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

FORM 10-Q

<Table>
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/X/	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
	FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006
	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 000-51990

</Table>

LIBERTY MEDIA CORPORATION
(Exact name of Registrant as specified in its charter)

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STATE OF DELAWARE	84-1288730
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12300 LIBERTY BOULEVARD ENGLEWOOD, COLORADO	80112
(Address of principal executive offices)	(Zip Code)

</Table>

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 /X/ No / /

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer as defined in Rule 12b-2 of the Exchange Act.

<Table>
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Large accelerated filer /X/	Accelerated filer / /	Non-accelerated filer / /

</Table>

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

The number of outstanding shares of Liberty Media Corporation's common stock as of October 31, 2006 was:

Liberty Capital Series A common stock 134,449,648 shares;
Liberty Capital Series B common stock 6,019,680 shares;
Liberty Interactive Series A common stock 627,912,747 shares; and
Liberty Interactive Series B common stock 30,007,839 shares.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

<Table>
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	SEPTEMBER 30, 2006	DECEMBER 31, 2005

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	AMOUNTS IN MILLIONS	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,597	1,946
Trade and other receivables, net	1,188	1,106
Inventory, net	905	719
Program rights	559	599
Derivative instruments (note 10)	228	661
Other current assets	234	129
Total current assets	5,711	5,160
Investments in available-for-sale securities and other cost investments, including $1,877 million and $1,581 million pledged as collateral for share borrowing arrangements (note 8)	20,262	18,497
Long-term derivative instruments (note 10)	1,306	1,123
Investments in affiliates, accounted for using the equity method	1,825	1,908
Property and equipment, at cost	1,935	1,726
Accumulated depreciation	(665)	(595)
	1,270	1,131
Intangible assets not subject to amortization:		
Goodwill (note 9)	7,796	6,953
Trademarks	2,466	2,385
	10,262	9,338
Intangible assets subject to amortization, net	4,036	4,028
Other assets, at cost, net of accumulated amortization	950	767
Total assets	$45,622	41,952

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(UNAUDITED)

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	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	AMOUNTS IN MILLIONS	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 595	516
Accrued liabilities	1,145	1,150
Derivative instruments (note 10)	1,880	1,939
Current portion of debt (note 11)	19	1,379
Other current liabilities	174	302
Total current liabilities	3,813	5,286
Long-term debt (note 11)	8,933	6,371
Long-term derivative instruments (note 10)	1,147	1,087
Deferred income tax liabilities	9,669	8,728
Other liabilities	1,386	1,070
Total liabilities	24,948	22,542
Minority interests in equity of subsidiaries	288	290
Stockholders' equity (note 12):		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	--	--
Liberty Capital Series A common stock, $.01 par value. Authorized 400,000,000 shares; issued and outstanding 134,449,589 shares at September 30, 2006	1	--
Liberty Capital Series B common stock, $.01 par value. Authorized 25,000,000 shares; issued and outstanding		

6,019,685 shares at September 30, 2006	--	--
Liberty Interactive Series A common stock, $.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 632,915,513 shares at September 30, 2006	6	--
Liberty Interactive Series B common stock, $.01 par value. Authorized 125,000,000 shares; issued and outstanding 30,051,821 shares at September 30, 2006	--	--
Series A common stock, $.01 par value. Issued and outstanding 2,681,745,985 shares at December 31, 2005	--	27
Series B common stock, $.01 par value. Issued 131,062,825 shares at December 31, 2005	--	1
Additional paid-in-capital	28,327	29,074
Accumulated other comprehensive earnings, net of taxes	4,815	3,421
Accumulated deficit	(12,763)	(13,278)
	20,386	19,245
Series B common stock held in treasury, at cost (10,000,000 shares at December 31, 2005)	--	(125)
Total stockholders' equity	20,386	19,120
Commitments and contingencies (note 13)		
Total liabilities and stockholders' equity	$ 45,622	41,952

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS			
<S>	<C>	<C>	<C>	<C>
Revenue:				
Net sales from electronic retailing	$1,693	1,475	5,016	4,418
Communications and programming services	410	375	1,177	1,092
	2,103	1,850	6,193	5,510
Operating costs and expenses:				
Cost of sales--electronic retailing services	1,063	942	3,117	2,778
Operating	427	399	1,241	1,155
Selling, general and administrative, including stock-based compensation (note 4)	215	168	644	523
Depreciation and amortization	169	163	502	487
	1,874	1,672	5,504	4,943
Operating income	229	178	689	567
Other income (expense):				
Interest expense	(177)	(149)	(485)	(444)
Dividend and interest income	72	56	169	121
Share of earnings of affiliates, net	3	4	32	15
Realized and unrealized gains (losses) on financial instruments, net (note 11)	(73)	(332)	96	148
Gains (losses) on dispositions of assets, net	25	1	352	(360)
Nontemporary declines in fair value of investments	(4)	(68)	(4)	(68)
Other, net	--	(5)	13	(35)
	(154)	(493)	173	(623)
Earnings (loss) from continuing operations before income taxes and minority interests	75	(315)	862	(56)
Income tax benefit (expense)	(9)	233	(245)	110
Minority interests in earnings of subsidiaries	(3)	(5)	(13)	(28)
Earnings (loss) from continuing operations	63	(87)	604	26
Earnings (loss) from discontinued operations, net of taxes (note 7)	--	(7)	--	27
Cumulative effect of accounting change, net of taxes				

(note 4)	--	--	(89)	--
Net earnings (loss)	$ 63	(94)	515	53
Net earnings (loss):				
Liberty Series A and Series B common stock	$ --	(94)	94	53
Liberty Capital common stock	(51)	--	218	--
Liberty Interactive common stock	114	--	203	--
	$ 63	(94)	515	53
Basic and diluted earnings (loss) from continuing operations per common share (note 5):				
Liberty Series A and Series B common stock	$ --	(.03)	.06	.01
Liberty Capital common stock	$ (.36)	--	1.56	--
Liberty Interactive common stock	$ .17	--	.30	--
Basic and diluted net earnings (loss) per common share (note 5):				
Liberty Series A and Series B common stock	$ --	(.03)	.03	.02
Liberty Capital common stock	$ (.36)	--	1.56	--
Liberty Interactive common stock	$ .17	--	.30	--

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

(UNAUDITED)

<Table>
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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Net earnings (loss)	$ 63	(94)	515	53
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(11)	(10)	68	21
Recognition of previously unrealized foreign currency translation losses	--	--	--	312
Unrealized holding gains (losses) arising during the period	449	159	1,351	(1,149)
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	(10)	41	(25)	(19)
Reclass unrealized gain on available-for-sale security to equity method investment	--	(197)	--	(197)
Other comprehensive loss from discontinued operations	--	--	--	(7)
Other comprehensive earnings (loss)	428	(7)	1,394	(1,039)
Comprehensive earnings (loss)	$491	(101)	1,909	(986)
Comprehensive earnings (loss):				
Liberty Series A and Series B common stock	$ --	(101)	755	(986)
Liberty Capital common stock	331	--	1,025	--
Liberty Interactive common stock	160	--	129	--
	$491	(101)	1,909	(986)

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<Table>
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NINE MONTHS
ENDED

