Starz common stock | \$.92 | — | 3.19 | .45 |
| Series A and Series B Liberty Interactive common stock | \$.17 | (.01) | .78 | .11 |

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Comprehensive Earnings (Loss)

(unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|-------|------------------------------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Net earnings (loss) | \$ 194 | (127) | 634 | 232 |
| Other comprehensive earnings (loss), net of taxes: | | | | |
| Foreign currency translation adjustments | 74 | 36 | (28) | 23 |
| Unrealized holding gains arising during the period | 37 | 171 | 35 | 190 |
| Recognition of previously unrealized gains on available-for-sale securities, net | — | (2) | (126) | — |
| Share of other comprehensive earnings (loss) of equity affiliates | 8 | (1) | 7 | (11) |
| Other, net | 21 | (3) | 46 | 34 |
| Other comprehensive earnings from discontinued operations | — | 20 | — | 14 |
| Other comprehensive earnings (loss) | 140 | 221 | (66) | 250 |
| Comprehensive earnings | 334 | 94 | 568 | 482 |
| Less comprehensive earnings attributable to the noncontrolling interests | 20 | 17 | 40 | 24 |
| Comprehensive earnings attributable to Liberty Media Corporation shareholders | \$ 314 | 77 | 528 | 458 |
| Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders: | | | | |
| Liberty Capital common stock | \$ 29 | (112) | (45) | (57) |
| Liberty Starz common stock | 48 | 23 | 166 | 247 |
| Liberty Interactive common stock | 237 | 166 | 407 | 268 |
| | \$ 314 | 77 | 528 | 458 |

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Cash Flows

(unaudited)

| | Nine months ended September 30, | |
|---|------------------------------------|--------------|
| | 2010 | 2009 |
| | amounts in millions | |
| Cash flows from operating activities: | | |
| Net earnings | \$ 634 | 232 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Earnings from discontinued operations | — | (85) |
| Depreciation and amortization | 494 | 500 |
| Stock-based compensation | 85 | 98 |
| Cash payments for stock-based compensation | (57) | (11) |
| Noncash interest expense | 87 | 115 |
| Share of (earnings) losses of affiliates, net | (25) | 81 |
| Realized and unrealized (gains) losses on financial instruments, net | (88) | 165 |
| Gains on disposition of assets, net | (416) | (98) |
| Cash receipts from return on equity investments | 14 | — |
| Deferred income tax (benefit) expense | 105 | (173) |
| Other noncash charges (credits), net | 163 | (10) |
| Changes in operating assets and liabilities | | |
| Current and other assets | 448 | 147 |
| Payables and other current liabilities | (73) | (47) |
| Net cash provided by operating activities | <u>1,371</u> | <u>914</u> |
| Cash flows from investing activities: | | |
| Cash proceeds from dispositions | 518 | 290 |
| Proceeds from settlement of financial instruments, net | 719 | 1,095 |
| Investments in and loans to cost and equity investees | (288) | (728) |
| Repayment of loan by cost and equity investees | 101 | 409 |
| Capital expended for property and equipment | (186) | (148) |
| Net sales (purchases) short term investments | (427) | 58 |
| Net (increase) decrease in restricted cash | (32) | 63 |
| Other investing activities, net | (53) | (40) |
| Net cash provided by investing activities | <u>352</u> | <u>999</u> |
| Cash flows from financing activities: | | |
| Borrowings of debt | 3,096 | 3,094 |
| Repayments of debt | (5,536) | (3,915) |
| Repurchases of Liberty common stock | (627) | (3) |
| Other financing activities, net | 31 | 112 |
| Net cash used by financing activities | <u>(3,036)</u> | <u>(712)</u> |
| Effect of foreign currency exchange rates on cash | 9 | (13) |
| Net cash provided by discontinued operations: | | |
| Cash used by operating activities | — | 156 |
| Cash used by investing activities | — | (17) |
| Cash provided by financing activities | — | (146) |
| Change in available cash held by discontinued operations | — | 38 |
| Net cash provided by discontinued operations | <u>—</u> | <u>31</u> |
| Net increase (decrease) in cash and cash equivalents | (1,304) | 1,219 |
| Cash and cash equivalents at beginning of period | 4,835 | 3,060 |
| Cash and cash equivalents at end of period | <u>\$ 3,531</u> | <u>4,279</u> |

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement Of Equity
(unaudited)
Nine months ended September 30, 2010

| | Stockholders' Equity | | | | | | | | | | | |
|--|----------------------|-----------------|----------|---------------|----------|------------------------|---|----------------------------------|---|----------------------|--|-----------------|
| | Common stock | | | | | | | Additional paid-in capital | Accumulated other comprehensive earnings | Retained earnings | Noncontrolling interest in equity of subsidiaries | Total equity |
| | Preferred stock | Liberty Capital | | Liberty Starz | | Liberty Interactive | | | | | | |
| | Series A | Series B | Series A | Series B | Series A | Series B | | | | | | |
| | amounts in millions | | | | | | | | | | | |
| Balance at | | | | | | | | | | | | |
| January 1, 2010 | \$ — | 1 | — | — | — | 6 | — | 8,900 | 352 | 850 | 129 | 10,238 |
| Net earnings | — | — | — | — | — | — | — | — | — | 605 | 29 | 634 |
| Other comprehensive loss | — | — | — | — | — | — | — | — | (77) | — | 11 | (66) |
| Stock compensation | — | — | — | — | — | — | — | 106 | — | — | — | 106 |
| Issuance of common stock upon exercise of stock options | — | — | — | — | — | — | — | 19 | — | — | — | 19 |
| Series A Liberty Capital stock repurchases | — | — | — | — | — | — | — | (587) | — | — | — | (587) |
| Series A Liberty Starz stock repurchases | — | — | — | — | — | — | — | (40) | — | — | — | (40) |
| Issuance of subsidiary shares to noncontrolling interest | — | — | — | — | — | — | — | — | — | — | 2 | 2 |
| Distribution to noncontrolling interest | — | — | — | — | — | — | — | — | — | — | (64) | (64) |
| Other | — | — | — | — | — | — | — | 12 | — | — | 2 | 14 |
| Balance at September 30, 2010 | \$ — | 1 | — | — | — | 6 | — | 8,410 | 275 | 1,455 | 109 | 10,256 |

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

September 30, 2010
(unaudited)

(1) Basis of Presentation

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

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

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2009.

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

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

(2) Tracking Stocks

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty has three tracking stocks—Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which are intended to track and reflect the economic performance of the Interactive Group, Starz Group and Capital Group, respectively. While the Interactive Group, the Starz Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

On November 19, 2009, Liberty completed the split-off (the "DTV Split-Off") of its wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among Liberty, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The DTV Split-Off was accomplished by a redemption (the "Redemption") of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares.

LEI held Liberty's 57% interest in DIRECTV (which had a carrying value of \$13,475 million at the time of the DTV Split-Off), 100% interest in Liberty Sports Holdings, LLC, 65% interest in Game Show Network, LLC and approximately \$120 million in cash and cash equivalents, and approximately \$2 billion of indebtedness. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with Liberty and continue to be attributed to the Entertainment Group, which Liberty redesignated as the Starz Group. The businesses that were held by LEI are accounted for as discontinued operations for periods prior to the DTV Split-Off.

On February 25, 2010, Liberty announced that its board of directors had resolved to effect the following changes in attribution between the Capital Group and the Interactive Group, effective as of that date (the "February Reattribution"):

- the change in attribution from the Interactive Group to the Capital Group of Liberty's 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
 - \$469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");
 - \$460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
 - \$492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from the Capital Group to the Interactive Group of approximately \$830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of \$400 million in principal amount of 2029 Exchangeables and \$350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of \$807 million in cash.

On September 16, 2010, Liberty Media's board of directors approved a change in attribution of Liberty Media's interest in Starz Media, LLC along with \$15 million in cash from its Capital Group to

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately \$54.9 million owed by Liberty Media's Capital Group to its Starz Group has been extinguished, and its Starz Group has become attributed with approximately \$53.7 million in bank debt, interest rate swaps and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, the board determined that certain tax benefits relating to the operation of the Starz Media, LLC business by Liberty Media's Capital Group that may be realized from any future sale or other disposition of that business by Liberty Media's Starz Group will remain attributed to its Capital Group.

Liberty reflected these reattributions prospectively in the unaudited attributed financial information. These changes in attribution have no effect on the balance sheet and results of operations of Liberty on a consolidated basis.

See Exhibit 99.1 to this Quarterly Report on Form 10-Q for unaudited attributed financial information for Liberty's tracking stock groups.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The assets and businesses Liberty has attributed to the Interactive Group are those engaged in video and on-line commerce, and include its subsidiaries QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), BuySeasons, Inc. ("BuySeasons") and Commerce Technologies, Inc. ("CommerceHub") and its noncontrolling interest in Expedia, Inc. ("Expedia"), HSN, Inc. ("HSN"), Interval Leisure Group, Inc. ("Interval"), Tree.com, Inc. ("Lending Tree") and IAC/InterActiveCorp ("IAC"). In addition, Liberty has attributed \$3,075 million principal amount (as of September 30, 2010) of its public debt to the Interactive Group. The Interactive Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as Liberty may acquire for the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The Starz Group focuses primarily on video programming and is comprised primarily of Starz Entertainment, LLC ("Starz Entertainment"), and \$635 million of corporate cash (as of September 30, 2010). In addition, as noted above, as of September 30, 2010 Starz Media, LLC ("Starz Media") is attributed to the Starz Group. The Starz Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Starz Group, including such other businesses as Liberty may acquire for the Starz Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of Liberty's businesses, assets and liabilities other than those which have been attributed to the Interactive Group or the Starz Group. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Media through September 30, 2010, Atlanta National League Baseball Club, Inc. ("ANLBC") and TruePosition, Inc. ("TruePosition"); and its interests in Sirius XM Radio Inc. ("SIRIUS XM"), Time Warner Inc. ("Time Warner"), Time Warner Cable Inc. ("Time Warner Cable"), Sprint Nextel Corporation ("Sprint") and Live Nation Entertainment, Inc. ("Live Nation"). In addition, Liberty has attributed \$1,581 million of cash, including subsidiary cash, and \$1,888 million principal amount (as of September 30, 2010) of its exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group.

During the second quarter of 2009, each of the Starz Group and the Capital Group made intergroup loans to the Interactive Group in the amount of \$250 million. In the first quarter of 2010, the Interactive Group repaid the remaining balance of the intergroup loans by making payments of \$158 million to each of the Starz Group and Capital Group.

During the second quarter of 2010, Liberty announced that its board of directors has authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold substantially all the assets and be subject to substantially all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups, other than a to-be-determined amount of cash, exchangeable debt in the principal amount of \$1.1 billion and the stock into which such debt is exchangeable which will be reattributed from Liberty Capital to Liberty Interactive prior to the completion of the proposed split-off. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are currently attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are currently attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock, in each case, at a meeting called to consider the redemption. On August 6, 2010, Liberty announced that it had filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

(3) Stock-Based Compensation

The Company has granted to certain of its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The company measures the cost of

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

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

| | |
|---------------------|-------|
| Three months ended: | |
| September 30, 2010 | \$ 25 |
| September 30, 2009 | \$ 35 |
| Nine months ended: | |
| September 30, 2010 | \$ 85 |
| September 30, 2009 | \$ 98 |

During the nine months ended September 30, 2010, Liberty granted to QVC employees, 3.5 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$5.38 per share. These options vest semi-annually over the 4 year vesting period. Additionally, Liberty granted, primarily to BuySeasons employees, 221,000 options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$4.49 per share. These options vest quarterly over the 4 year vesting period.

During the nine months ended September 30, 2010, Liberty granted, primarily to Starz Entertainment employees, 209,000 options to purchase shares of Series A Liberty Starz common stock. Such options had a weighted average grant-date fair value of \$16.17 per share. These options vest quarterly over the 4 year vesting period.

In addition, during the nine months ended September 30, 2010 Liberty granted 6.5 million options to purchase shares of Series A Liberty Interactive common stock, 1.1 million options to purchase shares of Series A Liberty Capital common stock and 667,000 options to purchase shares of Series A Liberty Starz common stock, as a long-term incentive grant to Liberty officers. Such options had a weighted average grant-date fair value of \$8.05, \$19.48 and \$22.97 per share, respectively. These options vest one third each on June 30, 2013, June 30, 2014 and December 31, 2015.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Liberty—Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of options and SARs to purchase Liberty common stock granted to certain officers, employees and directors of the Company.

| | Series A | | | | | |
|-----------------------------------|---------------------------------|----------|---------------------|----------|---------------|----------|
| | Liberty Capital | WAEP | Liberty Interactive | WAEP | Liberty Starz | WAEP |
| | numbers of options in thousands | | | | | |
| Outstanding at January 1, 2010 | 5,069 | \$ 14.45 | 40,832 | \$ 11.30 | 2,595 | \$ 43.13 |
| Granted | 1,116 | \$ 34.57 | 10,231 | \$ 13.96 | 875 | \$ 51.23 |
| Exercised | (866) | \$ 13.38 | (1,092) | \$ 4.35 | (148) | \$ 31.98 |
| Forfeited/Cancelled | (25) | \$ 13.78 | (1,167) | \$ 16.54 | (20) | \$ 44.24 |
| Outstanding at September 30, 2010 | 5,294 | \$ 18.87 | 48,804 | \$ 11.88 | 3,302 | \$ 45.78 |
| Exercisable at September 30, 2010 | 1,757 | \$ 11.11 | 17,686 | \$ 15.90 | 628 | \$ 30.61 |

The following table provides additional information about outstanding options to purchase Liberty common stock at September 30, 2010.

| | No. of outstanding options (000's) | WAEP of outstanding options | Weighted average remaining life | Aggregate intrinsic value (000's) | No. of exercisable options (000's) | WAEP of exercisable options | Aggregate intrinsic value (000's) |
|----------------------|------------------------------------|-----------------------------|---------------------------------|-----------------------------------|------------------------------------|-----------------------------|-----------------------------------|
| Series A Capital | 5,294 | \$ 18.87 | 5.2 years | \$ 175,705 | 1,757 | \$ 11.11 | \$ 71,990 |
| Series A Interactive | 48,804 | \$ 11.88 | 4.9 years | \$ 185,202 | 17,686 | \$ 15.90 | \$ 46,579 |
| Series B Interactive | 7,491 | \$ 23.41 | 0.7 years | \$ — | 7,491 | \$ 23.41 | \$ — |
| Series A Starz | 3,302 | \$ 45.78 | 5.7 years | \$ 68,285 | 628 | \$ 30.61 | \$ 21,606 |
| Series B Starz | 370 | \$ 31.15 | 0.8 years | \$ 12,374 | 370 | \$ 31.15 | \$ 12,374 |

As of September 30, 2010, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$201 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 3.3 years.

(4) Earnings (Loss) Per Common Share

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Series A and Series B Liberty Capital Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the nine months ended September 30, 2010 are 2 million potential common shares because their inclusion would be antidilutive.

| | Liberty Capital Common Stock | | | |
|--------------------|--|---|--|---|
| | Three months ended September 30, 2010 | Nine months ended September 30, 2010 | Three months ended September 30, 2009 | Nine months ended September 30, 2009 |
| | numbers of shares in millions | | | |
| Basic EPS | 86 | 92 | 96 | 96 |
| Stock options | 3 | — | — | — |
| Diluted EPS | 89 | 92 | 96 | 96 |

Series A and Series B Liberty Starz Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the nine months ended September 30, 2010 are less than a million potential common shares because their inclusion would be antidilutive.

| | Liberty Starz Common Stock | | | |
|--------------------|--|---|--|---|
| | Three months ended September 30, 2010 | Nine months ended September 30, 2010 | Three months ended September 30, 2009 | Nine months ended September 30, 2009 |
| | numbers of shares in millions | | | |
| Basic EPS | 50 | 50 | 518 | 517 |
| Stock options | 2 | 2 | 5 | 4 |
| Diluted EPS | 52 | 52 | 523 | 521 |

Series A and Series B Liberty Interactive Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the nine months ended September 30, 2010 are 30 million potential common shares because their inclusion would be antidilutive.

| | Liberty Interactive Common Stock | | | |
|--------------------|--|---|--|---|
| | Three months ended September 30, 2010 | Nine months ended September 30, 2010 | Three months ended September 30, 2009 | Nine months ended September 30, 2009 |
| | numbers of shares in millions | | | |
| Basic EPS | 596 | 596 | 594 | 594 |
| Stock options | 8 | 7 | — | 5 |
| Diluted EPS | 604 | 603 | 594 | 599 |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(5) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

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

| Description | Fair Value Measurements at September 30, 2010 | | |
|----------------------------------|---|---|--|
| | Total | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) |
| | | Significant unobservable inputs (Level 3) | |
| | | amounts in millions | |
| Available-for-sale securities | \$ 4,521 | 4,114 | 407 |
| Financial instrument liabilities | \$ 1,342 | 1,148 | 194 |
| Debt | \$ 2,421 | — | 2,421 |

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

The Company incorporates a credit risk valuation adjustment in its fair value measurements to estimate the impact of both its own nonperformance risk and the nonperformance risk of its counterparties. The Company estimates credit risk associated with its and its counterparties nonperformance primarily by using observable credit default swap rates for terms similar to those of the remaining life of the instrument, adjusted for any master netting arrangements or other factors that provide an estimate of nonperformance risk. These are Level 3 inputs. However, as the credit risk valuation adjustments were not significant, the Company continues to report its equity collars, interest rate swaps and put options as Level 2.

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

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations. The total value of the Non-strategic Securities aggregated \$3,492 million as of September 30, 2010.

Investments in AFS securities, including Non-strategic Securities, and other cost investments are summarized as follows:

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|--|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Capital Group | | |
| Time Warner(1) | \$ 1,049 | 997 |
| Time Warner Cable(1) | 464 | 356 |
| Sprint(1) | 329 | 260 |
| Motorola, Inc.(1) | 443 | 403 |
| Viacom, Inc. | 275 | 226 |
| Live Nation(2) | 270 | — |
| CenturyLink, Inc.(1) | 212 | 195 |
| Other AFS equity securities(1) | 287 | 220 |
| SIRIUS XM debt securities(3) | 422 | 300 |
| Other AFS debt securities | 433 | 376 |
| Other cost investments and related receivables | 9 | 22 |
| Total attributed Capital Group | <u>4,193</u> | <u>3,355</u> |
| Interactive Group | | |
| IAC(4) | 336 | 492 |
| Other(5) | — | 242 |
| Total attributed Interactive Group | <u>336</u> | <u>734</u> |
| Starz Group | | |
| Other AFS securities | 1 | 31 |
| Total attributed Starz Group | <u>1</u> | <u>31</u> |
| Consolidated Liberty | <u>\$ 4,530</u> | <u>4,120</u> |

(1) Includes shares pledged as collateral for share borrowing arrangements. See note 8.

(2) On January 25, 2010, Live Nation and Ticketmaster Entertainment, Inc. ("Ticketmaster") completed a merger transaction. Liberty owned approximately 29% of the outstanding common stock of Ticketmaster and received 1.474 shares of Live Nation for each share of Ticketmaster. As a result of the merger Liberty now owns approximately 15% of the combined entity and accounts for the new investment as an AFS security. Liberty recorded the transaction at fair value and recorded a \$178 million gain. At the time of the merger the investment was attributed to the Interactive Group. As a result of the February Reattribution the Live Nation investment is attributed to the Capital Group.

(3) During the nine months ended September 30, 2010, Liberty acquired \$150 million of SIRIUS XM 8.75% bonds due April 15, 2015 at par and SIRIUS XM repurchased and retired certain public

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

bonds of which Liberty owned approximately \$55 million of the principal amount. Proceeds from the repurchase were approximately \$58 million.

- (4) During the nine months ended September 30, 2010, Liberty sold approximately 3.7 million shares of IAC in the open market for cash proceeds of approximately \$77 million. Liberty also physically settled a derivative by delivering 7.5 million shares of IAC for proceeds of \$153 million. The combined gain on the disposition of IAC shares, recorded in gains (losses) on dispositions, net, was \$53 million.
- (5) During the nine months ended September 30, 2010, QVC sold its investment in GSI Commerce, Inc. for aggregate cash proceeds of \$220 million. QVC recognized a \$132 million gain on the sale.

Unrealized Holdings Gains and Losses

Unrealized holding gains and losses related to investments in AFS securities, not accounted for using the fair value option, are summarized below.

| | September 30, 2010 | | December 31, 2009 | |
|------------------------------------|---------------------|-----------------|-------------------|-----------------|
| | Equity securities | Debt securities | Equity securities | Debt securities |
| | amounts in millions | | | |
| Gross unrealized holding gains | \$ 134 | 67 | 258 | 69 |
| Gross unrealized holding losses(a) | \$ (16) | — | — | — |

- (a) The investment in an unrealized loss position has not been in a continuous loss position for more than 12 months.

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at September 30, 2010 and the carrying amount at December 31, 2009:

| | September 30, 2010 | | December 31, 2009 |
|--------------------------|----------------------------|-----------------|-------------------|
| | Percentage ownership | Carrying amount | Carrying amount |
| | dollar amounts in millions | | |
| Interactive Group | | | |
| Expedia | 25% | 698 | 631 |
| Other | various | 235 | 264 |
| Capital Group | | | |
| SIRIUS XM | 40% | — | 33 |
| Other | various | 94 | 102 |
| | | \$ 1,027 | 1,030 |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------|-------------------------------------|-----------|------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Interactive Group | | | | |
| Expedia | \$ 43 | 28 | 85 | 47 |
| Other | (7) | 8 | 10 | (94) |
| Capital Group | | | | |
| SIRIUS XM | (51) | (18) | (51) | (14) |
| Other | (8) | (4) | (19) | (12) |
| Starz Group | | | | |
| Other | — | (4) | — | (8) |
| | <u>\$ (23)</u> | <u>10</u> | <u>25</u> | <u>(81)</u> |

Expedia

The market value of the Company's investment in Expedia was \$1,954 million and \$1,781 million at September 30, 2010 and December 31, 2009, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

| | September 30, 2010 | December 31, 2009 |
|------------------------------|-----------------------|----------------------|
| | amounts in millions | |
| Current assets | \$ 2,208 | 1,225 |
| Property and equipment | 262 | 237 |
| Goodwill | 3,634 | 3,604 |
| Intangible assets | 804 | 823 |
| Other assets | 225 | 48 |
| Total assets | <u>\$ 7,133</u> | <u>5,937</u> |
| Current liabilities | \$ 2,380 | 1,835 |
| Deferred income taxes | 237 | 224 |
| Long-term debt | 1,645 | 895 |
| Other liabilities | 99 | 233 |
| Noncontrolling interest | 62 | 67 |
| Equity | 2,710 | 2,683 |
| Total liabilities and equity | <u>\$ 7,133</u> | <u>5,937</u> |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Expedia Consolidated Statements of Operations

| | Nine months ended | |
|---|---------------------|---------|
| | September 30, | |
| | 2010 | 2009 |
| | amounts in millions | |
| Revenue | \$ 2,540 | 2,258 |
| Cost of revenue | (517) | (462) |
| Gross profit | 2,023 | 1,796 |
| Selling, general and administrative expenses | (1,415) | (1,234) |
| Amortization | (25) | (28) |
| Restructuring charges and other | — | (103) |
| Operating income | 583 | 431 |
| Interest expense | (69) | (64) |
| Other expense, net | (8) | (26) |
| Income tax expense | (152) | (142) |
| Net earnings | 354 | 199 |
| Net earnings attributable to noncontrolling interests | (4) | (2) |
| Net earnings attributable to Expedia, Inc. | \$ 350 | 197 |

Sirius XM Radio Inc.

During 2009, Liberty made equity investments and loans to SIRIUS XM and made open market purchases of SIRIUS XM public debt.

In the first quarter of 2009, Liberty and SIRIUS XM entered into a senior secured loan agreement (the "Senior Loan") whereby Liberty loaned SIRIUS XM \$250 million and made a commitment to loan an additional \$30 million to fund qualifying expenditures by SIRIUS XM (the "Purchase Money Commitment"). In exchange for making the Senior Loan, Liberty received a \$30 million origination fee. Liberty accounted for the origination fee as a discount to the Senior Loan. On March 6, 2009, Liberty (i) purchased \$100 million of a new senior loan facility of a subsidiary of SIRIUS XM ("Subsidiary Senior Loan"), (ii) purchased \$61 million of bank debt of such subsidiary directly from the lending group and (iii) committed to make a loan of \$150 million to such subsidiary in December 2009 ("Subsidiary Commitment"). Also on March 6, 2009 Liberty purchased voting preferred stock of SIRIUS XM (the "SIRIUS XM Preferred Stock"), which has substantially the same rights and preferences as common shareholders of SIRIUS XM, for a cash payment of \$12,500. The SIRIUS XM Preferred Stock is convertible into common stock equal to 40% of the outstanding common shares after giving effect to such conversion.

Liberty allocated the total consideration paid for the Subsidiary Senior Loan, the Subsidiary Commitment and the SIRIUS XM Preferred Stock to each of the instruments based on their relative fair values.

During the first quarter of 2010, Liberty purchased an additional \$150 million of SIRIUS XM 8.75% debt securities due April 15, 2015 at par. During the second quarter of 2010, SIRIUS XM repurchased and retired certain public bonds of which Liberty owned approximately \$55 million of the principal amounts. As of September 30, 2010, Liberty owns \$374 million principal amount of SIRIUS XM public bonds, which are accounted for as AFS securities and have a fair value of

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

\$422 million, including related interest, and the SIRIUS XM Preferred Stock. In October of 2010 pursuant to a tender offer by SIRIUS XM, Liberty tendered \$87 million principal amount of SIRIUS XM's 11.25% Senior Secured Notes due 2013. Liberty acquired an additional \$50 million principal amount of SIRIUS XM's 7.625% Senior Notes due 2018.

Based on Liberty's voting rights and its conclusion that the SIRIUS XM Preferred Stock is in-substance common stock, Liberty accounts for its investment in the SIRIUS XM Preferred Stock using the equity method of accounting. Liberty has elected to record its share of earnings/losses for SIRIUS XM on a three-month lag due to timeliness considerations. As of June 30, 2010 SIRIUS XM had total assets and liabilities of \$7,201 million and \$7,021 million, respectively. SIRIUS XM's net income attributable to common shareholders was \$57 million for the six months ended June 30, 2010.

When Liberty applied its initial equity method accounting on the SIRIUS XM investment, Liberty's basis in the investment was different than the underlying equity in the net assets of SIRIUS XM. As a result, Liberty established an excess basis account and allocated the differences to certain fair value adjustments to the outstanding debt (at the time of our initial investment) and certain intangible assets. Even though SIRIUS XM had net income during the current year the amortization of the excess basis resulted in Liberty recording share of losses. In the third quarter of 2010 these share of losses were accelerated as SIRIUS XM refinanced certain debt which had an associated discount recorded in Liberty's excess basis account. As SIRIUS XM repays certain debt issuances where Liberty has established debt discounts, the extinguishment typically results in a loss on the retirement of Liberty's excess basis account. Liberty has suspended taking losses of our basis in SIRIUS XM below zero as Liberty does not have any funding commitments.

As of September 30, 2010, the SIRIUS XM Preferred Stock had a fair value of \$3,111 million based on the value of the common stock into which it is convertible.

(8) Financial Instruments

Equity Collars

The Company has entered into equity collars (which may be structured as variable share forward sale contracts or similar instruments) and other financial instruments to manage market risk associated with its investments in certain marketable securities. These instruments are recorded at fair value based on option pricing models. Equity collars provide the Company with a put option that gives the Company the right to require the counterparty to purchase a specified number of shares of the underlying security at a specified price at a specified date in the future. Equity collars also provide the counterparty with a call option that gives the counterparty the right to purchase the same securities at a specified price at a specified date in the future. The put option and the call option generally have equal fair values at the time of origination resulting in no cash receipts or payments. Currently the Company has no equity collars outstanding.

Borrowed Shares

From time to time and in connection with certain of its derivative instruments, Liberty borrows shares of the underlying securities from a counterparty and delivers these borrowed shares in settlement of maturing derivative positions. In these transactions, a similar number of shares that are owned by Liberty have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at Liberty's option by delivering shares to the counterparty. The counterparty can terminate these arrangements at any time. The liability under these share borrowing arrangements is marked to market each reporting period with changes in value

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

recorded in unrealized gains or losses in the consolidated statement of operations. The shares posted as collateral under these arrangements are marked to market each reporting period with changes in value recorded as unrealized gains or losses in the consolidated statement of operations.

The Company's financial instruments are summarized as follows:

| <u>Type of financial instrument</u> | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|-------------------------------------|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Assets | | |
| Equity collars(1) | \$ — | 752 |
| Liabilities | | |
| Borrowed shares(2) | \$ 1,148 | 851 |
| Other | 194 | 283 |
| | 1,342 | 1,134 |
| Less current portion | (1,251) | (1,002) |
| | <u>\$ 91</u> | <u>132</u> |

- (1) The Company's remaining Sprint/CenturyLink, Inc. equity collars were physically settled using borrowed shares during the nine months ended September 30, 2010 for total proceeds of \$864 million (including cash for shares delivered). Proceeds from the settlement were used to repay the outstanding derivative loan. Following this transaction the Company no longer has any equity collars outstanding.
- (2) The market values of borrowed shares are as follows:

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|-------------------|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Time Warner | \$ 93 | 88 |
| Time Warner Cable | 41 | 31 |
| Sprint | 242 | 125 |
| Motorola | 443 | 403 |
| CenturyLink, Inc. | 141 | 84 |
| Other | 188 | 120 |
| | <u>\$ 1,148</u> | <u>851</u> |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Realized and Unrealized Gains (Losses) on Financial Instruments

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Non-strategic Securities | \$ 392 | 363 | 422 | 1,008 |
| Exchangeable senior debentures | (187) | (438) | (171) | (771) |
| Equity collars | — | 12 | (2) | (133) |
| Borrowed shares | (244) | (143) | (183) | (314) |
| Other | 41 | 39 | 22 | 45 |
| | <u>\$ 2</u> | <u>(167)</u> | <u>88</u> | <u>(165)</u> |

(9) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

| | QVC | Starz | | Total |
|--|---------------------|---------------|------------|--------------|
| | | Entertainment | Other | |
| | amounts in millions | | | |
| Balance at January 1, 2010 | \$ 5,395 | 132 | 698 | 6,225 |
| Foreign currency translation adjustments | (16) | — | — | (16) |
| Acquisitions(1) | — | — | 27 | 27 |
| Other | (9) | — | 6 | (3) |
| Balance at September 30, 2010 | <u>\$ 5,370</u> | <u>132</u> | <u>731</u> | <u>6,233</u> |

- (1) During the third quarter of 2010, Provide acquired 100% of the equity of Personal Creations, a catalog and on-line gift retailer, for net cash consideration of \$33 million. Such goodwill is subject to adjustment pending the completion of Liberty's purchase price allocation process.

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$354 million and \$359 million for the nine months ended September 30, 2010 and 2009, respectively. Based on its amortizable intangible assets as of September 30, 2010, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

| | |
|-------------------|--------|
| Remainder of 2010 | \$ 122 |
| 2011 | \$ 465 |
| 2012 | \$ 427 |
| 2013 | \$ 397 |
| 2014 | \$ 356 |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(10) Long-Term Debt

Debt, excluding intergroup debt, is summarized as follows:

| | Outstanding principal September 30, 2010 | Carrying value | |
|--|---|-----------------------|----------------------|
| | | September 30, 2010 | December 31, 2009 |
| amounts in millions | | | |
| Capital Group | | | |
| Exchangeable senior debentures | | | |
| 3.125% Exchangeable Senior Debentures due 2023 | \$ 1,138 | 1,255 | 1,157 |
| 4% Exchangeable Senior Debentures due 2029 | — | — | 243 |
| 3.75% Exchangeable Senior Debentures due 2030 | — | — | 237 |
| 3.5% Exchangeable Senior Debentures due 2031 | — | — | 297 |
| Liberty bank facility | 750 | 750 | 750 |
| Liberty derivative loan | — | — | 838 |
| Subsidiary debt | — | — | 131 |
| Total attributed Capital Group debt | 1,888 | 2,005 | 3,653 |
| Interactive Group | | | |
| Senior notes and debentures | | | |
| 5.7% Senior Notes due 2013 | 324 | 323 | 801 |
| 8.5% Senior Debentures due 2029 | 287 | 284 | 284 |
| 8.25% Senior Debentures due 2030 | 504 | 501 | 501 |
| 4% Exchangeable Senior Debentures due 2029 | 469 | 249 | — |
| 3.75% Exchangeable Senior Debentures due 2030 | 460 | 247 | — |
| 3.5% Exchangeable Senior Debentures due 2031 | 490 | 319 | — |
| 3.25% Exchangeable Senior Debentures due 2031 | 541 | 351 | 320 |
| QVC 7.125% Senior Secured Notes due 2017 | 500 | 500 | — |
| QVC 7.5% Senior Secured Notes due 2019 | 1,000 | 984 | 983 |
| QVC 7.375% Senior Secured Notes due 2020 | 500 | 500 | — |
| QVC Bank Credit Facilities | 1,080 | 1,080 | 2,996 |
| Other subsidiary debt | 77 | 77 | 188 |
| Total attributed Interactive Group debt | 6,232 | 5,415 | 6,073 |
| Starz Group | | | |
| Subsidiary debt | 99 | 99 | 48 |
| Total attributed Starz Group debt | 99 | 99 | 48 |
| Total consolidated Liberty debt | \$ 8,219 | 7,519 | 9,774 |
| Less current maturities | | (477) | (1,932) |
| Total long-term debt | | \$ 7,042 | 7,842 |

Senior Notes and Debentures

During the second quarter of 2010, Liberty completed a cash tender offer for \$410 million aggregate principal amount of the outstanding 5.7% senior notes due 2013. The total consideration payable under the tender offer was determined based on a modified "Dutch Auction" procedure and

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

resulted in a purchase price of 103% of par value. In addition Liberty made open market purchases to retire another \$69 million during the nine months ended September 30, 2010.

Exchangeable Senior Debentures

As discussed in Note 2, effective February 25, 2010 the Board of Directors of Liberty reattributed the 4%, 3.75% and 3.5% Exchangeable Senior Debentures from the Liberty Capital Group to the Liberty Interactive Group, that reattribution was reflected on a prospective basis.

Additionally, as discussed in Note 2, prior to the completion of the proposed Split-Off the 3.125% Exchangeable Senior Debentures will be reattributed to the Liberty Interactive Group as Liberty Media LLC, the legal obligor on those debentures, will remain a subsidiary of Liberty.

QVC 7.125% Senior Secured Notes due 2017

During the first quarter of 2010, QVC issued \$500 million principal amount of 7.125% Senior Secured Notes due 2017 at par. QVC used the proceeds from such offering to retire certain outstanding term loans under QVC's Bank Credit Facilities that were to mature on various dates between 2010 and 2014.

QVC 7.375% Senior Secured Notes due 2020

During the first quarter of 2010, QVC issued \$500 million principal amount of 7.375% Senior Secured Notes due 2020 at par. QVC used the proceeds from such offering to retire certain outstanding term loans under QVC's Bank Credit Facilities that were to mature on various dates between 2010 and 2014.

QVC Bank Credit Facilities

During the third quarter of 2010, QVC-US entered into a new credit agreement which provides for a \$2 billion revolving credit facility, with a \$250 million sub-limit for standby letters of credit. QVC may elect that the loans extended under the revolving credit agreement bear interest at a rate per annum equal to the ABR Rate or LIBOR, as each is defined in the credit agreement, plus a margin of 0.50% to 3.00% depending on various factors. The credit facility is a multi-currency facility and there is no prepayment penalty. The loans are scheduled to mature in September of 2015. The proceeds drawn under the new credit facility were used to repay outstanding indebtedness under the previous bank facilities which are no longer outstanding.

QVC was in compliance with all of its debt covenants at September 30, 2010.

QVC Interest Rate Swap Arrangements

QVC is party to ten separate interest rate swap arrangements with an aggregate notional amount of \$2,200 million to manage the cash flow risk associated with interest payments on its variable rate debt. These swap arrangements provide for QVC to make fixed payments at rates ranging from 4.96% to 5.29% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011. Until December 2008, Liberty accounted for these swap arrangements as cash flow hedges with the effective portions of changes in the fair value reflected in other comprehensive earnings in the accompanying condensed consolidated balance sheet. In December 2008, QVC elected interest terms under its credit facilities that do not effectively match the terms of the swap arrangements. As a result, these swaps no longer qualify as cash flow hedges under GAAP and the remaining unrecognized losses

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

on the instruments accounted for in accumulated other comprehensive earnings were realized in the third quarter of 2010 with the refinancing of the bank facility. Accordingly, changes in the fair value of the swaps are now reflected in realized and unrealized gains or losses on financial instruments in the accompanying condensed consolidated statements of operations.