	SEPTEMBER 30, 2006	SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS (NOTE 6)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	$ 515	53
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Earnings from discontinued operations	--	(27)
Cumulative effect of accounting change	89	--
Depreciation and amortization	502	487
Stock-based compensation	49	32
Payments of stock-based compensation	(109)	(96)
Noncash interest expense	81	75
Share of earnings of affiliates, net	(32)	(15)
Realized and unrealized gains on financial instruments, net	(96)	(148)
Losses (gains) on disposition of assets, net	(352)	360
Nontemporary declines in fair value of investments	4	68
Minority interests in earnings of subsidiaries	13	28
Deferred income tax benefit	(99)	(304)
Other noncash charges, net	31	86
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Current assets	(215)	(107)
Payables and other current liabilities	266	103
Net cash provided by operating activities	647	595
Cash flows from investing activities:		
Cash proceeds from dispositions	925	54
Premium proceeds from origination of derivatives	58	437
Net proceeds from settlement of derivatives	330	318
Cash paid for acquisitions, net of cash acquired	(866)	(5)
Capital expended for property and equipment	(234)	(158)
Net sales (purchases) of short term investments	12	(73)
Investments in and loans to cost and equity investees	(178)	--
Repurchases of subsidiary common stock	(317)	(62)
Other investing activities, net	--	(7)
Net cash provided (used) by investing activities	(270)	504
Cash flows from financing activities:		
Borrowings of debt	2,377	861
Repayments of debt	(1,383)	(1,459)
Repurchases of Liberty common stock	(731)	--
Other financing activities, net	--	62
Net cash provided (used) by financing activities	263	(536)
Effect of foreign currency exchange rates on cash	11	(35)
Net cash provided to discontinued operations (revised, see note 6):		
Cash provided by operating activities	--	31
Cash used by investing activities	--	(47)
Cash provided by financing activities	--	--
Change in available cash held by discontinued operations	--	(190)
Net cash provided to discontinued operations	--	(206)
Net increase in cash and cash equivalents	651	322
Cash and cash equivalents at beginning of period	1,946	1,387
Cash and cash equivalents at end of period	$ 2,597	1,709

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2006

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	PREFERRED STOCK	COMMON STOCK SERIES A	COMMON STOCK SERIES B	LIBERTY CAPITAL SERIES A	LIBERTY CAPITAL SERIES B	LIBERTY INTERACTIVE SERIES A	LIBERTY INTERACTIVE SERIES B	ADDITIONAL PAID-IN CAPITAL
	AMOUNTS IN MILLIONS							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 2006......	$ --	27	1	--	--	--	--	29,074
Net earnings.................	--	--	--	--	--	--	--	--
Other comprehensive earnings...................	--	--	--	--	--	--	--	--
Issuance of common stock upon exercise of stock options...	--	--	--	--	--	--	--	4
Retirement of treasury stock......................	--	--	--	--	--	--	--	(125)
Distribution of Liberty Capital and Liberty Interactive common stock to stockholders (notes 1 and 2).........................	--	(27)	(1)	1	--	7	--	20
Issuance of Liberty Interactive Series A common stock for acquisition.......	--	--	--	--	--	--	--	36
Liberty Interactive Series A stock repurchases..........	--	--	--	--	--	(1)	--	(730)
Stock compensation...........	--	--	--	--	--	--	--	51
Other........................	--	--	--	--	--	--	--	(3)
Balance at September 30, 2006...	$ --	--	--	1	--	6	--	28,327

<Caption>

	ACCUMULATED OTHER COMPREHENSIVE EARNINGS	ACCUMULATED DEFICIT	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Balance at January 1, 2006......	3,421	(13,278)	(125)	19,120
Net earnings.................	--	515	--	515
Other comprehensive earnings...................	1,394	--	--	1,394
Issuance of common stock upon exercise of stock options...	--	--	--	4
Retirement of treasury stock......................	--	--	125	--
Distribution of Liberty Capital and Liberty Interactive common stock to stockholders (notes 1 and 2).........................	--	--	--	--
Issuance of Liberty Interactive Series A common stock for acquisition.......	--	--	--	36
Liberty Interactive Series A stock repurchases..........	--	--	--	(731)
Stock compensation...........	--	--	--	51
Other........................	--	--	--	(3)
Balance at September 30, 2006...	4,815	(12,763)	--	20,386

</Table>

See accompanying notes to condensed consolidated financial statements.

(1) BASIS OF PRESENTATION

On May 9, 2006, Liberty Media Corporation (formerly known as Liberty Media Holding Corporation, "Liberty" or the "Company") completed the previously announced restructuring (the "Restructuring") pursuant to which the Company was organized as a new holding company. In the Restructuring, Liberty became the new publicly traded parent company of Liberty Media LLC (formerly known as Liberty Media Corporation, "Old Liberty"). In the Restructuring, each holder of Old Liberty's common stock received for each share of Old Liberty's Series A common stock held immediately prior to the Merger, 0.25 of a share of the Company's Liberty Interactive Series A common stock and 0.05 of a share of the Company's Liberty Capital Series A common stock, and for each share of Old Liberty's Series B common stock held immediately prior to the Merger, 0.25 of a share of the Company's Liberty Interactive Series B common stock and 0.05 of a share of the Company's Liberty Capital Series B common stock, in each case, with cash in lieu of any fractional shares. Liberty is the successor reporting company to Old Liberty.

The accompanying condensed consolidated financial statements include the accounts of Liberty and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Liberty is a holding company which, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries in the United States, 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 with 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 the Annual Report on Form 10-K for the year ended December 31, 2005 filed by Old Liberty.

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

Liberty holds investments that are accounted for using the equity method. Liberty does not control the decision making process or business management practices of these affiliates. Accordingly, Liberty relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that Liberty uses in the application of the equity method. In addition, Liberty

relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty's condensed consolidated financial statements.

Certain prior period amounts have been reclassified for comparability with the 2006 presentation.

(2) TRACKING STOCKS

On May 9, 2006, the stockholders of Old Liberty approved five related proposals which allowed Old Liberty to restructure its company and capitalization. As a result of the Restructuring, all of the Old Liberty outstanding common stock was exchanged for two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock issued by Liberty, a newly formed holding company. Each tracking stock issued in the Restructuring is intended to track and reflect the economic performance of one of two newly designated groups, the Interactive Group and the Capital Group, respectively.

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. While the Interactive Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, neither 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.

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 interests in QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), BuySeasons, Inc. ("BuySeasons"), Expedia, Inc. and IAC/InterActiveCorp, and hereafter will 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. In addition, Liberty has attributed $3,108 million principal amount (as of September 30, 2006) of its existing publicly-traded debt to the Interactive 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. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Entertainment, LLC (formerly known as Starz Entertainment Group LLC) ("Starz Entertainment"), Starz Media, LLC (formerly known as IDT Entertainment, Inc.) ("Starz Media"), TruePosition, Inc. ("TruePosition"), FUN Technologies, Inc. ("FUN"), On Command Corporation ("On Command") and OpenTV Corp. ("OpenTV"); its equity affiliates: GSN, LLC and WildBlue Communications, Inc.; and its interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation, and hereafter will include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group. In addition, Liberty has attributed

$4,580 million principal amount (as of September 30, 2006) of its existing publicly traded debt to the Capital Group.