QVC is also party to two interest rate swap arrangements with an aggregate notional amount of \$600 million. These swap arrangements, which expire in October 2010, provide for QVC to make fixed payments at 3.07% and to receive variable payments at 3 month LIBOR. These swap arrangements do not qualify as cash flow hedges under GAAP.

During the third quarter of 2009, QVC entered into seven new forward interest rate swap arrangements with an aggregate notional amount of \$1.75 billion. Such arrangements provide for payments beginning in March 2011 and extending to March 2013. QVC will make fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR. These swap arrangements do not qualify as cash flow hedges under GAAP.

Other Subsidiary Debt

Other subsidiary debt at September 30, 2010 is comprised of capitalized satellite transponder lease obligations and bank debt of various subsidiaries.

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at September 30, 2010 is as follows (amounts in millions):

| | | |
|--------------------------|----|-------|
| Senior notes | \$ | 334 |
| Senior debentures | \$ | 773 |
| QVC senior secured notes | \$ | 2,062 |

Due to the variable rate nature and the absence of significant change to Liberty's credit quality, Liberty believes that the carrying amount of its subsidiary debt and other parent debt approximated fair value at September 30, 2010.

(11) Stockholders' Equity

As of September 30, 2010, Liberty reserved for issuance upon exercise of outstanding stock options the following:

| | <u>Series A</u> | <u>Series B</u> |
|----------------------------------|----------------------------|-----------------|
| | <u>amounts in millions</u> | |
| Liberty Capital common stock | 5.3 | — |
| Liberty Interactive common stock | 48.8 | 7.5 |
| Liberty Starz common stock | 3.3 | .4 |

In addition to the Series A and Series B Liberty Capital common stock, the Series A and Series B Liberty Interactive common stock and the Series A and Series B Liberty Starz common stock, there are 2.0 billion, 4.0 billion and 4.0 billion shares of Series C Liberty Capital, Series C Liberty Interactive and

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Series C Liberty Starz common stock, respectively, authorized for issuance. As of September 30, 2010, no shares of any Series C common stock were issued or outstanding.

As of September 30, 2010, put options with respect to 12.6 million shares of Series A Liberty Interactive common stock with a weighted average put price of \$17.31 remained outstanding. Such put options expire before the end of March in 2011.

The Company accounts for the foregoing put options as financial instrument liabilities due to their settlement provisions. Accordingly, the put options are recorded in financial instrument liabilities at fair value, and changes in the fair value are included in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations.

(12) Transactions with Related Parties

As discussed in note 2, Liberty previously held an investment in DIRECTV. During the nine months ended September 30, 2009, subsidiaries of Liberty recognized aggregate revenue of \$226 million from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$27 million to DIRECTV for carriage and marketing.

(13) Commitments and Contingencies

Film Rights

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides premium video programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance of Programming Fees for films that were available for exhibition by Starz Entertainment at September 30, 2010 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of September 30, 2010 is payable as follows: \$76 million in 2010, \$12 million in 2011 and \$2 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at September 30, 2010. Starz Entertainment is obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2015 and all qualifying films that are released theatrically in the United States by studios owned by Sony through 2016. Films are generally available to Starz Entertainment for exhibition 10-12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and the domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant.

In addition, Starz Entertainment has agreed to pay Sony Pictures Entertainment ("Sony") a total of \$190 million in four annual installments of \$47.5 million beginning in 2011 for a contract extension. In December 2008, Starz Entertainment entered into a new agreement with Sony requiring \$120 million in three equal annual installments beginning in 2015. Starz Entertainment's estimate of amounts payable for rights to future programming (that has been released), including the Disney and Sony

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

agreements, is as follows: \$30 million in 2010; \$507 million in 2011; \$94 million in 2012; \$81 million in 2013; \$67 million in 2014 and \$145 million thereafter.

Guarantees

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At September 30, 2010, Liberty's guarantees for obligations for films released by such date aggregated \$694 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate indirect liability for its guarantee of these obligations.

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

Employment Contracts

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of September 30, 2010 aggregated \$124 million, which is payable as follows: \$2 million in 2010, \$68 million in 2011 and \$52 million in 2012 and \$2 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

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

Tax

In 2009, Liberty settled various variable share forward sale contracts relating to Sprint and Century Link shares using borrowed shares. Liberty received \$177 million when it entered into those contracts in 2001 and \$1,180 million in connection with the settlement of such contracts in 2009. Liberty treated the settlement as an open transaction and deferred approximately \$1,203 million in gain for tax purposes. For financial statement purposes, Liberty recorded approximately \$421 million in current deferred income taxes as a result of the settlement. In connection with its review of Liberty's 2009 tax return the IRS questioned whether the gain realized on the settlement of the forward sale contracts should be deferred. In October 2010 the IRS and Liberty reached an agreement with respect to this issue. The agreement will result in Liberty making current federal payments totaling approximately

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

\$210 million. For financial statement purposes, Liberty expects to record a current tax expense of approximately \$210 million and record a deferred income tax benefit of approximately \$421 million during the fourth quarter of 2010. As a result of this agreement, Liberty will be able to unwind the related share borrowing arrangements by delivering shares that it actually owns without incurring any additional federal taxable income.

Litigation

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

Subsequent to quarter end, TruePosition, attributed to the Liberty Capital Group, received \$48 million in cash in settlement of a patent infringement matter.

(14) Information About Liberty's Operating Segments

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Liberty has attributed each of its businesses to one of three groups: the Interactive Group, the Starz Group and the Capital Group. Each of the businesses in the tracking stock groups is separately managed. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated revenue, pre-tax earnings or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as subscriber growth, penetration, website visitors, conversion rates and active customers, as appropriate.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

For the nine months ended September 30, 2010, Liberty has identified the following businesses as its reportable segments:

- QVC—consolidated subsidiary attributed to the Interactive Group that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites.
- Starz Entertainment—consolidated subsidiary attributed to the Starz Group that provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States.
- Starz Media—consolidated subsidiary attributed to the Capital Group (through September 30, 2010) that develops, acquires, produces and distributes live-action and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally. The Starz Media Reattribution has been reflected prospectively, and the activity of Starz Media, for the nine months ended September 30, 2010, remains attributed to the Capital Group and the assets and liabilities are attributed to the Starz Group as of September 30, 2010.

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

Performance Measures

| | Nine months ended September 30, | | | |
|-----------------------------|---------------------------------|----------------|--------------|----------------|
| | 2010 | | 2009 | |
| | Revenue | Adjusted OIBDA | Revenue | Adjusted OIBDA |
| | amounts in millions | | | |
| Interactive Group | | | | |
| QVC | \$ 5,286 | 1,138 | 4,929 | 1,029 |
| Corporate and other | 760 | 44 | 665 | 69 |
| | <u>6,046</u> | <u>1,182</u> | <u>5,594</u> | <u>1,098</u> |
| Starz Group | | | | |
| Starz Entertainment | 929 | 305 | 893 | 306 |
| Corporate and other | 8 | (10) | 7 | (6) |
| | <u>937</u> | <u>295</u> | <u>900</u> | <u>300</u> |
| Capital Group | | | | |
| Starz Media | 317 | (67) | 248 | (49) |
| Corporate and other | 300 | (10) | 247 | (50) |
| | <u>617</u> | <u>(77)</u> | <u>495</u> | <u>(99)</u> |
| Consolidated Liberty | <u>\$ 7,600</u> | <u>1,400</u> | <u>6,989</u> | <u>1,299</u> |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

| | Three months ended September 30, | | | |
|----------------------|----------------------------------|----------------|--------------|----------------|
| | 2010 | | 2009 | |
| | Revenue | Adjusted OIBDA | Revenue | Adjusted OIBDA |
| | amounts in millions | | | |
| Interactive Group | | | | |
| QVC | \$ 1,771 | 369 | 1,662 | 341 |
| Corporate and other | 197 | 4 | 165 | 4 |
| | <u>1,968</u> | <u>373</u> | <u>1,827</u> | <u>345</u> |
| Starz Group | | | | |
| Starz Entertainment | 316 | 92 | 301 | 93 |
| Corporate and other | 3 | (3) | 3 | (1) |
| | <u>319</u> | <u>89</u> | <u>304</u> | <u>92</u> |
| Capital Group | | | | |
| Starz Media | 89 | (6) | 56 | (71) |
| Corporate and other | 162 | 31 | 115 | — |
| | <u>251</u> | <u>25</u> | <u>171</u> | <u>(71)</u> |
| Consolidated Liberty | <u>\$ 2,538</u> | <u>487</u> | <u>2,302</u> | <u>366</u> |

Other Information

| | September 30, 2010 | | |
|-------------------------------|---------------------|---------------------------|----------------------|
| | Total assets | Investments in affiliates | Capital expenditures |
| | amounts in millions | | |
| Interactive Group | | | |
| QVC | \$ 13,745 | 2 | 147 |
| Corporate and other | 2,284 | 931 | 29 |
| | <u>16,029</u> | <u>933</u> | <u>176</u> |
| Starz Group | | | |
| Starz Entertainment and Media | 2,164 | — | 2 |
| Corporate and other | 572 | — | — |
| | <u>2,736</u> | <u>—</u> | <u>2</u> |
| Capital Group | | | |
| Starz Media | — | — | 2 |
| Corporate and other | 7,881 | 94 | 6 |
| | <u>7,881</u> | <u>94</u> | <u>8</u> |
| Inter-group eliminations | (61) | — | — |
| Consolidated Liberty | <u>\$ 26,585</u> | <u>1,027</u> | <u>186</u> |

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|--------------|------------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Consolidated segment Adjusted OIBDA | \$ 487 | 366 | 1,400 | 1,299 |
| Stock-based compensation | (25) | (35) | (85) | (98) |
| Depreciation and amortization | (168) | (164) | (494) | (500) |
| Interest expense | (170) | (177) | (514) | (457) |
| Share of earnings (losses) of affiliates, net | (23) | 10 | 25 | (81) |
| Realized and unrealized gains (losses) on financial instruments, net | 2 | (167) | 88 | (165) |
| Gains on dispositions, net | 28 | (13) | 416 | 98 |
| Other, net | 35 | 16 | 35 | 108 |
| Earnings (loss) from continuing operations before income taxes | <u>\$ 166</u> | <u>(164)</u> | <u>871</u> | <u>204</u> |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; revenue growth and subscriber trends at QVC, Inc. and Starz Entertainment, LLC; the recoverability of our goodwill and other long-lived assets; counterparty performance under our derivative arrangements; our projected sources and uses of cash; the estimated value of our derivative instruments; and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

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

- rapid technological changes;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world; and
- fluctuations in foreign currency exchange rates and political unrest in international markets.

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2009.

Overview

We own controlling and non-controlling interests in a broad range of video and on-line commerce, media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our principal reportable segments, are QVC, Inc., Starz Entertainment, LLC and Starz Media, LLC. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Starz Media develops, acquires, produces and distributes live-action and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally.

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, BuySeasons, Inc., Atlanta National League Baseball Club, Inc. and TruePosition, Inc. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers and fruits and desserts, as well as upscale personalized gifts. Backcountry operates websites offering outdoor and backcountry sports gear and clothing. Bodybuilding manages websites related to sports nutrition, body building and fitness. BuySeasons operates websites that offer costumes, accessories, décor and party supplies. ANLBC owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. TruePosition provides equipment and technology that deliver location-based services to wireless users.

In addition to the foregoing businesses, we hold ownership interests in Expedia, Inc. and SIRIUS XM, which we account for as equity method investments; and we continue to maintain investments and related financial instruments in public companies such as Time Warner, Time Warner Cable, IAC, Sprint Nextel Corporation and Live Nation, which are accounted for at their respective fair market values and are included in corporate and other.

Tracking Stocks

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty has three tracking stocks—Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which are intended to track and reflect the economic performance of the Interactive Group, Starz Group and Capital Group, respectively. While the Interactive Group, the Starz Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

On November 19, 2009, Liberty completed its previously announced split-off (the "DTV Split-Off") of its wholly owned subsidiary, Liberty Entertainment, Inc. ("LEI"), and the business combination transaction among Liberty, LEI and The DIRECTV Group, Inc. ("DIRECTV") (the "DTV Business Combination"). The DTV Split-Off was accomplished by a redemption (the "Redemption") of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI, pursuant to which, 0.9 of each outstanding share of Liberty Entertainment common stock was redeemed for 0.9 of a share of the corresponding series of common stock of LEI, with payment of cash in lieu of any fractional shares. All of the businesses, assets and liabilities that were attributed to the Entertainment Group and were not held by LEI have remained with our company and continue to be attributed to the Entertainment Group, which we have redesignated as the Starz Group. The businesses that were held by LEI are accounted for as discontinued operations for the periods prior to the DTV Split-off.

On February 25, 2010, Liberty announced that its board of directors had resolved to effect the following changes in attribution between the Capital Group and the Interactive Group, effective immediately (the "February Reattribution"):

- the change in attribution from the Interactive Group to the Capital Group of Liberty's 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
 - \$469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");
 - \$460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
 - \$492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from the Capital Group to the Interactive Group of approximately \$830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of \$400 million in principal amount of 2029 Exchangeables and \$350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of \$807 million in cash.

On September 16, 2010, Liberty Media's board of directors approved a change in attribution of Liberty Media's interest in Starz Media, LLC along with \$15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately \$54.9 million owed by Liberty Media's Capital Group to its Starz Group has been extinguished, and its Starz Group has become attributed with approximately \$53.7 million in bank debt, interest rate swaps and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, the board determined that certain tax benefits relating to the operation of the Starz Media, LLC business by Liberty Media's Capital Group that may be realized from any future sale or other disposition of that business by Liberty Media's Starz Group will remain attributed to its Capital Group.

Liberty reflected the reattributions prospectively in the unaudited attributed financial information. This change in attribution had no effect on the balance sheet and results of operations of Liberty on a consolidated basis.

See Exhibit 99.1 to this Quarterly Report on Form 10-Q for unaudited attributed financial information for our tracking stock groups.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that we have attributed to it. The assets and businesses we have attributed to the Interactive Group are those engaged in video and on-line commerce, and include our subsidiaries QVC, Provide, Backcountry, Bodybuilding, BuySeasons and CommerceHub and our interests in Expedia, HSN, Interval, Lending Tree and IAC. In addition, we have attributed \$3,075 million principal amount (as of September 30, 2010) of our public debt to the Interactive Group. The Interactive Group will also include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group.

Similarly, the term "Starz Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that we have attributed to it. The Starz Group consists primarily of our subsidiary Starz Entertainment and \$635 million of corporate cash (as of September 30, 2010). In addition, as noted above, as of September 30, 2010 Starz Media is attributed to the Starz Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities that we have attributed to it. The Capital Group has attributed to it all of our businesses, assets and liabilities not attributed to the Interactive Group or the Starz Group, including our subsidiaries Starz Media through September 30, 2010, ANLBC, TruePosition and minority equity investments in SIRIUS XM, Live Nation, Time Warner and Sprint. In addition, as of September 30, 2010, we have attributed \$1,581 million of cash, including subsidiary cash, and \$1,888 million principal amount of our exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group.

During the second quarter of 2010, Liberty announced that its board of directors has authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold substantially all the assets and be subject to substantially all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups, other than a to-be-determined amount of cash, exchangeable debt in the principal amount of \$1.1 billion and the

stock into which such debt is exchangeable which will be reattributed from Liberty Capital to Liberty Interactive prior to the completion of the proposed split-off. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are currently attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are currently attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock, in each case, at a meeting called to consider the redemption. On August 6, 2010, Liberty announced that it had filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

Results of Operations—Consolidated

General. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segments categorized by tracking stock group. The "corporate and other" category for each tracking stock group consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of the principal reporting segments of each tracking stock group, see "Results of Operations—Tracking Stock Groups" below.

Consolidated Operating Results

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| amounts in millions | | | | |
| Revenue | | | | |
| Interactive Group | | | | |
| QVC | \$ 1,771 | 1,662 | 5,286 | 4,929 |
| Corporate and other | 197 | 165 | 760 | 665 |
| | <u>1,968</u> | <u>1,827</u> | <u>6,046</u> | <u>5,594</u> |
| Starz Group | | | | |
| Starz Entertainment | 316 | 301 | 929 | 893 |
| Corporate and other | 3 | 3 | 8 | 7 |
| | <u>319</u> | <u>304</u> | <u>937</u> | <u>900</u> |
| Capital Group | | | | |
| Starz Media | 89 | 56 | 317 | 248 |
| Corporate and other | 162 | 115 | 300 | 247 |
| | <u>251</u> | <u>171</u> | <u>617</u> | <u>495</u> |
| Consolidated Liberty | \$ <u>2,538</u> | <u>2,302</u> | <u>7,600</u> | <u>6,989</u> |
| Adjusted OIBDA | | | | |
| Interactive Group | | | | |
| QVC | \$ 369 | 341 | 1,138 | 1,029 |
| Corporate and other | 4 | 4 | 44 | 69 |
| | <u>373</u> | <u>345</u> | <u>1,182</u> | <u>1,098</u> |
| Starz Group | | | | |
| Starz Entertainment | 92 | 93 | 305 | 306 |
| Corporate and other | (3) | (1) | (10) | (6) |
| | <u>89</u> | <u>92</u> | <u>295</u> | <u>300</u> |
| Capital Group | | | | |
| Starz Media | (6) | (71) | (67) | (49) |
| Corporate and other | 31 | — | (10) | (50) |
| | <u>25</u> | <u>(71)</u> | <u>(77)</u> | <u>(99)</u> |
| Consolidated Liberty | \$ <u>487</u> | <u>366</u> | <u>1,400</u> | <u>1,299</u> |
| Operating Income (Loss) | | | | |
| Interactive Group | | | | |
| QVC | \$ 235 | 208 | 737 | 626 |
| Corporate and other | (15) | (14) | (25) | 18 |
| | <u>220</u> | <u>194</u> | <u>712</u> | <u>644</u> |
| Starz Group | | | | |
| Starz Entertainment | 87 | 78 | 288 | 265 |
| Corporate and other | (10) | (11) | (23) | (42) |
| | <u>77</u> | <u>67</u> | <u>265</u> | <u>223</u> |
| Capital Group | | | | |
| Starz Media | (7) | (73) | (71) | (56) |
| Corporate and other | 4 | (21) | (85) | (110) |
| | <u>(3)</u> | <u>(94)</u> | <u>(156)</u> | <u>(166)</u> |
| Consolidated Liberty | \$ <u>294</u> | <u>167</u> | <u>821</u> | <u>701</u> |

Revenue. Our consolidated revenue increased 10.3% and 8.7% for the three and nine month periods ended September 30, 2010, respectively, as compared to the corresponding prior year periods. The nine month increase is due primarily to increases for QVC (\$357 million) with additional increases from our E-commerce businesses (\$95 million), Starz Media (\$69 million) and Starz Entertainment (\$36 million). The three month increase is due primarily to increases at QVC (\$109 million) along with increases from our Starz Media (\$33 million), E-commerce businesses (\$32 million) and TruePosition (included in Corporate and Other in the Capital Group of \$50 million). See Management's Discussion and Analysis for each of our tracking stock groups below for a more complete discussion of the results of operations of certain of our subsidiaries.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 14 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$121 million or 33.1% and \$101 million or 7.8% for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year periods. The three month increase is primarily due to increases at QVC (\$28 million), Capital Group Corporate and Other (\$31 million primarily due to the recognition of deferred revenue and deferred costs at TruePosition) and decreased Adjusted OIBDA losses at Starz Media (\$65 million). The nine month increase is primarily due to increases at QVC (\$109 million) and decreased Adjusted OIBDA losses at the Capital Group Corporate and Other (\$40 million primarily due to the recognition of deferred revenue and deferred costs at TruePosition) offset by decreases at the E-commerce businesses (\$22 million) and increased Adjusted OIBDA losses at Starz Media (\$18 million).

Stock-based compensation. Stock-based compensation includes compensation related to (1) options and stock appreciation rights ("SARs") for shares of our common stock that are granted to certain of our officers and employees, (2) phantom stock appreciation rights ("PSARs") granted to officers and employees of certain of our subsidiaries pursuant to private equity plans and (3) amortization of restricted stock grants.

We recorded \$85 million and \$98 million of stock compensation expense for the nine months ended September 30, 2010 and 2009, respectively. The decrease in stock compensation expense in 2010 relates to decreased stock compensation at Starz Entertainment related to an outstanding phantom stock appreciation right held by its founder and former CEO offset slightly by greater stock compensation expense throughout the period related to outstanding options granted during the period. As of September 30, 2010, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$201 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 3.3 years.

Operating income. Our consolidated operating income increased \$127 million and \$120 million for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year periods. The increase for the three months is primarily due to decreased losses at Starz Media (\$66 million) and the Capital Group Corporate and other (\$25 million primarily due to the recognition of deferred revenue and deferred costs at TruePosition) and increases at QVC (\$27 million) and Starz Entertainment (\$9 million). The nine month increase is primarily due to increases at QVC (\$111 million) and Starz Entertainment (\$23 million) and decreased operating losses at the Capital Group Corporate and other (\$25 million primarily due to the recognition of deferred revenue and deferred costs at TruePosition) offset by decreases at the E-commerce businesses (\$25 million) and increased operating losses at Starz Media (\$15 million). See Management's Discussion and Analysis for each of our tracking stock groups below for a more complete discussion of the results of operations of certain of our subsidiaries.

Other Income and Expense

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Interest expense | | | | |
| Interactive Group | \$ (158) | (147) | (468) | (353) |
| Starz Group | — | (1) | (1) | (2) |
| Capital Group | (12) | (29) | (45) | (102) |
| Consolidated Liberty | <u>\$ (170)</u> | <u>(177)</u> | <u>(514)</u> | <u>(457)</u> |
| Share of earnings (losses) of affiliates | | | | |
| Interactive Group | \$ 36 | 36 | 95 | (47) |
| Starz Group | — | (4) | — | (8) |
| Capital Group | (59) | (22) | (70) | (26) |
| Consolidated Liberty | <u>\$ (23)</u> | <u>10</u> | <u>25</u> | <u>(81)</u> |
| Realized and unrealized gains (losses) on financial instruments, net | | | | |
| Interactive Group | \$ (68) | (67) | (36) | (114) |
| Starz Group | — | (2) | (1) | 7 |
| Capital Group | 70 | (98) | 125 | (58) |
| Consolidated Liberty | <u>\$ 2</u> | <u>(167)</u> | <u>88</u> | <u>(165)</u> |
| Gains (losses) on dispositions, net | | | | |
| Interactive Group | \$ 30 | 3 | 394 | — |
| Starz Group | (2) | 1 | (2) | 2 |
| Capital Group | — | (17) | 24 | 96 |
| Consolidated Liberty | <u>\$ 28</u> | <u>(13)</u> | <u>416</u> | <u>98</u> |
| Other, net | | | | |
| Interactive Group | \$ 5 | (21) | (38) | 12 |
| Starz Group | 3 | (1) | 3 | (7) |
| Capital Group | 27 | 38 | 70 | 103 |
| Consolidated Liberty | <u>\$ 35</u> | <u>16</u> | <u>35</u> | <u>108</u> |

Interest expense. Consolidated interest expense decreased 4.0% for the three months ended September 30, 2010 and increased 12.5% for the nine months ended September 30, 2010, as compared to the corresponding prior year periods. The decrease for the three months is the net result of decreased interest at the Liberty Capital Group due to the February Reattribution and retirement of other outstanding debt and a slight increase at QVC due to higher interest rates on debt with longer maturities offset by interest expense reduction due to a lower debt balance. The increase for the nine months is the net impact of higher interest rates on Liberty Interactive Group attributed debt with longer maturities offset by a reduction in interest expense due to less principal amount of debt outstanding during the period and the impact of the February Reattribution for the Liberty Capital Group.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------|-------------------------------------|-----------|------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Interactive Group | | | | |
| Expedia | \$ 43 | 28 | 85 | 47 |
| Other | (7) | 8 | 10 | (94) |
| Capital Group | | | | |
| Sirius | (51) | (18) | (51) | (14) |
| Other | (8) | (4) | (19) | (12) |
| Starz Group | | | | |
| Other | — | (4) | — | (8) |
| | <u>\$ (23)</u> | <u>10</u> | <u>25</u> | <u>(81)</u> |

The share of losses attributed to the Interactive Group in 2009 include \$42 million for Ticketmaster and \$43 million for HSN. As we record our share of losses for these affiliates on a three month lag, the losses reflected in our nine months ended September 30, 2009 results include our share of goodwill impairment charges recorded by Ticketmaster and HSN in the fourth quarter of 2008 that were in excess of other than temporary impairment charges that we recorded in the fourth quarter of 2008 related to those investments. No impairments were necessary in 2010.

When Liberty applied its initial equity method accounting on the SIRIUS XM investment, Liberty's basis in the investment was different than the underlying equity in the net assets of SIRIUS XM. As a result, Liberty established an excess basis account and allocated the differences to certain fair value adjustments to the outstanding debt (at the time of our initial investment) and certain intangible assets. Even though SIRIUS XM had net income during the current year the amortization of the excess basis resulted in Liberty recording share of losses. In the third quarter of 2010 these share of losses were accelerated as SIRIUS XM refinanced certain debt which had an associated discount recorded in Liberty's excess basis account. As SIRIUS XM repays certain debt issuances where Liberty has established debt discounts, the extinguishment typically results in a loss on the retirement of Liberty's excess basis account. Liberty has suspended taking losses of our basis in SIRIUS XM below zero as Liberty does not have any funding commitments.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Non-strategic Securities(1) | \$ 392 | 363 | 422 | 1,008 |
| Exchangeable senior debentures(1) | (187) | (438) | (171) | (771) |
| Equity collars(1) | — | 12 | (2) | (133) |
| Borrowed shares(1) | (244) | (143) | (183) | (314) |
| Other derivatives | 41 | 39 | 22 | 45 |
| | <u>\$ 2</u> | <u>(167)</u> | <u>88</u> | <u>(165)</u> |

(1) Changes in fair value are due primarily to changes in the market prices of the underlying marketable securities.

Gains on dispositions. Gains on dispositions in 2010 include a \$178 million gain related to the Ticketmaster and Live Nation merger, a gain related to the sale of our GSI Commerce, Inc. shares of \$132 million and a gain of \$53 million related to the disposition of IAC shares.

Income taxes. Our effective tax rate for the nine months ended September 30, 2010 is 27.2% which is less than the U.S. federal income tax rate of 35% due to the impact of foreign tax credits claimed during the third quarter of 2010 on previous tax returns and gains on put options sold on Liberty Interactive stock excluded from taxable income.

Net earnings. We had net earnings of \$634 million and \$232 million for the nine months ended September 30, 2010 and 2009, respectively, which were the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Material Changes in Financial Condition

While the Interactive Group, the Starz Group and the Capital Group are not separate legal entities and the assets and liabilities attributed to each group remain assets and liabilities of our consolidated company, we manage the liquidity and financial resources of each group separately. Keeping in mind that assets of one group may be used to satisfy liabilities of one of the other groups, the following discussion assumes, consistent with management expectations, that future liquidity needs of each group will be funded by the financial resources attributed to each respective group.

As of September 30, 2010, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds and other highly rated securities.

The following are potential sources of liquidity for each group to the extent the identified asset or transaction has been attributed to such group: available cash balances, cash generated by the operating activities of our privately-owned subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from asset sales, monetization of our public investment portfolio, debt and equity issuances, and dividend and interest receipts.

Standard & Poor's Ratings Services and Moody's Investors Services each lowered their rating on our corporate credit in previous periods. These rating services put our corporate ratings on credit watch with developing implications and possible downgrade, respectively, following the Company's proposed split-off announcement in June of 2010. In the event we need to obtain external debt financing at the corporate level, such possible downgrades could negatively impact our ability to obtain financing at the corporate level and could increase the cost of any financing we are able to obtain.

Interactive Group. During the nine months ended September 30, 2010, the Interactive Group's primary uses of cash were \$4,518 million of debt repayments, the repayment of \$316 million in intergroup notes and \$176 million of capital expenditures. These uses of cash were funded primarily with \$1,905 million of borrowings under the new QVC bank facility, \$1,000 million from the issuance of QVC bonds, \$951 million of cash provided by operating activities (including a \$501 million noninterest bearing cash deposit returned from GE Money Bank (discussed below) and net of \$194 million of intercompany tax payments to the Capital Group), \$807 million of cash reattributed from the Capital Group and \$459 million of cash proceeds from the disposition of certain investments. As of September 30, 2010, the Interactive Group had a cash balance of \$935 million.

The projected uses of Interactive Group cash for the remainder of 2010 include approximately \$125 million for interest payments on QVC and parent debt attributed to the Interactive Group, \$100 million for capital expenditures, additional tax payments to the Capital Group and potential payments to settle outstanding put options on Liberty Interactive Group common stock. In addition, we may make repurchases of Liberty Interactive common stock and additional investments in existing or

new businesses and attribute such investments to the Interactive Group. We do not have any commitments to make new investments at this time.

Effective August 2, 2010, upon the expiration of the existing contract, QVC entered into a new agreement with GE Money Bank, who provides revolving credit directly to QVC customers solely for the purchase of merchandise from QVC. Under the new agreement QVC receives a portion of the economics from the credit card program according to percentages that vary with the performance of the portfolio. The new agreement, which will expire in August 2015, is substantially different than the expired agreement between the parties. QVC estimates operating income (and adjusted OIBDA) would have been negatively impacted by approximately \$20-25 million per year over the previous three years based on the terms of the new contract as compared to the expired contract. QVC also recovered its noninterest bearing cash deposit maintained in connection with the prior arrangement in the amount of \$501 million. This deposit had previously been recorded as a component of accounts receivable. QVC's liquidity and capital resources have been significantly strengthened due to this increase in cash. As a result, QVC expects the overall net economics of the new agreement will not have a material negative impact to its cash flows as the cash from the arrangement was used to lower interest costs by paying down a portion of its outstanding bank facility.

We expect that the Interactive Group will fund its remaining 2010 cash needs with cash on hand and cash provided by operating activities. In addition, at September 30, 2010, unused capacity under the QVC Amended Credit Agreements aggregated \$920 million.

QVC was in compliance with its debt covenants as of September 30, 2010.

Starz Group. During the nine months ended September 30, 2010, the Starz Group's primary uses of cash were investments in short-term marketable securities of \$149 million, the repurchases of Liberty Starz common stock for \$40 million and stock based compensation payments of \$34 million. The uses of cash were funded by a repayment of the outstanding intergroup loan of \$158 million by the Interactive Group and cash from operations. As of September 30, 2010, the Starz Group had a cash balance of \$1,015 million.

The projected uses of Starz Group cash in 2010 include an estimated payment for the settlement of stock appreciation rights exercised by the founder and former CEO of Starz with respect to which we have accrued a liability of \$116 million and tax payments to the Capital Group. In addition, we may make additional repurchases of Liberty Starz common stock and additional investments in existing or new businesses and attribute such investments to the Starz Group. However, we do not have any significant commitments to make new investments at this time. We expect that we will be able to use a combination of cash on hand and cash from operations to fund Starz Group cash needs in 2010.

Capital Group. During the nine months ended September 30, 2010, the Capital Group's primary uses of cash were \$843 million cash reattributed to the Interactive and Starz Groups and the repayment of \$1,015 million in outstanding debt, primarily the derivative loans, \$587 million in Liberty Capital tracking stock repurchases and \$566 million of additional funding to cost investments, equity method affiliates and short-term marketable securities. The uses of cash were funded by cash on hand, cash proceeds of \$750 million from the settlement of derivatives and the repayment of the outstanding intergroup loan of \$158 million by the Interactive Group.

The projected uses of Capital Group cash for the remainder of 2010 include interest payments of approximately \$20 million and federal and state tax payments. In October 2010, Liberty reached a settlement with the IRS with respect to certain disputed items reported on our 2009 income tax return. In 2009, Liberty settled various variable share forward sale contracts relating to Sprint and Century Link shares using borrowed shares. Liberty received \$177 million when it entered into those contracts in 2001 and \$1,180 million in connection with the settlement of such contracts in 2009. Liberty treated the settlement as an open transaction and deferred approximately \$1,203 million in gain for tax

purposes. For financial statement purposes, Liberty recorded approximately \$421 million in current deferred income taxes as a result of the settlement. In connection with its review of Liberty's 2009 tax return the IRS questioned whether the gain realized on the settlement of the forward sale contracts should be deferred. In October 2010 the IRS and Liberty reached an agreement with respect to this issue. The agreement will result in Liberty making current federal payments totaling approximately \$210 million. For financial statement purposes, Liberty expects to record a current tax expense of approximately \$210 million and record a deferred income tax benefit of approximately \$421 million during the fourth quarter of 2010. As a result of this agreement, Liberty will be able to unwind the related share borrowing arrangements by delivering shares that it actually owns without incurring any additional federal taxable income.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, net tax payments from the Interactive Group and the Starz Group and dispositions of non-strategic assets. At September 30, 2010, the Capital Group's sources of liquidity include \$1,581 million in cash and \$3,492 million of non-strategic AFS securities. To the extent the Capital Group recognizes any taxable gains from the sale of assets we may incur current tax expense and be required to make tax payments, thereby reducing any cash proceeds attributable to the Capital Group.

See note 13 to the accompanying condensed consolidated financial statements for further discussion of our commitments and contingencies.

Results of Operations—Tracking Stock Groups

Interactive Group

The Interactive Group consists of our subsidiaries QVC, Provide, Backcountry, Bodybuilding, BuySeasons and CommerceHub, our interests in IAC, Expedia, HSN, Interval, Lending Tree and \$3,075 million principal amount (as of September 30, 2010) of our corporate publicly-traded debt.

The following discussion and analysis provides information concerning the results of operations of the Interactive Group. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Revenue | | | | |
| QVC | \$ 1,771 | 1,662 | 5,286 | 4,929 |
| E-commerce businesses | 197 | 165 | 760 | 665 |
| Corporate and other | — | — | — | — |
| | <u>\$ 1,968</u> | <u>1,827</u> | <u>6,046</u> | <u>5,594</u> |
| Adjusted OIBDA | | | | |
| QVC | \$ 369 | 341 | 1,138 | 1,029 |
| E-commerce businesses | 10 | 7 | 56 | 78 |
| Corporate and other | (6) | (3) | (12) | (9) |
| | <u>\$ 373</u> | <u>345</u> | <u>1,182</u> | <u>1,098</u> |
| Operating Income (Loss) | | | | |
| QVC | \$ 235 | 208 | 737 | 626 |
| E-commerce businesses | — | (7) | 12 | 37 |
| Corporate and other | (15) | (7) | (37) | (19) |
| | <u>\$ 220</u> | <u>194</u> | <u>712</u> | <u>644</u> |

Operating Results by Business

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, QVC's live programming is distributed via its nationally televised shopping network 24 hours a day, 364 days a year ("QVC-US"). Internationally, QVC's program services are based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany") and Japan ("QVC-Japan"). QVC-UK distributes its program 24 hours a day with 17 hours of live programming and QVC-Germany and QVC-Japan each distribute live programming 24 hours a day. On October 1, 2010, QVC launched a shopping network in Italy that provides programming 24 hours a day with 17 hours of live programming.

QVC's operating results are as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Net revenue. | \$ 1,771 | 1,662 | 5,286 | 4,929 |
| Cost of sales | (1,126) | (1,073) | (3,356) | (3,165) |
| Gross profit | 645 | 589 | 1,930 | 1,764 |
| Operating expenses | (172) | (162) | (503) | (480) |
| SG&A expenses (excluding stock-based compensation) | (104) | (86) | (289) | (255) |
| Adjusted OIBDA | 369 | 341 | 1,138 | 1,029 |
| Stock-based compensation | (5) | (4) | (14) | (11) |
| Depreciation and amortization | (129) | (129) | (387) | (392) |
| Operating income | <u>\$ 235</u> | <u>208</u> | <u>737</u> | <u>626</u> |

Net revenue is generated in the following geographical areas:

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------|-------------------------------------|--------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| QVC-US | \$ 1,167 | 1,093 | 3,516 | 3,293 |
| QVC-UK | 148 | 148 | 410 | 394 |
| QVC-Germany | 213 | 216 | 649 | 635 |
| QVC-Japan | 243 | 205 | 711 | 607 |
| | <u>\$ 1,771</u> | <u>1,662</u> | <u>5,286</u> | <u>4,929</u> |

QVC's consolidated net revenue increased 6.6% and 7.2% during the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year period. The three month increase in net revenue is comprised of \$134 million due to a 7.3% increase in units shipped, a \$9 million increase in shipping and handling revenue and \$4 million due to a slight increase of 0.2% in average selling price per unit ("ASP"). These increases were partially offset by a \$26 million increase in estimated product returns due to increased sales and \$12 million due to unfavorable foreign currency rates. Returns as a percent of gross product revenue decreased to 19.5% from 19.9%. The nine month increase in revenue is comprised of \$358 million due to a 6.6% increase in units shipped, a \$50 million increase in shipping and handling revenue, \$29 million due to a 0.5% increase in ASP and \$13 million due to favorable foreign currency rates. These increases were partially offset by a \$93 million increase in estimated product returns. Returns as a percent of gross product revenue increased to 19.3% from 19.1%.