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

(3) RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS, AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140" ("Statement No. 155"). Statement No. 155, among other things, amends Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS" ("Statement No. 133"), and permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Statement No. 155 is effective after the beginning of an entity's first fiscal year that begins after September 15, 2006. Under

Statement No. 155, the Company may elect to account for its senior exchangeable debentures at fair value rather than bifurcating such debentures into a debt instrument and a derivative instrument as required by Statement No. 133. The Company is evaluating the impact of Statement No. 155 on its financial statements and has not yet made a determination as to what election it will make with respect to the accounting for its senior exchangeable derivatives.

In June 2006, the FASB issued FASB Interpretation No. 48, "ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, AN INTERPRETATION OF FASB STATEMENT NO. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. While the Company has not completed its evaluation of the impact of FIN 48 on its financial statements, it believes that the application of FIN 48 will result in the derecognition of certain tax liabilities currently reflected in the Company's consolidated balance sheet with a corresponding decrease to the Company's accumulated deficit. The Company is unable to quantify the amount of these adjustments at this time.

(4) STOCK-BASED COMPENSATION

The Company has granted to certain of its employees options, stock appreciation rights ("SARs") and options with tandem SARs (collectively, "Awards") to purchase shares of Liberty Capital Series A and Series B common stock and Liberty Interactive Series A and Series B common stock. The Awards generally vest over a 4-5 year period and expire 7-10 years from the date of grant. Upon exercise of Awards that are settled in common stock, Liberty issues new shares from its authorized, but unissued shares. QVC has granted combination stock options/SARS ("QVC Awards") to certain of its employees. If the employee elected the SAR feature, the participant received 75% of the value of the QVC Award. The QVC Awards vested over 4-5 years and expired 10 years from the date of grant. As further described below, in the third quarter of 2006, the QVC Awards were exchanged for cash or other stock-based compensation Awards.

STATEMENT 123R

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "SHARE-BASED PAYMENTS" ("Statement 123R"). Statement 123R, which is a revision of Statement of Financial Accounting Standards No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION" ("Statement 123") and supersedes Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" ("APB Opinion No. 25"), establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on transactions in which an entity obtains employee services. Statement 123R generally requires companies to measure 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 to recognize that cost over the period during which the employee is required to provide service (usually the vesting period of the award). Statement 123R also requires companies to measure the cost of 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 to remeasure the fair value of the award at each reporting date.

The provisions of Statement 123R allow companies to adopt the standard using the modified prospective method or to restate all periods for which Statement 123 was effective. Liberty has adopted Statement 123R using the modified prospective method, and will continue to include in its financial statements for periods that begin after December 31, 2005 pro forma information as though the standard had been adopted for all periods presented.

The Company adopted Statement 123R effective January 1, 2006. In connection with such adoption, the Company recorded an $89 million transition adjustment, net of related income taxes. Under Statement 123R, the QVC Awards were required to be bifurcated into a liability award and an equity award. Previously, under APB Opinion No. 25, no liability was recorded. The transition adjustment primarily represents the fair value of the liability portion of the QVC Awards at January 1, 2006. The transition adjustment is reflected in the accompanying condensed consolidated statement of operations as the cumulative effect of accounting change. Also, in connection with the adoption of Statement 123R, the Company has eliminated its unearned compensation balance as of December 31, 2005 of $24 million against additional paid-in capital. Compensation expense related to restricted shares granted to certain officers and employees of the Company continues to be recorded as such stock vests.

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 has calculated the expected term of the Awards using the methodology included in SEC Staff Accounting Bulletin No. 107. The volatility used in the calculation is based on the implied volatility of publicly traded Liberty options with a similar term (generally 20%-21%). The Company uses the risk-free rate for Treasury Bonds with a term similar to that of the subject options. Historically, the QVC Awards were also valued using the Black-Scholes Model. The volatility used in the calculation was based on a benchmark study of the volatility of public companies similar to QVC of 42%.

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):

<Table>

<S>	<C>
Three months ended:	
September 30, 2006	$(4)
September 30, 2005	$15
Nine months ended:	
September 30, 2006	$49
September 30, 2005	$32

</Table>

As of September 30, 2006, the total compensation cost related to unvested Liberty equity awards was approximately $65 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

LIBERTY AWARDS

Subsequent to the Restructuring, Liberty granted 9,455,922 options to purchase Series A Interactive Group stock to officers and employees of certain of its subsidiaries. Such options had an estimated grant-date fair value of $4.88 per share. Prior to the Restructuring, Liberty granted 2,623,275 options to purchase shares of Old Liberty Series A common stock to certain of its officers, employees and directors. Such options had an estimated grant-date fair value of $2.28 per share. During the nine months ended September 30, 2005, Liberty granted 3,689,250 Old Liberty Series A options and 1,800,000 Old Liberty Series B options to certain of its officers, employees and directors. Such options had an estimated weighted-average grant-date fair value of $2.34 per share and $3.43 per share, respectively.

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

<Table>
<Caption>

	LIBERTY SERIES A COMMON STOCK	WAEP	LIBERTY SERIES B COMMON STOCK	WAEP
	NUMBERS OF OPTIONS IN THOUSANDS			
<S>	<C>	<C>	<C>	<C>
Outstanding at January 1, 2006	51,729	$ 9.23	29,965	$10.92
Granted	2,623	$ 8.28	--	
Exercised	(6,659)	$ 0.73	--	
Canceled	(117)	$18.69	--	
Converted to Liberty Capital and Liberty Interactive	(47,576)	$10.34	(29,965)	$10.92
Outstanding at September 30, 2006	--		--	

</Table>

	LIBERTY CAPITAL SERIES A COMMON STOCK	WAEP	LIBERTY CAPITAL SERIES B COMMON STOCK	WAEP
	NUMBERS OF OPTIONS IN THOUSANDS			
Outstanding at January 1, 2006	--		--	
Converted from Liberty Series A and Series B	2,378	$ 94.62	1,498	$101.37
Granted	--		--	
Exercised	(22)	$ 48.13	--	
Canceled	(8)	$382.11	--	
Outstanding at September 30, 2006	2,348	$ 93.50	1,498	$101.37
Exercisable at September 30, 2006	1,658	$100.48	1,438	$102.03

	LIBERTY INTERACTIVE SERIES A COMMON STOCK	WAEP	LIBERTY INTERACTIVE SERIES B COMMON STOCK	WAEP
	NUMBERS OF OPTIONS IN THOUSANDS			
Outstanding at January 1, 2006	--		--	
Converted from Liberty Series A and Series B	11,889	$21.48	7,491	$23.41
Granted	9,456	$17.77	--	
Exercised	(107)	$10.97	--	
Canceled	(40)	$86.66	--	
Outstanding at September 30, 2006	21,198	$19.68	7,491	$23.41
Exercisable at September 30, 2006	8,294	$22.80	7,191	$23.56

The aggregate intrinsic value of all options exercised during the nine months ended September 30, 2006 and 2005 was $51 million and $107 million, respectively.

The following table provides additional information about outstanding options to purchase Liberty Capital Series A common stock at September 30, 2006.