During the three and nine months ended September 30, 2010 and 2009, the changes in revenue and expenses were impacted by changes in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively impacted. The percentage increase (decrease) in revenue for each of QVC's geographic areas in U.S. dollars and in local currency is as follows:

| | Percentage increase in net revenue | | | |
|-------------|--|----------------|---|----------------|
| | Three months ended September 30, 2010 | | Nine months ended September 30, 2010 | |
| | U.S. dollars | Local currency | U.S. dollars | Local currency |
| QVC-US | 6.8% | 6.8% | 6.8% | 6.8% |
| QVC-UK | —% | 6.2% | 4.1% | 4.8% |
| QVC-Germany | (1.4)% | 9.4% | 2.2% | 5.7% |
| QVC-Japan | 18.5% | 8.8% | 17.1% | 10.6% |

For the fourth consecutive quarter, QVC's net revenue increased in local currency in each geographical area compared to the corresponding prior year period. QVC-US growth in net revenue for the three and nine months ended September 30, 2010 is due primarily to an increase in gross shipped sales as well as higher shipping and handling revenue, partially offset by an increase in return rates. For both periods, shipped sales increased due to growth in sales in the apparel and accessories product areas and to a lesser extent, home product sales, offset by lower jewelry sales. For the three and nine months ended September 30, 2010, QVC-UK reported increased sales in the beauty and apparel product areas partially offset by decreased fine jewelry sales. QVC-Germany's sales increase in local currency for the three and nine months ended September 30, 2010 is due primarily to increases in the accessories and home areas, in particular home décor and health and fitness, with softness

experienced in the jewelry product area. For both periods, QVC-Japan's sales growth has been largely driven by sales in apparel and beauty products.

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S., the UK and Germany. In addition, in Japan, analog customers are expected to be converted to a digital environment in July 2011. However, to comply with local regulations, cable operators are required to carry an analog signal by converting the digital signal at their head-end to continue analog viewership until 2015. It is likely that such conversion will have a negative impact on the overall number of subscribers viewing QVC-Japan's programming. QVC is currently evaluating the possible impact on QVC-Japan's results as well as opportunities to acquire subscribers via other distribution channels that will aid in mitigating the impact of the conversion. QVC's future sales growth will primarily depend on expansions into new countries, sales growth from our e-commerce platforms, additions of new customers from homes already receiving the QVC service and growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage increased from 35.4% to 36.4% and from 35.8% to 36.5% during the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year period. These increases are due primarily to lower inventory obsolescence provisions.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses increased 6.2% and 4.8% for the three and nine months ended September 30, 2010, as compared to the corresponding prior year period. The increase in 2010 operating expenses is due primarily to increased commissions and credit card fee expenses. Included in the three and nine months ended September 30, 2010 operating expenses are increases of \$3 million and \$6 million, respectively, in commissions and production costs related to the 2010 QVC-Italy launch. Despite the Italy expense, as a percent of net revenue, operating expenses remained consistent at 9.7% for the three months ended September 30, 2010 and 2009, respectively, and declined to 9.5% from 9.7% for the nine months ended September 30, 2010 and 2009, respectively. The year to date 2010 decrease in operating expenses as a percent of net revenue is due primarily to lower customer service expenses because of an improvement in staff efficiencies as well as an increase in online ordering.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased 20.9% and 13.3% for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year period.

Included in QVC's SG&A results are \$5 million and \$10 million of costs for the three and nine months ended September 30, 2010, respectively, related to the launch of the QVC-Italy service. This is an increase over the prior year of \$4 million for the three months ended September 30, 2010 and \$9 million for the nine months ended September 30, 2010. QVC expects that QVC-Italy will incur an Adjusted OIBDA loss in 2010 of \$30-40 million.

Net credit card operations income increased \$4 million for the three months ended September 30, 2010 and \$17 million for the nine months ended September 30, 2010. Effective August 2, 2010, upon the expiration of the existing contract, QVC entered into a new agreement with GE Money Bank, who provides revolving credit directly to QVC customers solely for the purchase of merchandise from QVC. Under the new agreement QVC receives a portion of the economics from the credit card program according to percentages that vary with the performance of the portfolio. The new agreement, which will expire in August 2015, is substantially different than the expired agreement between the parties.

QVC's operating income (and adjusted OIBDA) will be negatively impacted due to the terms of the new agreement. However, QVC has used the \$501 million of cash proceeds from the recovery of its noninterest bearing cash deposit maintained at GE Money Bank in connection with the prior arrangement to retire a portion of its outstanding bank facility.

Excluding the impact of Italy and net credit card operations, QVC's SG&A expense increased \$18 million or 18.4% for the three months ended September 30, 2010 and \$42 million or 14.3% for the nine months ended September 30, 2010. The increase in the three months ended September 30, 2010 is due primarily to an \$8 million increase in franchise and sales tax expense due to favorable audit settlements in the prior year, a \$4 million increase in marketing expense related to online marketing initiatives as well as public relations events including Fashion's Night Out in New York, a \$3 million increase in personnel expenses primarily related to management bonus compensation and a \$3 million increase in software expense.

Excluding the impact of Italy and net credit card operations, the increase in the nine months ended September 30, 2010 is due primarily to a \$10 million increase in bad debt expense, a \$9 million increase in personnel expenses primarily related to increased management bonus compensation, a \$6 million increase in marketing expenses for reasons indicated above, a \$6 million increase in outside services, a \$5 million increase in software expense and a \$6 million increase in franchise and sales tax due primarily to favorable audit settlements recorded in the prior year.

Depreciation and amortization. Depreciation and amortization consist of the following:

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------------|-------------------------------------|------|------------------------------------|------|
| | 2010 | 2009 | 2010 | 2009 |
| Purchase accounting: | | | | |
| Affiliate agreements | 37 | 38 | 113 | 113 |
| Customer relationships | 43 | 43 | 129 | 134 |
| | 80 | 81 | 242 | 247 |
| Property, plant and equipment | 31 | 31 | 94 | 91 |
| Software amortization | 13 | 12 | 37 | 36 |
| Channel placement amortization | 5 | 5 | 14 | 18 |
| Total depreciation and amortization | 129 | 129 | 387 | 392 |

E-commerce businesses. Our E-commerce businesses are comprised primarily of Provide, Backcountry, Bodybuilding and BuySeasons. Revenue for the E-commerce businesses is seasonal due to certain holidays, which drive a significant portion of the E-commerce businesses' revenue. The third quarter is generally lower, as compared to the other three quarters, due to fewer holidays. Revenue increased \$32 million or 19.4% and \$95 million or 14.3% for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year periods. Overall revenue growth was partially offset by lower commission revenue earned when customers sign-up for third-party on-line discount services. In the first quarter of 2010, a decision was made to change the way these promotions are offered which reduced the revenue earned in the three and nine months by \$2 million and \$20 million, respectively. These changes are expected to continue adversely impacting commission revenue throughout 2010. For the year ended December 31, 2009, the revenue earned associated with these commissions was approximately \$32 million. Revenue earned from the commissions yielded significantly higher margins than product sales, and therefore, the reduction in this revenue more negatively impacted Adjusted OIBDA on a percentage basis. Additionally, during the period increased marketing spend helped grow revenue and new customer names but impacted the margin percentage negatively. Adjusted OIBDA for the E-commerce businesses decreased 28.2% for the nine month period in 2010 and represented 7.4% of revenue in 2010, as compared to 11.7% in 2009. Additionally,

for the three and nine months ended September 30, 2010, approximately zero and \$9 million, respectively, of Adjusted OIBDA losses were incurred associated with two start-up operations (Lockerz and The Right Start). We deconsolidated Lockerz based on a change in the governance of the entity through an issuance of new equity at the subsidiary level. The results of Lockerz for the three months ended September 30, 2010 are reflected in our Share of Earnings (Losses) and will be reflected in that manner prospectively. These negative impacts offset the growth in product related Adjusted OIBDA that was achieved by our other E-commerce businesses.

Starz Group

The Starz Group is primarily comprised of our subsidiary Starz Entertainment and \$635 million of corporate cash. In addition, as of September 30, 2010 Starz Media is attributed to the Starz Group and will be included in the results of the Starz Group on a prospective basis. We do not believe the historical results of Starz Media are indicative of the future performance of the Starz Media businesses given the decision made regarding Overture and how the business is expected to be operated in the future.

The following discussion and analysis provides information concerning the attributed results of operations of the Starz Group. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------|-------------------------------------|------------|------------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Revenue | | | | |
| Starz Entertainment | \$ 316 | 301 | 929 | 893 |
| Corporate and other | 3 | 3 | 8 | 7 |
| | <u>\$ 319</u> | <u>304</u> | <u>937</u> | <u>900</u> |
| Adjusted OIBDA | | | | |
| Starz Entertainment | \$ 92 | 93 | 305 | 306 |
| Corporate and other | (3) | (1) | (10) | (6) |
| | <u>\$ 89</u> | <u>92</u> | <u>295</u> | <u>300</u> |
| Operating Income (Loss) | | | | |
| Starz Entertainment | \$ 87 | 78 | 288 | 265 |
| Corporate and other | (10) | (11) | (23) | (42) |
| | <u>\$ 77</u> | <u>67</u> | <u>265</u> | <u>223</u> |

Revenue. The Starz Group's revenue increased \$15 million or 4.9% and \$37 million or 4.1% for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year periods.

Adjusted OIBDA. The Starz Group's Adjusted OIBDA remained relatively flat for the three and nine months ended September 30, 2010 as compared to the corresponding prior year periods.

Operating income. Operating income for the Starz Group increased \$10 million or 14.9% and \$42 million or 18.8% for the three and nine months ended September 30, 2010, respectively, as

compared to the corresponding prior year periods. The reduced operating loss in corporate and other for the nine months ended September 30, 2010 is primarily due to a decrease in stock compensation.

Starz Entertainment. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Substantially all of Starz Entertainment's revenue is derived from the delivery of movies and original programming to subscribers under affiliation agreements with television video programming distributors. Some of Starz Entertainment's affiliation agreements provide for payments to Starz Entertainment based on the number of subscribers that receive Starz Entertainment's services ("consignment agreements"). Starz Entertainment also has fixed-rate affiliation agreements with certain of its customers. Pursuant to these agreements, the customers pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate may be increased annually to the extent the contract provides for an increase. The affiliation agreements expire in 2010 through 2018. During the nine months ended September 30, 2010, 55% of Starz Entertainment's revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated more than 10% of Starz Entertainment's revenue for such period.

Starz Entertainment's operating results are as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------|-------------------------------------|-------|------------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Revenue | \$ 316 | 301 | 929 | 893 |
| Operating expenses | (188) | (173) | (520) | (491) |
| SG&A expenses | (36) | (35) | (104) | (96) |
| Adjusted OIBDA | 92 | 93 | 305 | 306 |
| Stock-based compensation | (2) | (12) | (6) | (29) |
| Depreciation and amortization | (3) | (3) | (11) | (12) |
| Operating income | \$ 87 | 78 | 288 | 265 |

Starz Entertainment's revenue increased 5.0% and 4.0% for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year period. The nine month increase is comprised of \$9 million due to a higher effective rate for Starz Entertainment's services, \$15 million due to growth in the number of subscriptions under consignment deals and \$12 million due to international television and home video revenue associated with original programs (primarily *Spartacus: Blood and Sand*). The Starz movie service and Encore and the Encore thematic multiplex channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions were unchanged and EMP average subscriptions increased 2.6% for the three months ended September 30, 2010. For the nine months ended September 30, 2010 Starz average subscriptions decreased 2.7% and EMP average subscriptions decreased 0.3%. Such change in average subscriptions are the net result of increases in subscriptions under consignment agreements and decreases in subscriptions under fixed-rate agreements which do not impact revenue. Approximately 33% of Starz Entertainment's revenue in 2010 was earned under its fixed-rate affiliation agreements.

Starz Entertainment's operating expenses increased \$15 million or 8.7% and \$29 million or 5.9% for the three and nine months ended September 30, 2010 as compared to the corresponding prior year period. Operating expenses for the three and nine months ended September 30, 2010 increased due to additional programming costs associated with our original programming (*The Pillars of the Earth* and *Spartacus: Blood and Sand*), overall rate increases due to the box office performance of programming acquired and aired during the period and costs associated with the revenue earned on original programs, including increased amortization. Operating expenses for the nine months ended

September 30, 2010 were also impacted by impairments on two original programs (*Party Down* and *Gravity*) which were cancelled during the first half of the year.

Starz Entertainment's SG&A expenses were relatively flat for the three months ended September 30, 2010 and increased \$8 million or 8.3% for the nine months ended September 30, 2010 as compared to the corresponding prior year period. The nine month increase is due primarily to increased marketing support incurred under affiliation agreements.

Starz Entertainment has outstanding phantom stock appreciation rights (PSARs) held by its founder and former chief executive officer which were exercised in the fourth quarter of 2009. No additional compensation was recorded in the current period related to those rights. The determination of the final amount owed for the PSARs will be made by independent third parties and the process for making that determination has been initiated.

Capital Group

The Capital Group is comprised of our subsidiaries, assets and liabilities not attributed to the Interactive Group or the Starz Group, including controlling interests in Starz Media through September 30, 2010 (results of Starz Media will be included in the Starz Group prospectively), ANLBC and TruePosition as well as minority investments in SIRIUS XM, Time Warner, Time Warner Cable, Sprint, Live Nation and other public and private companies. In addition, we have attributed \$1,581 million of cash, including subsidiary cash, and \$1,888 million principal amount (as of September 30, 2010) of our exchangeable senior debentures and other parent debt to the Capital Group.

The following discussion and analysis provides information concerning the attributed results of operations of the Capital Group. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

| | Three months ended September 30, | | Nine months ended September 30, | |
|--------------------------------|-------------------------------------|-------------|------------------------------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | amounts in millions | | | |
| Revenue | | | | |
| Starz Media | \$ 89 | 56 | 317 | 248 |
| Corporate and other | 162 | 115 | 300 | 247 |
| | <u>\$ 251</u> | <u>171</u> | <u>617</u> | <u>495</u> |
| Adjusted OIBDA | | | | |
| Starz Media | \$ (6) | (71) | (67) | (49) |
| Corporate and other | 31 | — | (10) | (50) |
| | <u>\$ 25</u> | <u>(71)</u> | <u>(77)</u> | <u>(99)</u> |
| Operating Income (Loss) | | | | |
| Starz Media | \$ (7) | (73) | (71) | (56) |
| Corporate and other | 4 | (21) | (85) | (110) |
| | <u>\$ (3)</u> | <u>(94)</u> | <u>(156)</u> | <u>(166)</u> |

Revenue. The Capital Group's combined revenue increased 46.8% for the three months ended September 30, 2010 and increased 24.6% for the nine months ended September 30, 2010 as compared to the corresponding prior year period. The nine month increase in revenue is due primarily to a \$18 million increase in theatrical revenue and a \$51 million increase in home video revenue at Starz Media. Theatrical revenue increased due to the performance of two films (*The Crazies* and *Brooklyn's Finest*) released in 2010 which exceeded the performance of the four films released in 2009 (*Sunshine Cleaning*, *Paper Hearts*, *Capitalism: A Love Story* and *Pandorum*). Home video revenue increased as the result of the performance of six films (*Law Abiding Citizen*, *The Men Who Stare at Goats*, *Pandorum*, *Capitalism: A Love Story*, *The Crazies* and *Brooklyn's Finest*) released on DVD during the nine months ended September 30, 2010 exceeding the performance of the four films (*Righteous Kill*, *Henry Poole is Here*, *Last Chance Harvey* and *Sunshine Cleaning*) released during the same period last year. The revenue from Starz Media increased for the three months ended September 30, 2010, due primarily to a \$21 million increase in home video revenue related to the DVD releases described above.

During the second quarter of 2010 TruePosition delivered the final specified upgrade in accordance with one of its agreements under which revenue and costs were being deferred. The delivery of this item caused TruePosition to recognize previously deferred revenue and costs (\$52 million and \$18 million, respectively) into operations during the three months ended September 30, 2010. In addition, any current revenue under this agreement will be recognized as delivered and no longer deferred.

Included in Capital Group's corporate and other revenue are payments from CNBC related to a revenue sharing agreement between our company and CNBC. The agreement has no termination date, and payments aggregated \$18 million for each of the nine month periods ended September 30, 2010 and 2009.

Adjusted OIBDA. The Capital Group's Adjusted OIBDA losses decreased \$96 million and \$22 million for the three and nine months ended September 30, 2010, respectively, as compared to the corresponding prior year periods. Starz Media's Adjusted OIBDA losses increased \$18 million for the nine months ended September 30, 2010 due in part to the number and timing of films released theatrically and on home video by Starz Media and Overture Films and the corresponding fluctuations of theatrical, home video revenue and related expenses associated with these films. In addition, Starz Media determined that a number of its titles were impaired due to lower expected revenue than previously anticipated, and recorded approximately \$42 million of impairments during the second quarter of 2010. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. Although there can be no assurance, the expectation when films are approved for production or acquisition is that the ultimate revenue to be earned from theatrical release, home video, premium television and other distribution, which revenue may be earned over several years, will exceed the costs associated with the film.

In July 2010, we announced that the marketing and distribution units of Overture were being transferred to Relativity Media, LLC ("Relativity"), effective July 27, 2010. As part of this arrangement, Relativity will handle the theatrical release of Overture's final three films. We will continue to exploit the films in Overture's library and the net margin earned on these films will be used to service the outstanding debt associated with these films. Further, as discussed above, Starz Media is attributed to the Starz Group as of September 30, 2010 and will be reflected in the results of the Starz Group prospectively.