NO. OF OUTSTANDING OPTIONS (000'S)	RANGE OF EXERCISE PRICES	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)
15	$24.00-$35.00	$ 27.94	0.7 years	$ 823	15	$ 27.94	$ 823
1,164	$35.00-$85.00	$ 76.55	6.3 years	8,171	474	$ 76.29	3,453
1,136	$85.00-$115.00	$100.70	4.3 years	--	1,136	$100.70	--
33	>$300.00	$467.84	4.5 years	--	33	$467.84	--
2,348				$8,994	1,658		$4,276

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The following table provides additional information about outstanding options to purchase Liberty Interactive Series A common stock at September 30, 2006.

NO. OF OUTSTANDING OPTIONS (000'S)	RANGE OF EXERCISE PRICES	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)
76	$4.00-$10.00	$ 6.30	0.7 years	$ 1,063	76	$ 6.30	$1,063
15,407	$10.00-$20.00	$ 17.64	6.6 years	42,282	2,503	$ 17.43	7,393
5,548	$20.00-$26.00	$ 22.94	4.3 years	--	5,548	$ 22.94	--
167	>$65.00	$106.21	4.5 years	--	167	$106.21	--
21,198				$43,345	8,294		$8,456

The following table presents the number and weighted average grant-date fair value ("WAFV") of unvested restricted shares of Liberty common stock held by certain officers and employees of the Company.

	LIBERTY CAPITAL SERIES A COMMON STOCK	WAFV	LIBERTY INTERACTIVE SERIES A COMMON STOCK	WAFV
	NUMBERS OF SHARES IN THOUSANDS			
Outstanding at September 30, 2006..................	129	$87.97	648	$22.55

The aggregate fair value of all restricted shares of Liberty common stock that vested during the nine months ended September 30, 2006 and 2005 aggregated $30.4 million and $29.8 million, respectively.

QVC AWARDS

On August 14, 2006, QVC offered to exchange Liberty Interactive Share Units, as defined below, for all outstanding unvested QVC Awards as of September 30, 2006 (the "Exchange Offer"). At the time of the Exchange Offer, there were 150,234 outstanding options to purchase QVC common stock. Of those outstanding options, 70,168 were vested and exercisable and 80,066 were unvested. Each holder of unvested QVC options who accepted the Exchange Offer received Liberty Interactive Share Units in an amount equal to the in-the-money value of the exchanged QVC options divided by the closing market price of Liberty Interactive Series A common stock on the trading day preceding commencement of the Exchange Offer. Liberty Interactive Share Units vest on the same vesting schedule as the unvested QVC Awards and represent the right to receive a cash payment equal to the value of Liberty Interactive common stock on the vesting date. All unvested QVC Awards were exchanged for approximately 2,348,000 Liberty Interactive Share

Units. Liberty accounted for the Exchange Offer as a settlement of the outstanding unvested QVC Awards. The difference between the fair value of the Liberty Interactive Share Units and the fair value of unvested QVC Awards has been reflected as a reduction to stock-based compensation in the accompanying condensed consolidated statement of operations.

Also on August 14, 2006, a subsidiary of Liberty offered to purchase for cash all outstanding shares of QVC common stock owned by officers and employees of QVC and all vested QVC Awards (the "Tender Offer"). Officers and employees of QVC owned 54,973 shares or 1.09% of QVC common stock at the time of the Tender Offer. The Exchange Offer and the Tender Offer both expired on September 30, 2006. All vested QVC Awards and 49,575 outstanding shares of QVC common stock were tendered as of September 30, 2006 resulting in cash payments aggregating approximately $258 million. The remaining 5,398 shares of QVC common stock were redeemed subsequent to September 30, 2006 for additional aggregate cash payments of approximately $17 million. Liberty accounted for the cash paid for outstanding shares of QVC common stock as the acquisition of a minority interest. The difference between the cash paid and the carrying value of the minority interest was allocated to intangible assets using a purchase accounting model. The cash paid for vested options exceeded the carrying value of the related liability. Such excess has been reflected as a reduction to stock-based compensation in the accompanying condensed statement of operations. The aggregate credit to stock-based compensation for the Exchange Offer and the Tender Offer was $24 million. Subsequent to the completion of the foregoing transactions, Liberty owns 100% of the equity of QVC.

PRO FORMA DISCLOSURE

Prior to adoption of Statement 123R, the Company accounted for compensation expense related to its Awards pursuant to the recognition and measurement provisions of APB Opinion No. 25. All of the Company's Awards were accounted for as variable plan awards, and compensation was recognized based upon the percentage of the options that were vested and the intrinsic value of the options at the balance sheet date. The Company accounted for QVC stock options using fixed-plan accounting. The following table illustrates the effect on earnings from continuing operations and earnings per share for the three and nine months ended September 30, 2005 as if the Company had applied the fair value recognition provisions of Statement 123 to its options. Compensation expense for SARs and options with tandem SARs was the same under APB Opinion No. 25 and Statement 123. Accordingly, no pro forma adjustment for such Awards is included in the following table.

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS	
<S>	<C>	<C>
Earnings (loss) from continuing operations..................	$ (87)	26
Add stock-based compensation as determined under the intrinsic value method, net of taxes....................	1	3
Deduct stock-based compensation as determined under the fair value method, net of taxes.........................	(29)	(46)
Pro forma loss from continuing operations..................	$(115)	(17)
Basic and diluted earnings (loss) from continuing operations per share:		
As reported..	$(.03)	.01
Pro forma..	$(.04)	(.01)

</Table>

(5) EARNINGS (LOSS) PER COMMON SHARE

LIBERTY SERIES A AND SERIES B COMMON STOCK

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.

The basic EPS calculation is based on 2,803 million weighted average outstanding shares of Liberty common stock for the period from January 1, 2006 to May 10, 2006, and 2,796 million and 2,795 million weighted average shares outstanding for the three and nine months ended September 30, 2005, respectively. The diluted EPS calculation for the period from January 1, 2006 to May 10, 2006 and for the nine months ended September 30, 2005 includes 5 million and 12 million dilutive securities, respectively. However, due to the relative insignificance of these dilutive securities, their inclusion does not impact the EPS amount as reported in the accompanying condensed consolidated statements of operations.

The cumulative effect of accounting change per common share for the period from January 1, 2006 to May 10, 2006 was a loss of $0.03.

Earnings (loss) from discontinued operations per common share for the three months ended September 30, 2005 was less than $.01 and was $.01 for the nine-month period.

LIBERTY CAPITAL COMMON STOCK

Liberty Capital EPS for the three months ended September 30, 2006 and for the period from the Restructuring to September 30, 2006 was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Liberty Capital common stock for the respective period (140 million and 140 million, respectively). Due to the relative insignificance of the dilutive securities for such periods, their inclusion does not impact the EPS amounts. Excluded from diluted EPS for the period from the Restructuring to September 30, 2006 are approximately 3 million potential common shares because their inclusion would be anti-dilutive.

LIBERTY INTERACTIVE COMMON STOCK

Liberty Interactive EPS for the three months ended September 30, 2006 and for the period from the Restructuring to September 30, 2006 was computed by dividing the net earnings attributable to the Interactive Group by the weighted average outstanding shares of Liberty Interactive common stock for the respective period (671 million and 679 million, respectively). Due to the relative insignificance of the dilutive securities for such periods, their inclusion does not impact the EPS amounts. Excluded from diluted EPS for the period from the Restructuring to September 30, 2006 are approximately 15 million potential common shares because their inclusion would be anti-dilutive.

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(6) SUPPLEMENTAL DISCLOSURES TO STATEMENTS OF CASH FLOWS

CASH PROVIDED TO DISCONTINUED OPERATIONS

Liberty has revised its 2005 statement of cash flows to separately disclose the operating, investing and financing portions of the cash flows attributable to discontinued operations. The Company previously had reported these amounts on a combined basis.

CASH PAID FOR ACQUISITIONS

<Table>
<Caption>

	NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005
	AMOUNTS IN MILLIONS	

Cash paid for acquisitions:		
Fair value of assets acquired	$1,499	18
Net liabilities assumed	(239)	--
Deferred tax liabilities	(52)	--
Minority interest	(71)	(13)
Exchange of cost investment	(235)	--
Issuance of equity	(36)	--
Cash paid for acquisitions, net of cash acquired	$ 866	5

(7) DISCONTINUED OPERATIONS

SPIN OFF OF DISCOVERY HOLDING COMPANY ("DHC")

On July 21, 2005, Liberty completed the spin-off (the "DHC Spin Off") of a newly formed subsidiary, Discovery Holding Company. DHC's assets were comprised of Liberty's 100% ownership interest in Ascent Media Group, LLC ("Ascent Media"), Liberty's 50% ownership interest in Discovery Communications, Inc. ("Discovery") and $200 million in cash. In connection with the DHC Spin Off, holders of Liberty common stock on July 15, 2005 received 0.10 of a share of DHC Series A common stock for each share of Liberty Series A common stock owned and 0.10 of a share of DHC Series B common stock for each share of Liberty Series B common stock owned. Upon completion of this transaction, DHC became a separate publicly traded company. This transaction has been accounted for at historical cost due to the pro rata nature of the distribution.

The condensed consolidated financial statements and accompanying notes of Liberty have been prepared to reflect DHC as a discontinued operation. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of DHC have been excluded from the respective captions in the accompanying condensed consolidated balance sheets, statements of operations, statements of comprehensive earnings (loss) and statements of cash flows and have been reported under the heading of discontinued operations in such condensed consolidated financial statements.

Certain income statement components of DHC, which are included in the determination of earnings from discontinued operations for the nine months ended September 30, 2005, are as follows (amounts in millions):

Revenue	$390
Earnings before income taxes	$ 36

Certain asset and liability amounts included in the spin off of DHC on July 21, 2005 are as follows (amounts in millions):

Investment in Discovery	$ 2,982
Goodwill	$ 2,135
Deferred tax liabilities	$(1,060)

PROPOSED SALE OF OPENTV

Subsequent to September 30, 2006, Liberty entered into a stock purchase agreement to sell its controlling interest in OpenTV to an unrelated third party for aggregate cash consideration of approximately $113 million (net of a $20 million payment to OpenTV). Liberty will report OpenTV as discontinued operations beginning in the fourth quarter of 2006.

(8) INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES AND OTHER COST INVESTMENTS

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

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	AMOUNTS IN MILLIONS	
Interactive Group		
IAC/InterActiveCorp ("IAC")	$ 1,991	1,960
Other available-for-sale equity securities	--	124
Total attributed Interactive Group	1,991	2,084
Capital Group		
News Corporation	10,259	8,171
Time Warner Inc.(1)	3,121	2,985
Sprint Nextel Corporation(2)	1,499	2,162
Motorola, Inc.(3)	1,850	1,672
Other available-for-sale equity securities(4)	1,114	964
Other available-for-sale debt securities(5)	427	389
Other cost investments and related receivables	34	79
Total attributed Capital Group	18,304	16,422
Consolidated Liberty	20,295	18,506
Less short-term investments	(33)	(9)
	$20,262	18,497

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(1) Includes $165 million and $158 million of shares pledged as collateral for share borrowing arrangements at September 30, 2006 and December 31, 2005, respectively.

(2) Includes $155 million and $94 million of shares pledged as collateral for share borrowing arrangements at September 30, 2006 and December 31, 2005, respectively.

(3) Includes $1,298 million and $1,173 million of shares pledged as collateral for share borrowing arrangements at September 30, 2006 and December 31, 2005, respectively.

(4) Includes $259 million and $156 million of shares pledged as collateral for share borrowing arrangements at September 30, 2006 and December 31, 2005, respectively.

(5) At September 30, 2006, other available-for-sale debt securities include $386 million of investments in third-party marketable debt securities held by Liberty parent and $41 million of such securities held by subsidiaries of Liberty. At December 31, 2005, such investments aggregated $371 million and $18 million, respectively.

UNREALIZED HOLDING GAINS AND LOSSES

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

	SEPTEMBER 30, 2006		DECEMBER 31, 2005	
	EQUITY SECURITIES	DEBT SECURITIES	EQUITY SECURITIES	DEBT SECURITIES
	AMOUNTS IN MILLIONS			

Gross unrealized holding gains..........	$7,613	--	5,459	17
Gross unrealized holding losses.........	$ (24)	--	(27)	--

</Table>

The aggregate fair value of securities with unrealized holding losses at September 30, 2006 was $289 million. None of these securities had unrealized losses for more than 12 continuous months.

(9) INTANGIBLE ASSETS

GOODWILL

Changes in the carrying amount of goodwill for the nine months ended September 30, 2006 are as follows:

<Table>
<Caption>

	QVC	STARZ ENTERTAINMENT	OTHER	TOTAL
		AMOUNTS IN MILLIONS		
<S>	<C>	<C>	<C>	<C>
Balance at January 1, 2006...............	$4,057	1,383	1,513	6,953
Acquisitions(1)........................	4	--	849	853
Disposition(2).........................	--	--	(124)	(124)
Foreign currency translation...........	38	--	--	38
Other(3)...............................	87	(12)	1	76
Balance at September 30, 2006...........	$4,186	1,371	2,239	7,796

</Table>

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(1) During the nine months ended September 30, 2006, Liberty and its subsidiaries completed several acquisitions, including the acquisition of controlling interests in Provide, FUN, BuySeasons and IDT Entertainment, Inc., for aggregate cash consideration of $866 million, net of cash acquired. In connection with these acquisitions, Liberty recorded goodwill of $853 million which represents the difference between the consideration paid and the estimated fair value of the assets acquired. Such goodwill is subject to adjustment pending completion of the Company's purchase price allocation process.

(2) During the second quarter of 2006, the Company sold its 50% interest in Courtroom Television Network, LLC ("Court TV"). In connection with such sale, the Company relieved $124 million of enterprise-level goodwill that had been allocated to the Court TV investment.

(3) Other activity for QVC represents Liberty's acquisition of shares of QVC common stock held by employees and officers of QVC. Amounts recorded as goodwill represent the difference between the price paid for such minority interest and the carrying amount of the minority interest less amounts allocated to other intangible assets. Such allocations are subject to adjustment pending completion of the Company's allocation process.