Additionally as discussed above, TruePosition recognized deferred revenue and costs during the period that impacted Adjusted OIBDA by approximately \$34 million.

Operating loss. The Capital Group's operating loss decreased in 2010 due to the aforementioned timing of films released by Starz Media in the theatrical and home video markets, impairments in the second quarter of 2010 offset by deferred revenue and cost recognition at TruePosition and decreased stock compensation as compared to the prior period.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of September 30, 2010, our debt is comprised of the following amounts.

| | Variable rate debt | | Fixed rate debt | |
|-------------------|----------------------------|----------------------------|------------------|----------------------------|
| | Principal amount | Weighted avg interest rate | Principal amount | Weighted avg interest rate |
| | dollar amounts in millions | | | |
| Interactive Group | \$ 1,102 | 2.75% | \$ 5,130 | 5.95% |
| Capital Group | \$ 750 | 0.65% | \$ 1,138 | 3.13% |
| Starz Group | \$ 53 | 2.43% | \$ 46 | 5.55% |

In addition, QVC has entered into (i) interest rate swaps with an aggregate notional amount of \$2,200 million pursuant to which it pays a fixed rate of 5.0-5.3% and receives variable payments at 3-month LIBOR which expire in March 2011 and (ii) interest rate swaps with an aggregate notional amount of \$600 million pursuant to which it pays a fixed rate of 3.1% and receives variable payments at 3-month LIBOR which expire in October 2010.

The Interactive and Capital groups are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors.

At September 30, 2010, the fair value of our AFS equity securities attributed to the Capital Group was \$4,171 million. Had the market price of such securities been 10% lower at September 30, 2010, the aggregate value of such securities would have been \$417 million lower. Such decrease would be partially offset by an increase in the value of our borrowed shares. Our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the stock price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

The Interactive Group is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, the Interactive Group may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

Item 4. Controls and Procedures.

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer, principal accounting officer and principal financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of September 30, 2010 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

LIBERTY MEDIA CORPORATION

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On August 6, 2010, the Company and its subsidiary Liberty Media LLC filed a Verified Complaint for Injunctive Relief and Declaratory Judgment in the Delaware Court of Chancery against The Bank of New York Mellon Trust Company ("BNY"), in BNY's capacity as trustee under the indenture dated July 7, 1999 (as amended and supplemented, the "Indenture") governing Liberty Media LLC's public indebtedness. The Company filed a verified amended complaint on September 3, 2010 and a verified second amended complaint on October 1, 2010. The second amended complaint requests a declaratory judgment by the court that the previously announced plan to split-off the businesses, assets and liabilities currently attributed to the Company's Liberty Capital and Liberty Starz tracking stock groups will not constitute a disposition of all or substantially all of the assets of Liberty Media LLC under the Indenture and that, therefore, no "Event of Default" will arise as a result of Liberty Media LLC remaining the obligor under the Indenture following the proposed split-off. The second amended complaint further requests that the court enjoin BNY, those acting in concert with it, and each holder of securities whose interests are represented by BNY under the Indenture from declaring an "Event of Default" in connection with the split-off or taking action to accelerate the repayment of indebtedness under the securities. BNY has filed a motion to dismiss the complaint, contending that the Delaware Court of Chancery does not have subject matter jurisdiction over the dispute and that it should be litigated in a different court in Delaware. BNY also seeks to dismiss based on the theory that there is not a case or controversy for a court to resolve. That motion is presently scheduled for oral argument. The parties have commenced discovery and that process is ongoing. The company intends to prosecute the matter vigorously.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Programs

On several occasions our board of directors authorized share repurchase programs for our Series A and Series B Liberty Capital common stock, Series A and Series B Liberty Starz common stock and Series A and Series B Interactive common stock. On each of March 10, 2008 and August 13, 2008 our board authorized \$300 million of share repurchases of Series A Liberty Capital common stock, an authorization of \$500 million in share repurchases on May 6, 2010 and an additional authorization of \$500 million in share repurchases on September 16, 2010 for a total of \$1,600 million. On November 9, 2009 our board authorized the repurchase of \$500 million Series A and Series B Liberty Starz common stock of which \$447 million is available for future repurchases. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of \$1 billion of Liberty Interactive Series A and Series B common stock for a total of \$3 billion. Approximately \$740 million may yet be purchased under such Liberty Interactive common stock repurchase programs.

A summary of the repurchase activity for the three months ended September 30, 2010 is as follows:

| Period | Series A Liberty Capital Common Stock | | | |
|----------------------|---|---|--|--|
| | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs |
| July 1-31, 2010 | 3,285,600 | \$ 44.29 | 3,285,600 | \$ 186 million |
| August 1-31, 2010 | 2,430,988 | \$ 46.44 | 2,430,988 | \$ 73 million |
| September 1-30, 2010 | 905,096 | \$ 47.08 | 905,096 | \$ 530 million |
| Total | 6,621,684 | | 6,621,684 | |

In addition to the shares listed in the table above, 7,028 shares of Series A Liberty Capital common stock, 18,625 shares of Series A Liberty Interactive common stock and 2,603 shares of Series A Liberty Starz common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended September 30, 2010.

Item 6. Exhibits

(a) Exhibits

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

| | |
|---------|---|
| 10.1 | Credit Agreement, dated as of September 2, 2010, among QVC, Inc., as Borrower; Wells Fargo Securities, LLC, as Lead Arranger and Lead Bookrunner; JPMorgan Chase Bank, N.A., as Administrative Agent; Wells Fargo Bank, N.A., and BNP Paribas, as Syndication Agents; and the parties named therein as Lenders (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-33982) filed on September 3, 2010). |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification* |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification* |
| 31.3 | Rule 13a-14(a)/15d-14(a) Certification* |
| 32 | Section 1350 Certification** |
| 99.1 | Attributed Financial Information for Tracking Stock Groups* |
| 99.2 | Reconciliation of Liberty Media Corporation New Assets and Net Earnings to Liberty Media LLC Net Assets and Net Earnings** |
| 101.INS | XBRL Instance Document** |
| 101.SCH | XBRL Taxonomy Extension Schema Document** |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document** |
| 101.LAB | XBRL Taxonomy Label Linkbase Document** |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document** |
| 101.DEF | XBRL Taxonomy Definition Document** |

* Filed herewith

** Furnished herewith

SIGNATURES

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

LIBERTY MEDIA CORPORATION

Date: November 5, 2010

By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Date: November 5, 2010

By: /s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer
(Principal Financial Officer)

Date: November 5, 2010

By: /s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller
(Principal Accounting Officer)

EXHIBIT INDEX

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QuickLinks

[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Balance Sheets \(unaudited\)](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Balance Sheets, continued \(unaudited\)](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Operations \(unaudited\)](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Operations, continued \(unaudited\)](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Comprehensive Earnings \(Loss\) \(unaudited\)](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Cash Flows \(unaudited\)](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements](#)
[LIBERTY MEDIA CORPORATION AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements](#)

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 3. Quantitative and Qualitative Disclosures about Market Risk.](#)

[Item 4. Controls and Procedures.](#)

[LIBERTY MEDIA CORPORATION](#)

[PART II—OTHER INFORMATION](#)

[Item 1. Legal Proceedings](#)

[Item 2. Unregistered Sales of Equity Securities and Use of Proceeds](#)

[Item 6. Exhibits](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Media Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2010

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

QuickLinks

[EXHIBIT 31.1](#)

CERTIFICATION

I, David J.A. Flowers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Media Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2010

/s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer

QuickLinks

[EXHIBIT 31.2](#)

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Media Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2010

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller

QuickLinks

[EXHIBIT 31.3](#)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Liberty Media Corporation, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2010 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|--------|-------------------------|---|
| Dated: | <u>November 5, 2010</u> | <u>/s/ GREGORY B. MAFFEI</u> Gregory B. Maffei Chief Executive Officer and President |
| Dated: | <u>November 5, 2010</u> | <u>/s/ DAVID J.A. FLOWERS</u> David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer) |
| Dated: | <u>November 5, 2010</u> | <u>/s/ CHRISTOPHER W. SHEAN</u> Christopher W. Shean Senior Vice President and Controller (Principal Accounting Officer) |

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

QuickLinks

[Exhibit 32](#)

Attributed Financial Information for Tracking Stock Groups

Our Liberty Interactive common stock is intended to reflect the separate performance of our Interactive Group which is comprised of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc. and our interests in IAC/InterActiveCorp, Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. Our Liberty Starz common stock is intended to reflect the separate performance of our Starz Group which primarily includes our wholly-owned subsidiary Starz Entertainment, LLC and Starz Media, as of September 30, 2010. Our Liberty Capital common stock is intended to reflect the separate performance of our Capital Group which is comprised of all of our assets and businesses not attributed to the Interactive Group or the Starz Group.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the periods ended September 30, 2010 and 2009. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group, the Starz Group and the Capital Group, respectively. The financial information should be read in conjunction with our unaudited condensed consolidated financial statements for the three and nine month periods ended September 30, 2010 included in this Quarterly Report on Form 10-Q.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the Interactive Group, the Starz Group and the Capital Group, our tracking stock structure does not affect the ownership or the respective legal title to our assets or responsibility for our liabilities. We and our subsidiaries are each responsible for our respective liabilities. Holders of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock are holders of our common stock and are subject to risks associated with an investment in our company and all of our businesses, assets and liabilities. The issuance of Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock does not affect the rights of our creditors or creditors of our subsidiaries.

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|---|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Summary balance sheet data: | | |
| Current assets | \$ 2,645 | 3,379 |
| Cost investments | \$ 336 | 734 |
| Equity investments | \$ 933 | 895 |
| Total assets | \$ 16,029 | 17,343 |
| Long-term debt, including current portion | \$ 5,415 | 6,073 |
| Long-term deferred income tax liabilities | \$ 2,726 | 1,939 |
| Attributed net assets | \$ 5,952 | 6,794 |

| | <u>Three months ended</u> <u>September 30,</u> | | <u>Nine months ended</u> <u>September 30,</u> | |
|--|---|-------------|--|-------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>amounts in millions</u> | | | |
| Summary operations data: | | | | |
| Revenue | \$ 1,968 | 1,827 | 6,046 | 5,594 |
| Cost of sales | (1,254) | (1,182) | (3,832) | (3,573) |
| Operating expenses | (186) | (172) | (562) | (519) |
| Selling, general and administrative expenses(1) | (167) | (140) | (519) | (437) |
| Depreciation and amortization | (141) | (139) | (421) | (421) |
| Operating income | <u>220</u> | <u>194</u> | <u>712</u> | <u>644</u> |
| Interest expense | (158) | (147) | (468) | (353) |
| Share of earnings of affiliates, net | 36 | — | 95 | — |
| Realized and unrealized losses on financial instruments | (68) | — | (36) | — |
| Gains on disposition, net | 30 | — | 394 | — |
| Other income (expense), net | 5 | (57) | (41) | (159) |
| Income tax (expense) benefit | 55 | 13 | (151) | (41) |
| Net earnings | <u>120</u> | <u>3</u> | <u>505</u> | <u>91</u> |
| Less net earnings attributable to the noncontrolling interests | 15 | 9 | 32 | 26 |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ 105</u> | <u>(6)</u> | <u>473</u> | <u>65</u> |

(1) Includes stock-based compensation of \$12 million and \$12 million for the three months ended September 30, 2010 and 2009, respectively, and \$49 million and \$33 million for the nine months ended September 30, 2010 and 2009, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Starz Group

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|---|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Summary balance sheet data: | | |
| Current assets | \$ 1,999 | 1,544 |
| Total assets | \$ 2,736 | 2,198 |
| Long-term debt, including current portion | \$ 99 | 48 |
| Attributed net assets | \$ 2,179 | 2,040 |

| | <u>Three months ended</u> <u>September 30,</u> | | <u>Nine months ended</u> <u>September 30,</u> | |
|---|---|-------------|--|-------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>amounts in millions</u> | | | |
| Summary operations data: | | | | |
| Revenue | \$ 319 | 304 | 937 | 900 |
| Operating expenses | (192) | (174) | (529) | (496) |
| Selling, general and administrative expenses(1) | (43) | (58) | (127) | (164) |
| Depreciation and amortization | (7) | (5) | (16) | (17) |
| Operating income | <u>77</u> | <u>67</u> | <u>265</u> | <u>223</u> |
| Other income (expense), net | 1 | (3) | 1 | (3) |
| Income tax expense | (30) | (36) | (100) | (73) |
| Earnings from continuing operations | <u>48</u> | <u>28</u> | <u>166</u> | <u>147</u> |
| Loss from discontinued operations, net of taxes | — | (26) | — | 85 |
| Net earnings | <u>\$ 48</u> | <u>2</u> | <u>166</u> | <u>232</u> |

- (1) Includes stock-based compensation of \$5 million and \$20 million for the three months ended September 30, 2010 and 2009, respectively, and \$14 million and \$60 million for the nine months ended September 30, 2010 and 2009, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Capital Group

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|--|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Summary balance sheet data: | | |
| Current assets | \$ 2,094 | 4,087 |
| Cost investments | \$ 4,193 | 3,355 |
| Total assets | \$ 7,881 | 9,373 |
| Long-term debt, including current portion | \$ 2,005 | 3,653 |
| Deferred income tax liabilities, including current portion | \$ 1,211 | 2,260 |
| Attributed net assets | \$ 2,016 | 1,275 |

| | <u>Three months ended</u> <u>September 30,</u> | | <u>Nine months ended</u> <u>September 30,</u> | |
|--|---|--------------|--|-------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>amounts in millions</u> | | | |
| Summary operations data: | | | | |
| Revenue | \$ 251 | 171 | 617 | 495 |
| Operating expenses | (157) | (146) | (458) | (381) |
| Selling, general and administrative expenses (1) | (77) | (99) | (258) | (218) |
| Depreciation and amortization | (20) | (20) | (57) | (62) |
| Operating loss | (3) | (94) | (156) | (166) |
| Interest expense | (12) | (29) | (45) | (102) |
| Realized and unrealized gains (losses) on financial instruments, net | 70 | (98) | 125 | (58) |
| Other income (expense), net | (32) | 3 | 25 | 178 |
| Income tax benefit | 3 | 86 | 14 | 57 |
| Net earnings (loss) | <u>26</u> | <u>(132)</u> | <u>(37)</u> | <u>(91)</u> |
| Less net earnings (loss) attributable to the noncontrolling interests | — | — | (3) | — |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ 26</u> | <u>(132)</u> | <u>(34)</u> | <u>(91)</u> |

(1) Includes stock-based compensation of \$8 million and \$3 million for the three months ended September 30, 2010 and 2009, respectively, and \$22 million and \$5 million for the nine months ended September 30, 2010 and 2009, respectively.

BALANCE SHEET INFORMATION
September 30, 2010
(unaudited)

| | Attributed (note 1) | | | Inter-group eliminations | Consolidated Liberty |
|---|----------------------|----------------|------------------|-----------------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | | |
| amounts in millions | | | | | |
| <i>Assets</i> | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 935 | 1,015 | 1,581 | — | 3,531 |
| Trade and other receivables, net | 517 | 230 | 51 | — | 798 |
| Inventory, net | 1,109 | — | — | — | 1,109 |
| Program rights | — | 504 | — | — | 504 |
| Current deferred tax assets | — | 61 | — | (61) | — |
| Other current assets | 84 | 189 | 462 | — | 735 |
| Total current assets | <u>2,645</u> | <u>1,999</u> | <u>2,094</u> | <u>(61)</u> | <u>6,677</u> |
| Investments in available-for-sale securities and other cost investments (note 2) | 336 | 1 | 4,193 | — | 4,530 |
| Investments in affiliates, accounted for using the equity method (note 3) | 933 | — | 94 | — | 1,027 |
| Property and equipment, net | 1,042 | 109 | 144 | — | 1,295 |
| Goodwill | 5,901 | 132 | 200 | — | 6,233 |
| Trademarks | 2,492 | — | — | — | 2,492 |
| Other non-amortizable intangibles | — | — | 153 | — | 153 |
| Intangible assets subject to amortization, net | 2,593 | 21 | 149 | — | 2,763 |
| Other assets, at cost, net of accumulated amortization | 87 | 474 | 854 | — | 1,415 |
| Total assets | <u>\$ 16,029</u> | <u>2,736</u> | <u>7,881</u> | <u>(61)</u> | <u>26,585</u> |
| <i>Liabilities and Equity</i> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 585 | 8 | 9 | — | 602 |
| Accrued liabilities | 631 | 261 | 51 | — | 943 |
| Intergroup payable (receivable) | (15) | (34) | 49 | — | — |
| Financial instruments | 99 | 4 | 1,148 | — | 1,251 |
| Current portion of debt (note 4) | 443 | 34 | — | — | 477 |
| Current deferred tax liabilities | 104 | — | 1,189 | (61) | 1,232 |
| Other current liabilities | 140 | 160 | 249 | — | 549 |
| Total current liabilities | <u>1,987</u> | <u>433</u> | <u>2,695</u> | <u>(61)</u> | <u>5,054</u> |
| Long-term debt (note 4) | 4,972 | 65 | 2,005 | — | 7,042 |
| Deferred income tax liabilities | 2,726 | 9 | 22 | — | 2,757 |
| Other liabilities | 283 | 50 | 1,143 | — | 1,476 |
| Total liabilities | <u>9,968</u> | <u>557</u> | <u>5,865</u> | <u>(61)</u> | <u>16,329</u> |
| Equity/Attributed net assets | 5,952 | 2,179 | 2,016 | — | 10,147 |
| Noncontrolling interests in equity of subsidiaries | 109 | — | — | — | 109 |
| Total liabilities and equity | <u>\$ 16,029</u> | <u>2,736</u> | <u>7,881</u> | <u>(61)</u> | <u>26,585</u> |