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AMORTIZABLE INTANGIBLE ASSETS

Amortization of intangible assets with finite useful lives was $366 million and $356 million for the nine months ended September 30, 2006 and 2005, respectively. Based on its current amortizable intangible assets, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

<Table>

<S>	<C>
Remainder of 2006..	$123
2007...	$470
2008...	$431
2009...	$384
2010...	$361

</Table>

(10) DERIVATIVE INSTRUMENTS

The Company's derivative instruments are summarized as follows:

TYPE OF DERIVATIVE	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	AMOUNTS IN MILLIONS	
ASSETS		
Equity collars	$1,286	1,568
Put spread collars	--	133
Other	248	83
	1,534	1,784
Less current portion	(228)	(661)
	$1,306	1,123
LIABILITIES		
Borrowed shares	$1,877	1,581
Exchangeable debenture call option obligations	858	927
Put options	--	342
Equity collars	278	160
Other	14	16
	3,027	3,026
Less current portion	(1,880)	(1,939)
	$1,147	1,087

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

	NINE MONTHS ENDED SEPTEMBER 30, 2006	NINE MONTHS ENDED SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS	
Exchangeable debenture call option obligations	$ 69	114
Equity collars	147	238
Put options	(9)	(47)
Borrowed shares	(198)	(175)
Other derivatives	87	18
	$ 96	148

(11) LONG-TERM DEBT

Debt is summarized as follows:

	OUTSTANDING PRINCIPAL SEPTEMBER 30, 2006	CARRYING VALUE SEPTEMBER 30, 2006	CARRYING VALUE DECEMBER 31, 2005
	AMOUNTS IN MILLIONS		
Interactive Group			
Senior notes and debentures			
3.5% Senior Notes due 2006	$ --	--	121
Floating Rate Senior Notes due 2006	--	--	1,247
7.875% Senior Notes due 2009	670	667	666

7.75% Senior Notes due 2009	234	234	235
5.7% Senior Notes due 2013	802	800	800
8.5% Senior Debentures due 2029	500	495	495
8.25% Senior Debentures due 2030	902	895	895
QVC bank credit facility	3,175	3,175	800
Other subsidiary debt	71	71	68
Total attributed Interactive Group debt	6,354	6,337	5,327
Capital Group			
Senior exchangeable debentures			
4% Senior Exchangeable Debentures due 2029	869	254	251
3.75% Senior Exchangeable Debentures due 2030	810	233	231
3.5% Senior Exchangeable Debentures due 2031	600	237	235
3.25% Senior Exchangeable Debentures due 2031	551	118	117
0.75% Senior Exchangeable Debentures due 2023	1,750	1,615	1,552
Subsidiary debt	158	158	37
Total attributed Capital Group debt	4,738	2,615	2,423
Total consolidated Liberty debt	$11,092	8,952	7,750
Less current maturities		(19)	(1,379)
Total long-term debt		$8,933	6,371

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QVC BANK CREDIT FACILITY

Effective May 20, 2005, QVC entered into an unsecured $2 billion bank credit facility. In March 2006, such facility was refinanced with a new unsecured $3.5 billion bank credit facility (the "March 2006 Credit Agreement"). The March 2006 Credit Agreement is comprised of an $800 million U.S. dollar term loan that was drawn at closing, an $800 million U.S. dollar term loan that was drawn on September 18, 2006, a $600 million multi-currency term loan that was drawn in U.S. dollars on September 18, 2006, a $650 million U.S. dollar revolving loan and a $650 million multi-currency revolving loan. The foregoing multi-currency loans can be made, at QVC's option, in U.S. dollars, Japanese yen, U.K. pound sterling or euros. All loans are due and payable on March 3, 2011, and accrue interest, at the option of QVC, at LIBOR plus an applicable margin or the Alternate Base Rate, as defined in the March 2006 Credit Agreement, plus an applicable margin. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments.

On October 4, 2006, QVC entered into a new credit agreement (the "October 2006 Credit Agreement"), which provides for an additional unsecured $1.75 billion credit facility, consisting of an $800 million initial term loan to be made upon closing, which occurred on October 13, 2006, and $950 million of delayed draw term loans to be made after closing from time to time upon the request of QVC. The delayed draw term loans are available until September 30, 2007 and are subject to reductions in the principal amount available starting on March 31, 2007. The loans will bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by Wachovia Bank, N.A. from time to time. The loans are scheduled to mature on October 4, 2011.

On October 4, 2006, QVC also entered into an Amendment, which amends the March 2006 Credit Agreement (such Amendment, the "Amendment"). The Amendment conforms the interest rate for loans under the March 2006 Credit Agreement to match the interest rate for loans under the October 2006 Credit Agreement, and amends certain restrictions on the incurrence of indebtedness and affiliate transactions to match those in the October 2006 Credit Agreement.

OTHER SUBSIDIARY DEBT

Other subsidiary debt at September 30, 2006, is comprised of capitalized satellite transponder lease obligations and bank debt of Starz Media.

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 at September 30, 2006 is as follows (amounts in millions):

Fixed rate senior notes	$1,698
Senior debentures	$1,422
Senior exchangeable debentures, including call option obligation	$4,115

Liberty believes that the carrying amount of its subsidiary debt approximated fair value at September 30, 2006.

(12) STOCKHOLDERS' EQUITY

As of September 30, 2006, there were 2.3 million and 1.5 million shares of Liberty Capital Series A common stock and Series B common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of September 30, 2006, there were 21.2 million and 7.5 million shares of Liberty Interactive Series A common stock and Series B common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Liberty Capital Series A and Series B common stock and the Liberty Interactive Series A and Series B common stock, there are 300 million and 1,500 million shares of Liberty Capital Series C and Liberty Interactive Series C common stock, respectively, authorized for issuance. As of September 30, 2006, no shares of either Series C common stock were issued or outstanding.

Prior to the Restructuring, the Company retired the 10,000,000 shares of Liberty Series B common stock held in treasury and returned them to the status of authorized and available for issuance.

During the period from May 10, 2006 to September 30, 2006, the Company repurchased 41.4 million shares of Liberty Interactive Series A common stock in the open market for aggregate cash consideration of $731 million. Such shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

During the period from May 10, 2006 to September 30, 2006, the Company sold put options on 3.67 million shares of Liberty Capital Series A common stock and 2.53 million shares of Liberty Interactive Series A common stock for aggregate cash proceeds of approximately $6.3 million. As of September 30, 2006, put options with respect to 1.79 million shares of Liberty Capital Series A common stock and 2.53 million shares of Liberty Interactive Series A common stock remained outstanding. The put options for Liberty Capital Series A common stock have a weighted average exercise price of $83.25 and expire within 60 days after September 30, 2006. The Liberty Interactive put options have a weighted average exercise price of $19.76 and expire within 60 days after September 30, 2006. The Company accounts for these put options pursuant to Statement of Financial Accounting Standards No. 150, "ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY." Accordingly, the put options have been recorded in derivative 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 statement of operations.

(13) COMMITMENTS AND CONTINGENCIES

FILM RIGHTS

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides video programming distributed via the Internet and by cable operators, direct-to-home satellite providers and other distributors 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, 2006 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of September 30, 2006 is payable as follows: $96 million in 2006, $28 million in 2007 and $16 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at September 30, 2006. Starz Entertainment's estimate of amounts payable under these agreements is as follows: $45 million in 2006; $606 million in 2007; $99 million in 2008; $93 million in 2009; $88 million in 2010; and $98 million thereafter.