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Three months ended September 30, 2010
(unaudited)

| | Attributed (note 1) | | | Consolidated Liberty |
|--|----------------------|----------------|------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | |
| | amounts in millions | | | |
| Revenue: | | | | |
| Net retail sales | \$ 1,968 | — | — | 1,968 |
| Communications and programming services | — | 319 | 251 | 570 |
| | <u>1,968</u> | <u>319</u> | <u>251</u> | <u>2,538</u> |
| Operating costs and expenses: | | | | |
| Cost of sales | 1,254 | — | — | 1,254 |
| Operating | 186 | 192 | 157 | 535 |
| Selling, general and administrative, including stock-based compensation (note 5) | 167 | 43 | 77 | 287 |
| Depreciation and amortization | 141 | 7 | 20 | 168 |
| | <u>1,748</u> | <u>242</u> | <u>254</u> | <u>2,244</u> |
| Operating income (loss) | 220 | 77 | (3) | 294 |
| Other income (expense): | | | | |
| Interest expense | (158) | — | (12) | (170) |
| Share of earnings (loss) of affiliates, net (note 3) | 36 | — | (59) | (23) |
| Realized and unrealized gains (losses) on financial instruments, net | (68) | — | 70 | 2 |
| Loss on dispositions, net | 30 | (2) | — | 28 |
| Other, net | 5 | 3 | 27 | 35 |
| | <u>(155)</u> | <u>1</u> | <u>26</u> | <u>(128)</u> |
| Earnings before income taxes | 65 | 78 | 23 | 166 |
| Income tax (expense) benefit | 55 | (30) | 3 | 28 |
| Net earnings | <u>120</u> | <u>48</u> | <u>26</u> | <u>194</u> |
| Less net earnings attributable to the noncontrolling interests | 15 | — | — | 15 |
| Net earnings attributable to Liberty Media Corporation shareholders | <u>\$ 105</u> | <u>48</u> | <u>26</u> | <u>179</u> |
| Net earnings | <u>\$ 120</u> | <u>48</u> | <u>26</u> | <u>194</u> |
| Other comprehensive earnings (loss), net of taxes: | | | | |
| Foreign currency translation adjustments | 74 | — | — | 74 |
| Unrealized holding gains arising during the period | 34 | — | 3 | 37 |
| Share of other comprehensive earnings of equity affiliates | 8 | — | — | 8 |
| Other, net | 21 | — | — | 21 |
| Other comprehensive earnings | <u>137</u> | <u>—</u> | <u>3</u> | <u>140</u> |
| Comprehensive earnings | <u>257</u> | <u>48</u> | <u>29</u> | <u>334</u> |
| Less comprehensive earnings attributable to the noncontrolling interests | 20 | — | — | 20 |
| Comprehensive earnings attributable to Liberty Media Corporation shareholders | <u>\$ 237</u> | <u>48</u> | <u>29</u> | <u>314</u> |

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Three months ended September 30, 2009

(unaudited)

| | Attributed (note 1) | | | Consolidated Liberty |
|---|----------------------|----------------|------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | |
| | amounts in millions | | | |
| Revenue: | | | | |
| Net retail sales | \$ 1,827 | — | — | 1,827 |
| Communications and programming services | — | 304 | 171 | 475 |
| | <u>1,827</u> | <u>304</u> | <u>171</u> | <u>2,302</u> |
| Operating costs and expenses: | | | | |
| Cost of sales | 1,182 | — | — | 1,182 |
| Operating | 172 | 174 | 146 | 492 |
| Selling, general and administrative, including stock-based compensation (notes 1 and 5) | 140 | 58 | 99 | 297 |
| Depreciation and amortization | 139 | 5 | 20 | 164 |
| | <u>1,633</u> | <u>237</u> | <u>265</u> | <u>2,135</u> |
| Operating income (loss) | 194 | 67 | (94) | 167 |
| Other income (expense): | | | | |
| Interest expense | (147) | (1) | (29) | (177) |
| Intergroup interest income (expense) | (8) | 4 | 4 | — |
| Share of earnings (losses) of affiliates, net | 36 | (4) | (22) | 10 |
| Realized and unrealized losses on financial instruments, net | (67) | (2) | (98) | (167) |
| Gains (losses) on dispositions, net | 3 | 1 | (17) | (13) |
| Other, net | (21) | (1) | 38 | 16 |
| | <u>(204)</u> | <u>(3)</u> | <u>(124)</u> | <u>(331)</u> |
| Earnings (loss) from continuing operations before income taxes | (10) | 64 | (218) | (164) |
| Income tax benefit (expense) (note 6) | 13 | (36) | 86 | 63 |
| Earnings (loss) from continuing operations | 3 | 28 | (132) | (101) |
| Loss from discontinued operations, net of taxes | — | (26) | — | (26) |
| Net earnings (loss) | 3 | 2 | (132) | (127) |
| Less net earnings attributable to the noncontrolling interests | 9 | — | — | 9 |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ (6)</u> | <u>2</u> | <u>(132)</u> | <u>(136)</u> |
| Net earnings (loss) | <u>\$ 3</u> | <u>2</u> | <u>(132)</u> | <u>(127)</u> |
| Other comprehensive earnings, net of taxes: | | | | |
| Foreign currency translation adjustments | 41 | (6) | 1 | 36 |
| Unrealized holding gains (losses) arising during the period | 143 | 8 | 20 | 171 |
| Recognition of previously unrealized gains on available-for-sale securities, net | (1) | — | (1) | (2) |
| Share of other comprehensive loss of equity affiliates | — | (1) | — | (1) |
| Other comprehensive earnings from discontinued operations | — | 20 | — | 20 |
| Other | (3) | — | — | (3) |
| Other comprehensive earnings | <u>180</u> | <u>21</u> | <u>20</u> | <u>221</u> |
| Comprehensive earnings (loss) | 183 | 23 | (112) | 94 |
| Less comprehensive earnings attributable to the noncontrolling interests | 17 | — | — | 17 |
| Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ 166</u> | <u>23</u> | <u>(112)</u> | <u>77</u> |

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION
Nine months ended September 30, 2010
(unaudited)

| | Attributed (note 1) | | | Consolidated Liberty |
|--|----------------------|----------------|------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | |
| | amounts in millions | | | |
| Revenue: | | | | |
| Net retail sales | \$ 6,046 | — | — | 6,046 |
| Communications and programming services | — | 937 | 617 | 1,554 |
| | <u>6,046</u> | <u>937</u> | <u>617</u> | <u>7,600</u> |
| Operating costs and expenses: | | | | |
| Cost of sales | 3,832 | — | — | 3,832 |
| Operating | 562 | 529 | 458 | 1,549 |
| Selling, general and administrative including stock-based compensation (notes 1 and 5) | 519 | 127 | 258 | 904 |
| Depreciation and amortization | 421 | 16 | 57 | 494 |
| | <u>5,334</u> | <u>672</u> | <u>773</u> | <u>6,779</u> |
| Operating income (loss) | 712 | 265 | (156) | 821 |
| Other income (expense): | | | | |
| Interest expense | (468) | (1) | (45) | (514) |
| Intergroup interest income (expense) | (3) | 2 | 1 | — |
| Share of earnings (losses) of affiliates, net | 95 | — | (70) | 25 |
| Realized and unrealized gains (losses) on financial instruments, net | (36) | (1) | 125 | 88 |
| Gains (losses) on dispositions, net | 394 | (2) | 24 | 416 |
| Other, net | (38) | 3 | 70 | 35 |
| | <u>(56)</u> | <u>1</u> | <u>105</u> | <u>50</u> |
| Earnings (loss) before income taxes | 656 | 266 | (51) | 871 |
| Income tax (expense) benefit (note 6) | (151) | (100) | 14 | (237) |
| Net earnings (loss) | 505 | 166 | (37) | 634 |
| Less net earnings (loss) attributable to the noncontrolling interests | 32 | — | (3) | 29 |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders | \$ 473 | 166 | (34) | 605 |
| Net earnings (loss) | <u>\$ 505</u> | <u>166</u> | <u>(37)</u> | <u>634</u> |
| Other comprehensive earnings (loss), net of taxes: | | | | |
| Foreign currency translation adjustments | (28) | — | — | (28) |
| Unrealized holding gains (loss) arising during the period | 63 | — | (28) | 35 |
| | <u>(113)</u> | <u>—</u> | <u>(13)</u> | <u>(126)</u> |
| Recognition of previously unrealized gains on available-for-sale securities, net | 7 | — | — | 7 |
| Share of other comprehensive earnings of equity affiliates | (30) | — | 30 | — |
| Reattribution of other comprehensive earnings between tracking stocks | 46 | — | — | 46 |
| Other | (55) | — | (11) | (66) |
| Other comprehensive loss | <u>(55)</u> | <u>—</u> | <u>(11)</u> | <u>(66)</u> |
| Comprehensive earnings (loss) | 450 | 166 | (48) | 568 |
| Less comprehensive earnings (loss) attributable to the noncontrolling interests | 43 | — | (3) | 40 |
| Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ 407</u> | <u>166</u> | <u>(45)</u> | <u>528</u> |

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Nine months ended September 30, 2009
(unaudited)

| | Attributed (note 1) | | | Consolidated Liberty |
|---|----------------------|----------------|------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | |
| | amounts in millions | | | |
| Revenue: | | | | |
| Net retail sales | \$ 5,594 | — | — | 5,594 |
| Communications and programming services | — | 900 | 495 | 1,395 |
| | <u>5,594</u> | <u>900</u> | <u>495</u> | <u>6,989</u> |
| Operating costs and expenses: | | | | |
| Cost of sales | 3,573 | — | — | 3,573 |
| Operating | 519 | 496 | 381 | 1,396 |
| Selling, general and administrative including stock-based compensation (notes 1 and 5) | 437 | 164 | 218 | 819 |
| Depreciation and amortization | 421 | 17 | 62 | 500 |
| | <u>4,950</u> | <u>677</u> | <u>661</u> | <u>6,288</u> |
| Operating income (loss) | 644 | 223 | (166) | 701 |
| Other income (expense): | | | | |
| Interest expense | (353) | (2) | (102) | (457) |
| Intergroup interest income (expense) | (10) | 5 | 5 | — |
| Share of losses of affiliates, net | (47) | (8) | (26) | (81) |
| Realized and unrealized gains (losses) on financial instruments, net | (114) | 7 | (58) | (165) |
| Gains on dispositions, net | — | 2 | 96 | 98 |
| Other, net | 12 | (7) | 103 | 108 |
| | <u>(512)</u> | <u>(3)</u> | <u>18</u> | <u>(497)</u> |
| Earnings (loss) from continuing operations before income taxes | 132 | 220 | (148) | 204 |
| Income tax benefit (expense) (note 6) | (41) | (73) | 57 | (57) |
| Earnings (loss) from continuing operations | 91 | 147 | (91) | 147 |
| Earnings from discontinued operations, net of taxes | — | 85 | — | 85 |
| Net earnings (loss) | 91 | 232 | (91) | 232 |
| Less net earnings attributable to the noncontrolling interests | 26 | — | — | 26 |
| Net earnings (loss) attributable to Liberty Media Corporation shareholders | \$ 65 | 232 | (91) | 206 |
| Net earnings (loss) | <u>\$ 91</u> | <u>232</u> | <u>(91)</u> | <u>232</u> |
| Other comprehensive earnings (loss), net of taxes: | | | | |
| Foreign currency translation adjustments | 21 | — | 2 | 23 |
| Unrealized holding gains arising during the period | 151 | 6 | 33 | 190 |
| Recognition of previously unrealized (gains) losses on available-for-sale securities, net | — | 1 | (1) | — |
| Share of other comprehensive loss of equity affiliates | (5) | (6) | — | (11) |
| Other comprehensive earnings from discontinued operations | — | 14 | — | 14 |
| Other | 34 | — | — | 34 |
| Other comprehensive earnings | <u>201</u> | <u>15</u> | <u>34</u> | <u>250</u> |
| Comprehensive earnings (loss) | 292 | 247 | (57) | 482 |
| Less comprehensive earnings attributable to the noncontrolling interests | 24 | — | — | 24 |
| Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders | <u>\$ 268</u> | <u>247</u> | <u>(57)</u> | <u>458</u> |

STATEMENT OF CASH FLOWS INFORMATION
Nine months ended September 30, 2010
(unaudited)

| | Attributed (note 1) | | | Consolidated Liberty |
|--|----------------------|----------------|------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | |
| | amounts in millions | | | |
| Cash flows from operating activities: | | | | |
| Net earnings (loss) | \$ 505 | 166 | (37) | 634 |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 421 | 16 | 57 | 494 |
| Stock-based compensation | 49 | 14 | 22 | 85 |
| Cash payments for stock based compensation | (20) | (34) | (3) | (57) |
| Noncash interest expense | 86 | — | 1 | 87 |
| Share of losses (earnings) of affiliates, net | (95) | — | 70 | (25) |
| Cash receipts from return on equity investments | 14 | — | — | 14 |
| Realized and unrealized gains (losses) on financial instruments, net | 36 | 1 | (125) | (88) |
| (Gains) losses on disposition of assets, net | (394) | 2 | (24) | (416) |
| Intergroup tax allocation | 41 | 89 | (130) | — |
| Intergroup tax payments | (194) | 23 | 171 | — |
| Deferred income tax expense | 56 | 10 | 39 | 105 |
| Other noncash charges, net | 23 | 19 | 121 | 163 |
| Changes in operating assets and liabilities | | | | |
| Current and other assets | 570 | (70) | (52) | 448 |
| Payables and other current liabilities | (147) | (38) | 112 | (73) |
| Net cash provided by operating activities | 951 | 198 | 222 | 1,371 |
| Cash flows from investing activities: | | | | |
| Cash proceeds from dispositions | 459 | 30 | 29 | 518 |
| Proceeds (payments) related to settlement of financial instruments | (31) | — | 750 | 719 |
| Investments in and loans to cost and equity investees | — | — | (288) | (288) |
| Repayment of loan by equity investee | — | — | 101 | 101 |
| Capital expended for property and equipment | (176) | (2) | (8) | (186) |
| Net purchases of short term investments | — | (149) | (278) | (427) |
| Net (increase) decrease in restricted cash | 1 | (20) | (13) | (32) |
| Reattribution of cash | 807 | 36 | (843) | — |
| Other investing activities, net | (46) | — | (7) | (53) |
| Net cash provided (used) by investing activities | 1,014 | (105) | (557) | 352 |
| Cash flows from financing activities: | | | | |
| Borrowings of debt | 2,999 | — | 97 | 3,096 |
| Repayments of debt | (4,518) | (3) | (1,015) | (5,536) |
| Intergroup debt borrowings/(repayments) | (316) | 158 | 158 | — |
| Repurchases of Liberty common stock | — | (40) | (587) | (627) |
| Other financing activities, net | (88) | 13 | 106 | 31 |
| Net cash provided (used) by financing activities | (1,923) | 128 | (1,241) | (3,036) |
| Effect of foreign currency rates on cash | 9 | — | — | 9 |
| Net increase (decrease) in cash and cash equivalents | 51 | 221 | (1,576) | (1,304) |
| Cash and cash equivalents at beginning of period | 884 | 794 | 3,157 | 4,835 |
| Cash and cash equivalents at end period | \$ 935 | 1,015 | 1,581 | 3,531 |

STATEMENT OF CASH FLOWS INFORMATION
Nine months ended September 30, 2009
(unaudited)

| | Attributed (note 1) | | | Consolidated Liberty |
|--|----------------------|----------------|------------------|-------------------------|
| | Interactive Group | Starz Group | Capital Group | |
| | amounts in millions | | | |
| Cash flows from operating activities: | | | | |
| Net earnings (loss) | \$ 91 | 232 | (91) | 232 |
| Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: | | | | |
| Earnings from discontinued operations | — | (85) | — | (85) |
| Depreciation and amortization | 421 | 17 | 62 | 500 |
| Stock-based compensation | 33 | 60 | 5 | 98 |
| Cash payments for stock based compensation | (9) | (2) | — | (11) |
| Noncash interest expense | 63 | 52 | — | 115 |
| Share of losses of affiliates, net | 47 | 8 | 26 | 81 |
| Realized and unrealized losses on financial instruments, net | 114 | (7) | 58 | 165 |
| Gains on disposition of assets, net | — | (2) | (96) | (98) |
| Intergroup tax allocation | 116 | 80 | (196) | — |
| Intergroup tax payments | (168) | (121) | 289 | — |
| Other intergroup cash transfers, net | — | (53) | 53 | — |
| Deferred income tax benefit | (162) | (10) | (1) | (173) |
| Other noncash charges (credits), net | (7) | (44) | 41 | (10) |
| Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions: | | | | |
| Current and other assets | 183 | (71) | 35 | 147 |
| Payables and other current liabilities | (23) | (78) | 54 | (47) |
| Net cash provided by operating activities | 699 | (24) | 239 | 914 |
| Cash flows from investing activities: | | | | |
| Cash proceeds from dispositions | 82 | 2 | 206 | 290 |
| Proceeds from settlement of financial instruments | 7 | 21 | 1,067 | 1,095 |
| Investments in and loans to cost and equity investees | (23) | — | (705) | (728) |
| Repayment of loan by equity investee | — | — | 409 | 409 |
| Capital expended for property and equipment | (132) | (6) | (10) | (148) |
| Net sales of short term investments | — | — | 58 | 58 |
| Net decrease (increase) in restricted cash | (13) | 1 | 75 | 63 |
| Other investing activities, net | (13) | (1) | (26) | (40) |
| Net cash provided by (used in) investing activities | (92) | 17 | 1,074 | 999 |
| Cash flows from financing activities: | | | | |
| Borrowings of debt | 1,124 | — | 1,970 | 3,094 |
| Intergroup debt borrowings | 510 | (255) | (255) | — |
| Repayments of debt | (2,128) | (2) | (1,785) | (3,915) |
| Repurchases of Liberty common stock | — | — | (3) | (3) |
| Other financing activities, net | (124) | 49 | 187 | 112 |
| Net cash provided by (used in) financing activities | (618) | (208) | 114 | (712) |
| Effect of foreign currency rates on cash | (5) | (8) | — | (13) |
| Net cash provided by discontinued operations | | | | |
| Cash provided by operating activities | — | 156 | — | 156 |
| Cash used by investing activities | — | (17) | — | (17) |
| Cash used by financing activities | — | (146) | — | (146) |
| Change in available cash held by discontinued operations | — | 38 | — | 38 |
| Net cash provided by discontinued operations | — | 31 | — | 31 |
| Net increase (decrease) in cash and cash equivalents | (16) | (192) | 1,427 | 1,219 |
| Cash and cash equivalents at beginning of period | 832 | 732 | 1,496 | 3,060 |
| Cash and cash equivalents at end period | \$ 816 | 540 | 2,923 | 4,279 |

Notes to Attributed Financial Information

(unaudited)

- (1) The assets attributed to our Interactive Group include our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc., and our interests in IAC/InterActiveCorp, GSI Commerce, Inc., Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. Accordingly, the accompanying attributed financial information for the Interactive Group includes our investments in IAC/InterActiveCorp, Expedia, GSI, HSN, Interval and Lending Tree, as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide, Backcountry, Bodybuilding and BuySeasons. We have also attributed certain of our debt obligations (and related interest expense) to the Interactive Group based upon a number of factors, including the cash flow available to the Interactive Group and its ability to pay debt service and our assessment of the optimal capitalization for the Interactive Group. The specific debt obligations attributed to each of the Interactive Group, the Starz Group and the Capital Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the Interactive Group, the Starz Group and the Capital Group as described in note 5 below.