In addition, Starz Entertainment is also obligated to pay Programming Fees for all qualifying films that are released theatrically in the United States by studios owned by The Walt Disney Company ("Disney") through 2009, all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2010 and all qualifying films produced for theatrical release in the United States by Revolution Studios through 2006. 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 to the foregoing contractual film obligations, each of Disney and Sony has the right to extend its contract for an additional three years. If Sony elects to extend its contract, Starz Entertainment has agreed to pay Sony a total of $190 million in four annual installments of $47.5 million beginning in 2011. This option expires December 31, 2007. If made, such payments to Sony would be amortized ratably as programming expense over the extension period beginning in 2011. An extension of this agreement would also result in the payment by Starz Entertainment of Programming Fees for qualifying films released by Sony during the extension period. If Disney elects to extend its contract, Starz Entertainment would not be obligated to pay any amounts in excess of its Programming Fees for qualifying films released by Disney during the extension period. The Disney option expires December 31, 2007.

GUARANTEES

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At September 30, 2006, Liberty's guarantee for obligations for films released by such date aggregated $716 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate liability for its guarantee of these obligations.

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

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

OPERATING LEASES

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

LITIGATION

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

INCOME TAXES

Since the date Liberty issued its exchangeable debentures, it has claimed interest deductions on such exchangeable debentures for federal income tax purposes based on the "comparable yield" at which it could have issued a fixed-rate debenture with similar terms and conditions. In all instances, this policy has resulted in Liberty claiming interest deductions significantly in excess of the cash interest currently paid on its exchangeable debentures. In this regard, Liberty has deducted $2,090 million in cumulative interest expense associated with the exchangeable debentures since the Company's split-off from AT&T. Of that amount, $612 million represents cash interest payments. Interest deducted in prior years on its exchangeable debentures has contributed to net operating losses ("NOLs") that may be carried to offset taxable income in 2006 and later years. These NOLs and current interest deductions on the exchangeable debentures are being used to offset taxable income currently being generated.

The IRS has issued Technical Advice Memorandums (the "TAMs") challenging the current deductibility of interest expense claimed on exchangeable debentures issued by other companies. The TAMs conclude that such interest expense must be capitalized as basis to the shares referenced in the exchangeable debentures. If the IRS were to similarly challenge Liberty's tax treatment of these interest deductions, and ultimately win such challenge, there would be no impact to Liberty's reported total tax expense as the resulting increase in current tax expense would be offset by a decrease in deferred tax expense. However, Liberty would be required to make current federal income tax payments. These federal income tax payments could prove to be significant.

OTHER

During the period from March 9, 1999 to August 10, 2001, Liberty was included in the consolidated federal income tax return of AT&T Corp. and was a party to a tax sharing agreement with AT&T (the "AT&T Tax Sharing Agreement"). While Liberty was a subsidiary of AT&T, Liberty recorded its stand-alone tax provision on a separate return basis. Under the AT&T Tax Sharing Agreement, Liberty received a cash payment from AT&T in periods when Liberty generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by Liberty in future periods, similar to a net operating loss carryforward, and were accounted for as a deferred federal income tax benefit. Subsequent to Liberty's split off from AT&T, if adjustments are made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, Liberty received cash payments from AT&T aggregating $670 million as payment for Liberty's taxable losses that AT&T utilized to reduce its income tax liability.

Also, pursuant to the AT&T Tax Sharing Agreement and in connection with Liberty's split off from AT&T, AT&T was required to pay Liberty an amount equal to 35% of the amount of the net operating losses reflected in TCI's final federal income tax return ("TCI NOLs") that had not been used as an offset to Liberty's obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T. In connection with the split off, Liberty received an $803 million payment for TCI's NOLs and recorded such payment as an increase to additional paid-in capital. Liberty was not paid for certain of TCI's NOLs ("SRLY NOLs") due to limitations and uncertainty regarding AT&T's ability to use them to offset taxable income in the future. In the event

AT&T was ultimately able to use any of the SRLY NOLs, they would be required to pay Liberty 35% of the amount of the SRLY NOLs used. In the fourth quarter of 2004 and in connection with the completion of an IRS audit of TCI's tax return for 1994, it was determined that Liberty was required to recognize additional taxable income related to the recapitalization of one of its investments resulting in a tax liability of approximately $30 million. As a result of the tax assessment, Liberty also received a corresponding amount of additional tax basis in the investment. However, Liberty was able to cause AT&T to use a portion of the SRLY NOLs to offset this taxable income, the benefit of which resulted in the elimination of the $30 million tax liability and an increase to additional paid-in capital.

In the fourth quarter of 2004, AT&T requested a refund from Liberty of $70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by Liberty's losses. AT&T has asserted that Liberty's losses caused AT&T to pay $70 million in alternative minimum tax ("AMT") that it would not have been otherwise required to pay had Liberty's losses not been included in its return. In 2004, Liberty estimated that it may ultimately pay AT&T up to $30 million of the requested $70 million because Liberty believed AT&T received an AMT credit of $40 million against income taxes resulting from the AMT previously paid. Accordingly, Liberty accrued a $30 million liability with an offsetting reduction of additional paid-in capital. The net effect of the completion of the IRS tax audit noted above (including the benefit derived from AT&T for the utilization of the SRLY NOLs) and Liberty's accrual of amounts due to AT&T was an increase to deferred tax assets and an increase to other liabilities.

In the fourth quarter of 2005, AT&T requested an additional $21 million relating to additional losses it generated and was able to carry back to offset taxable income previously offset by Liberty's losses. In addition, the information provided to Liberty in connection with AT&T's request showed that AT&T had not yet claimed a credit for AMT previously paid. Accordingly, in the fourth quarter of 2005, Liberty increased its accrual by approximately $40 million (with a corresponding reduction of additional paid-in capital) representing its estimate of the amount it may ultimately pay (excluding accrued interest, if any) to AT&T as a result of this request. Although Liberty has not reduced its accrual for any future refunds, Liberty believes it is entitled to a refund when AT&T is able to realize a benefit in the form of a credit for the AMT previously paid.

In March 2006, AT&T requested an additional $21 million relating to additional losses and IRS audit adjustments that it claims it is able to use to offset taxable income previously offset by Liberty's losses. Liberty has reviewed this claim and believes that its accrual as of December 31, 2005 is adequate. Accordingly, no additional accrual was recorded during the nine months ended September 30, 2006.

Although for accounting purposes Liberty has accrued a portion of the amounts claimed by AT&T to be owed by Liberty under the AT&T Tax Sharing Agreement, Liberty believes there are valid defenses or set-off or similar rights in its favor that may cause the total amount that it owes AT&T to be less than the amounts accrued; and under certain interpretations of the AT&T Tax Sharing Agreement, Liberty may be entitled to further reimbursements from AT&T.

(14) OPERATING SEGMENTS

Liberty is a holding company which, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce, media, communications and entertainment industries. Upon completion of the Restructuring and the issuance of its tracking stock, Liberty divided its businesses into two groups: the Interactive 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, earnings before income taxes or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's consolidated earnings before income taxes.