The Interactive Group focuses on video and on-line commerce businesses. Accordingly, we expect that businesses that we may acquire in the future that we believe are complementary to this strategy will also be attributed to the Interactive Group.

The Starz Group consists primarily of our subsidiary Starz Entertainment, LLC and approximately \$635 million of corporate cash. Accordingly, the accompanying attributed financial information for the Starz Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. As discussed below, Starz Media, LLC ("Starz Media") is attributed to the Starz Group as of September 30, 2010 and the results of Starz Media will be reflected prospectively in the Starz Group.

The Starz Group focuses primarily on video programming. Accordingly, we expect that businesses we may acquire in the future that we believe are complementary to this strategy will also be attributed to the Starz Group.

The Capital Group consists of all of our businesses not included in the Interactive Group or the Starz Group, including our consolidated subsidiaries Starz Media through September 30, 2010, Atlanta National League Baseball Club, Inc., TruePosition, Inc. and certain cost and equity investments. Accordingly, the accompanying attributed financial information for the Capital Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. In addition, we have attributed to the Capital Group all of our notes and debentures (and related interest expense) that have not been attributed to the Interactive Group or the Starz Group. See note 4 below for the debt obligations attributed to the Capital Group.

Any businesses that we may acquire in the future that are not attributed to the Interactive Group or the Starz Group will be attributed to the Capital Group.

While we believe the allocation methodology described above is reasonable and fair to each group, we may elect to change the allocation methodology in the future. In the event we elect to transfer assets or businesses from one group to the other, such transfer would be made on a fair value basis and would be accounted for as a short-term loan unless our board of directors determines to account for it as a long-term loan or through an inter-group interest.

Notes to Attributed Financial Information (Continued)

(unaudited)

On February 25, 2010, Liberty announced that its board of directors had resolved to effect the following changes in attribution between the Capital Group and the Interactive Group, effective immediately (the "February Reattribution"):

- the change in attribution from the Interactive Group to the Capital Group of Liberty's 14.6% ownership interest in Live Nation Entertainment, Inc.;
- the change in attribution from the Capital Group to the Interactive Group of the following debt securities:
 - \$469 million in principal amount of 4% Exchangeable Senior Debentures due 2029 (the "2029 Exchangeables");
 - \$460 million in principal amount of 3.75% Exchangeable Senior Debentures due 2030 (the "2030 Exchangeables"); and
 - \$492 million in principal amount of 3.5% Exchangeable Senior Debentures due 2031 (the "2031 Exchangeables", and together with the 2029 Exchangeables and the 2030 Exchangeables, the "Exchangeable Notes");
- the change in attribution from the Capital Group to the Interactive Group of approximately \$830 million in net taxable income to be recognized ratably in tax years 2014 through 2018 as a result of the cancellation in April 2009 of \$400 million in principal amount of 2029 Exchangeables and \$350 million in principal amount of 2030 Exchangeables; and
- the change in attribution from the Capital Group to the Interactive Group of \$807 million in cash.

Liberty has accounted for the February Reattribution prospectively. This change in attribution had no effect on the balance sheet and results of operations attributed to the Starz Group.

The reattribution between the groups resulted in the following impact to attributed net assets:

| | Interactive Group increase (decrease) | Capital Group increase (decrease) |
|--|--|--|
| | amounts in millions | |
| Assets: | | |
| Cash | \$ 807 | (807) |
| Investment in available-for-sale securities | <u>(307)</u> | <u>307</u> |
| Net increase (decrease) to assets | 500 | (500) |
| Liabilities (including accumulated other comprehensive earnings): | | |
| Exchangeable senior debentures (including accrued interest) | 767 | (767) |
| Deferred tax liabilities | 1,048 | (1,048) |
| Accumulated other comprehensive earnings | <u>(30)</u> | <u>30</u> |
| Net increase (decrease) to liabilities | 1,785 | (1,785) |
| Impact to attributed net assets | <u>\$ (1,285)</u> | <u>1,285</u> |

The assets and liabilities were reattributed at their book values versus the estimated fair values of those assets and liabilities that were considered by our board of directors, among other factors, in approving the reattribution. As a result, on a book value basis there is a transfer of net assets between the tracking stocks of \$1,285 million. The principal reasons for the difference between fair

Notes to Attributed Financial Information (Continued)

(unaudited)

value and book value is (i) the deferred tax liabilities under GAAP are required to be carried at the gross undiscounted basis difference multiplied by the company's effective tax rate whereas on a fair value basis, these future tax liabilities are not expected to be incurred for many years and therefore their present discounted value is substantially less, and (ii) the senior exchangeables are expected to continue to generate interest deductions for tax purposes in excess of the annual cash coupon over their remaining life, the present value of which is not reflected in the book values of the reattributed assets and liabilities.

On September 16, 2010, Liberty Media's board of directors approved a change in attribution of Liberty Media's interest in Starz Media, LLC along with \$15 million in cash from its Capital Group to its Starz Group, effective September 30, 2010 (the "Starz Media Reattribution"). As a result of the Starz Media Reattribution, an intergroup payable of approximately \$54.9 million owed by Liberty Media's Capital Group to its Starz Group has been extinguished, and its Starz Group has become attributed with approximately \$53.7 million in bank debt, interest rate swaps, and any shutdown costs associated with the winding down of the Overture Films business. Notwithstanding the Starz Media Reattribution, the board determined that certain tax benefits relating to the operation of the Starz Media, LLC business by Liberty Media's Capital Group that may be realized from any future sale or other disposition of that business by Liberty Media's Starz Group will remain attributed to its Capital Group.

Liberty has accounted for the Starz Media Reattribution prospectively. This change in attribution has no impact on the balance sheet and results of operations attributed to the Interactive Group.

The assets and liabilities were attributed at their book values versus the estimated fair values of those assets and liabilities that were considered by our board of directors, among other factors, in approving the reattribution. As a result, on a book value basis there is a transfer of net assets between the tracking stock groups of \$54 million from the Capital Group to the Starz Group.

During the second quarter of 2009, each of the Starz Group and the Capital Group made intergroup loans to the Interactive Group in the amount of \$250 million. Such loans (i) are secured by various public stocks attributed to the Interactive Group, (ii) accrue interest quarterly at the rate of LIBOR plus 500 basis points and (iii) are due June 16, 2010. In the first quarter of 2010, the Interactive Group repaid the remaining balance of the intergroup loans by making payments of \$158 million to each of the Starz Group and the Capital Group.

During the second quarter of 2010, Liberty announced that its board of directors has authorized its management to proceed with a plan to separate its Liberty Capital and Liberty Starz tracking stock groups from its Liberty Interactive tracking stock group.

The proposed split-off will be effected by the redemption of all the outstanding shares of Liberty Capital tracking stock and Liberty Starz tracking stock in exchange for shares in a newly formed company ("Splitco"). Splitco will hold substantially all the assets and be subject to substantially all the liabilities currently attributed to the Liberty Capital and Liberty Starz tracking stock groups, other than a to-be-determined amount of cash, exchangeable debt in the principal amount of \$1.1 billion and the stock into which such debt is exchangeable which will be reattributed from Liberty Capital to Liberty Entertainment prior to the completion of the proposed split-off. The common stock of Splitco will be divided into two tracking stock groups, one tracking assets that are currently attributed to the Liberty Capital group ("Splitco Capital") and the other tracking assets that are currently attributed to the Liberty Starz group ("Splitco Starz"). In the redemption, holders of Liberty Capital tracking stock will receive shares of Splitco Capital tracking stock and

Notes to Attributed Financial Information (Continued)

(unaudited)

holders of Liberty Starz tracking stock will receive shares of Splitco Starz tracking stock. After the redemption, Splitco and Liberty will be separate public companies.

The proposed split-off is intended to be tax-free to stockholders of Liberty and its completion will be subject to various conditions including the receipt of IRS private letter rulings, the opinions of tax counsel and required governmental approvals. The redemption that is necessary to effect the proposed split-off will require the affirmative vote of (i) a majority of the voting power of the outstanding shares of Liberty Capital tracking stock and (ii) a majority of the voting power of the outstanding shares of Liberty Starz tracking stock at a meeting called to consider the redemption. On August 6, 2010, Liberty announced that it had filed suit in the Delaware Court of Chancery against the trustee under the indenture governing the public indebtedness issued by the Company's subsidiary, Liberty Media LLC. The lawsuit was filed in response to allegations made by a law firm purporting to represent a holder with a large position in this public indebtedness. The lawsuit seeks a declaratory judgment by the court that the proposed split-off will not constitute a disposition of "all or substantially all" of the assets of Liberty Media LLC, as those terms are used in the indenture, as well as related injunctive relief. Resolution of the subject matter of this lawsuit is a condition to Liberty completing the proposed split-off. Subject to the satisfaction of the conditions described above, Liberty intends to complete the proposed split-off in the first half of 2011.

Notes to Attributed Financial Information (Continued)

(unaudited)

- (2) Investments in available-for-sale securities, including non-strategic securities, and other cost investments are summarized as follows:

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|--|-------------------------------------|------------------------------------|
| | <u>amounts in millions</u> | |
| Capital Group | | |
| Time Warner Inc.(a) | \$ 1,049 | 997 |
| Time Warner Cable Inc.(a) | 464 | 356 |
| Sprint Nextel Corporation(a) | 329 | 260 |
| Motorola, Inc.(a) | 443 | 403 |
| Viacom, Inc. | 275 | 226 |
| Live Nation Entertainment, Inc.(b) | 270 | — |
| CenturyLink, Inc.(a) | 212 | 195 |
| Other available-for-sale equity securities(a) | 287 | 220 |
| SIRIUS XM debt securities(c) | 422 | 300 |
| Other available-for-sale debt securities | 433 | 376 |
| Other cost investments and related receivables | 9 | 22 |
| Total attributed Capital Group | <u>4,193</u> | <u>3,355</u> |
| Interactive Group | | |
| IAC/InterActiveCorp(d) | 336 | 492 |
| Other(e) | — | 242 |
| Total attributed Interactive Group | <u>336</u> | <u>734</u> |
| Starz Group | | |
| Other | 1 | 31 |
| Total attributed Starz Group | <u>1</u> | <u>31</u> |
| Consolidated Liberty | <u>\$ 4,530</u> | <u>4,120</u> |

- (a) Includes shares pledged as collateral for share borrowing arrangements.

- (b) On January 25, 2010, Live Nation, Inc. and Ticketmaster Entertainment, Inc. completed a merger transaction. Liberty owned approximately 29% of the outstanding common stock of Ticketmaster and received 1.474 shares of Live Nation Entertainment, Inc. for each share of Ticketmaster. As a result of the merger Liberty now owns approximately 15% of combined entity and accounts for the new investment as an AFS security. Liberty recorded the transaction at fair value and recorded a \$178 million gain. At the time of the merger that investment was attributed to the Interactive Group. As a result of the reattribution the Live Nation investment is attributed to the Capital Group.

- (c) During the six months ended June 30, 2010 Liberty acquired \$150 million of SIRIUS XM 8.75% bonds due April 15, 2015 at par and SIRIUS XM repurchased and retired certain public bonds of which Liberty owned approximately \$55 million of principal amounts. Proceeds from the repurchase were approximately \$58 million.

- (d) During the three months ended March 31, 2010, Liberty sold approximately 3.7 million shares of IAC in the open market for cash proceeds of approximately \$77 million. Liberty also physically settled a derivative by delivering 7.5 million shares of IAC for proceeds of \$153 million. The

Notes to Attributed Financial Information (Continued)

(unaudited)

combined gain on the disposition of IAC shares recorded in gains (losses) on dispositions, net was \$53 million.

(e) During the three months ended March 31, 2010, QVC sold its investment in GSI Commerce for aggregate cash proceeds of \$220 million. QVC recognized a \$132 million gain on the sale.

(3) The following table presents information regarding certain equity method investments:

| | September 30, 2010 | | | Share of earnings (losses) nine months ended | |
|-------------------|----------------------|----------------|--------------|--|---------|
| | Percentage ownership | Carrying value | Market value | September 30, | |
| | | | | 2010 | 2009 |
| | | | | | |
| Interactive Group | | | | | |
| Expedia | 25% | \$ 698 | \$ 1,954 | \$ 85 | \$ 47 |
| Capital Group | | | | | |
| SIRIUS XM(a) | 40% | \$ — | \$ 3,111 | \$ (51) | \$ (14) |

(a) When Liberty applied its initial equity method accounting on the SIRIUS XM investment, Liberty's basis in the investment was different than the underlying equity in the net assets of SIRIUS XM. As a result, Liberty established an excess basis account and allocated the differences to certain fair value adjustments to the outstanding debt (at the time of our initial investment) and certain intangible assets. Even though SIRIUS XM had net income during the current year the amortization of the excess basis resulted in Liberty recording share of losses. In the third quarter of 2010 these share of losses were accelerated as SIRIUS XM refinanced certain debt which had an associated discount recorded in Liberty's excess basis account. As SIRIUS XM repays certain debt issuances where Liberty has established debt discounts, the extinguishment typically results in a loss on the retirement of Liberty's excess basis account. Liberty has suspended taking losses of our basis in SIRIUS XM below zero as Liberty does not have any funding commitments.

Notes to Attributed Financial Information (Continued)

(unaudited)

- (4) Debt attributed to the Interactive Group, the Starz Group and the Capital Group is comprised of the following:

| | September 30, 2010 | |
|--|--------------------------|-------------------|
| | Outstanding principal | Carrying value |
| | amounts in millions | |
| Capital Group | | |
| 3.125% Exchangeable Senior Debentures due 2023 | \$ 1,138 | 1,255 |
| Liberty bank facility | 750 | 750 |
| Total attributed Capital Group debt | <u>1,888</u> | <u>2,005</u> |
| Interactive Group | | |
| 5.7% Senior Notes due 2013 | 324 | 323 |
| 8.5% Senior Debentures due 2029 | 287 | 284 |
| 8.25% Senior Debentures due 2030 | 504 | 501 |
| 4% Exchangeable Senior Debentures due 2029 | 469 | 249 |
| 3.75% Exchangeable Senior Debentures due 2030 | 460 | 247 |
| 3.5% Exchangeable Senior Debentures due 2031 | 490 | 319 |
| 3.25% Exchangeable Senior Debentures due 2031 | 541 | 351 |
| QVC 7.125% Senior Secured Notes due 2017 | 500 | 500 |
| QVC 7.5% Senior Secured Notes due 2019 | 1,000 | 984 |
| QVC 7.375% Senior Secured Notes due 2020 | 500 | 500 |
| QVC bank credit facilities | 1,080 | 1,080 |
| Other subsidiary debt | 77 | 77 |
| Total attributed Interactive Group debt | <u>6,232</u> | <u>5,415</u> |
| Starz Group | | |
| Subsidiary debt | 99 | 99 |
| Total attributed Starz Group debt | <u>99</u> | <u>99</u> |
| Total debt | <u>\$ 8,219</u> | <u>7,519</u> |

- (5) Cash compensation expense for our corporate employees has been allocated among the Interactive Group, the Starz Group and the Capital Group based on the estimated percentage of time spent providing services for each group. Stock compensation is allocated directly to the tracking stock groups based on the underlying stock of the options or other equity awards. Other general and administrative expenses are charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the Capital Group to the Interactive Group and the Starz Group, including stock-based compensation, are as follows:

| | Nine months ended September 30, | |
|-------------------|---------------------------------------|------|
| | 2010 | 2009 |
| | amounts in millions | |
| Interactive Group | \$ 37 | 18 |
| Starz Group | \$ 14 | 49 |

Notes to Attributed Financial Information (Continued)

(unaudited)

While we believe that this allocation method is reasonable and fair to each group, we may elect to change the allocation methodology or percentages used to allocate general and administrative expenses in the future.

- (6) We have accounted for income taxes for the Interactive Group, the Starz Group and the Capital Group in the accompanying attributed financial information in a manner similar to a stand-alone company basis. To the extent this methodology differs from our tax sharing policy, differences have been reflected in the attributed net assets of the groups.
- (7) The Liberty Interactive common stock, the Liberty Starz common stock and the Liberty Capital common stock have voting and conversion rights under our amended charter. Following is a summary of those rights. Holders of Series A common stock of each group are entitled to one vote per share and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, will be entitled to 1/100th of a vote per share in certain limited cases and will otherwise not be entitled to vote. In general, holders of Series A and Series B common stock vote as a single class. In certain limited circumstances, the board may elect to seek the approval of only the holders of common stock related to our Interactive Group, our Starz Group or our Capital Group.

At the option of the holder, each share of Series B common stock is convertible into one share of Series A common stock of the same group. At the discretion of our board, the common stock related to one group may be converted into common stock of the same series that is related to one of our other groups.

QuickLinks

[Exhibit 99.1](#)

[BALANCE SHEET INFORMATION September 30, 2010 \(unaudited\)](#)

[STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION Nine months ended September 30, 2010 \(unaudited\)](#)

[STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS \(LOSS\) INFORMATION Nine months ended September 30, 2009 \(unaudited\)](#)

[STATEMENT OF CASH FLOWS INFORMATION Nine months ended September 30, 2010 \(unaudited\)](#)

[STATEMENT OF CASH FLOWS INFORMATION Nine months ended September 30, 2009 \(unaudited\)](#)

[Notes to Attributed Financial Information \(unaudited\)](#)

Liberty Media Corporation
Reconciliation of Liberty Media Corporation ("LMC") Net Assets and
Net Earnings to Liberty Media LLC ("LM LLC") Net Assets and Net Earnings

September 30, 2010 (unaudited)
amounts in millions

| | |
|--|------------------|
| Liberty Media Corporation Net Assets | \$ 10,256 |
| Reconciling items: | |
| LMC put option obligations | 47 |
| Liberty Media LLC Net Assets | <u>\$ 10,303</u> |
| Liberty Media Corporation Net Earnings | \$ 634 |
| Reconciling items: | |
| Unrealized gains on LMC put options | (50) |
| Other | 1 |
| Liberty Media LLC Net Earnings | <u>\$ 585</u> |

QuickLinks

[Exhibit 99.2](#)