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

Liberty defines operating cash flow as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this 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, litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, operating cash flow should be considered in addition to, but not as a substitute for,

operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the nine months ended September 30, 2006, Liberty has identified the following businesses as its reportable segments:

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

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

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

PERFORMANCE MEASURES

<Table>
<Caption>

	NINE MONTHS ENDED SEPTEMBER 30,			
	2006		2005	
	REVENUE	OPERATING CASH FLOW (DEFICIT)	REVENUE	OPERATING CASH FLOW (DEFICIT)
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Interactive Group				
QVC..................................	$4,838	1,099	4,418	953
Corporate and Other..................	178	16	--	(3)
	5,016	1,115	4,418	950
Capital Group				
Starz Entertainment..................	776	136	757	142
Corporate and Other..................	401	(11)	335	(6)
	1,177	125	1,092	136
Consolidated Liberty.................	$6,193	1,240	5,510	1,086

</Table>

(UNAUDITED)

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,			
	2006		2005	
	REVENUE	OPERATING CASH FLOW (DEFICIT)	REVENUE	OPERATING CASH FLOW (DEFICIT)
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Interactive Group				
QVC..................................	$1,653	366	1,475	306
Corporate and Other..................	40	(1)	--	(1)
	1,693	365	1,475	305
Capital Group				
Starz Entertainment..................	253	45	245	47
Corporate and Other..................	157	(16)	130	4
	410	29	375	51
Consolidated Liberty...................	$2,103	394	1,850	356

</Table>

OTHER INFORMATION

<Table>
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	SEPTEMBER 30, 2006		
	TOTAL ASSETS	INVESTMENTS IN AFFILIATES	CAPITAL EXPENDITURES
	AMOUNTS IN MILLIONS		
<S>	<C>	<C>	<C>
Interactive Group			
QVC.......................................	$18,155	101	167
Corporate and Other........................	5,253	1,240	3
Intragroup elimination.....................	(4,383)	--	--
	19,025	1,341	170
Capital Group			
Starz Entertainment........................	2,907	46	4
Corporate and Other........................	23,840	438	60
	26,747	484	64
Inter-Group eliminations....................	(150)	--	--
Consolidated Liberty.........................	$45,622	1,825	234

</Table>

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

<Table>
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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Consolidated segment operating cash flow.........	$394	356	1,240	1,086
Stock-based compensation.........................	4	(15)	(49)	(32)
Depreciation and amortization....................	(169)	(163)	(502)	(487)
Interest expense.................................	(177)	(149)	(485)	(444)
Realized and unrealized gains (losses) on financial instruments, net......................	(73)	(332)	96	148
Gains (losses) on dispositions of assets, net....	25	1	352	(360)
Other, net.......................................	71	(13)	210	33

Earnings (loss) from continuing operations before income taxes and minority interests...	$ 75	(315)	862	(56)

</Table>

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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, our tax sharing arrangement with AT&T and estimated amounts payable under that arrangement, revenue growth and subscriber trends at QVC and Starz Entertainment, anticipated programming and marketing costs at Starz Entertainment, projected uses of cash for the remainder of 2006, the primary funding sources for Liberty's investing and financing activities for the remainder of 2006, the estimated value of our derivatives related to certain of our AFS investments, and the anticipated non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of our business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but such statements necessarily involve risks and uncertainties and there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- general economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
- continued consolidation of the broadband distribution and movie studio industries;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- 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;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
- future financial performance, including availability, terms and deployment of capital;
- fluctuations in foreign currency exchange rates and political unrest in international markets;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners and joint venturers;

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- competitor responses to our products and services, and the products and services of the entities in which we have interests; and

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

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and the Annual Report on Form 10-K for the year ended December 31, 2005 filed by Old Liberty.

OVERVIEW

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

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., FUN Technologies, Inc., TruePosition, Inc., Starz Media, LLC, BuySeasons, Inc., On Command Corporation and OpenTV Corp. Provide, which we acquired on February 9, 2006, operates an e-commerce marketplace of websites for perishable goods, including flowers, gourmet foods, fruits and desserts. FUN, in which we acquired a 55% common stock interest on March 10, 2006, operates websites that offer casual gaming, sports information and fantasy sports services. TruePosition provides equipment and technology that deliver location-based services to wireless users. Starz Media, which we acquired in the third quarter of 2006, is focused on developing, acquiring, producing and distributing live-action, computer-generated and traditional television animated productions for the home video, film, broadcast and direct-to-consumer markets. BuySeasons, which we acquired on August 23, 2006, operates BuyCostumes.com, an online-only retailer of costumes and accessories, catering to Halloween enthusiasts, theatre groups, performers, children and adults. On Command provides in-room, on-demand video entertainment and information services to hotels, motels and resorts primarily in the United States. OpenTV provides interactive television solutions, including operating middleware, web browser software, interactive applications, and consulting and support services.

In addition to the foregoing businesses, we hold an approximate 20% ownership interest in Expedia, Inc., which we account for as an equity method investment, and we continue to maintain significant investments and related derivative positions in public companies such as News Corporation, IAC/InterActiveCorp, Time Warner Inc. and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

TRACKING STOCKS

On May 9, 2006, our stockholders approved five related proposals which allowed us to restructure our company and capitalization. As a result of the Restructuring, all of the Old Liberty outstanding

common stock was exchanged for two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock, issued by Liberty, a newly formed holding company. Each tracking stock issued in the Restructuring is intended to track and reflect the economic performance of one of two newly designated groups, the Interactive Group and the Capital Group, respectively.

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. While the Interactive Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, neither 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.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which 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 interests in QVC, Provide, BuySeasons, Expedia and IAC/InterActiveCorp, and hereafter will 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. In addition, we have attributed $3,108 million principal amount (as of September 30, 2006) of our existing publicly-traded debt to the Interactive Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities other than those which have been attributed to the Interactive Group. The assets and businesses attributed to the Capital Group include our subsidiaries Starz Entertainment, FUN, TruePosition, Starz Media, On Command, OpenTV, our equity affiliates GSN, LLC and WildBlue Communications, Inc. and our interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation, and hereafter will 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. In addition, we have attributed $4,580 million principal amount (as of September 30, 2006) of our existing publicly-traded debt to the Capital Group.

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

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MATERIAL CHANGES IN RESULTS OF OPERATIONS

CONSOLIDATED OPERATING RESULTS

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
REVENUE				
Interactive Group				
QVC	$1,653	1,475	4,838	4,418
Corporate and Other	40	--	178	--
	1,693	1,475	5,016	4,418
Capital Group				
Starz Entertainment	253	245	776	757
Corporate and Other	157	130	401	335
	410	375	1,177	1,092
Consolidated Liberty	$2,103	1,850	6,193	5,510
OPERATING CASH FLOW (DEFICIT)				
Interactive Group				
QVC	$ 366	306	1,099	953
Corporate and Other	(1)	(1)	16	(3)
	365	305	1,115	950
Capital Group				
Starz Entertainment	45	47	136	142
Corporate and Other	(16)	4	(11)	(6)
	29	51	125	136
Consolidated Liberty	$ 394	356	1,240	1,086
OPERATING INCOME (LOSS)				
Interactive Group				
QVC	$ 257	179	711	572
Corporate and Other	(7)	(1)	--	(3)
	250	178	711	569
Capital Group				
Starz Entertainment	40	35	117	107

Corporate and Other	(61)	(35)	(139)	(109)
	(21)	--	(22)	(2)
Consolidated Liberty	$ 229	178	689	567

</Table>

REVENUE. Our consolidated revenue increased $253 million or 13.7% and $683 million or 12.4% for the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. These increases are due primarily to $178 million or 12.1% and $420 million or 9.5% increases for QVC and $32 million and $170 million attributable to Provide, which we acquired in February 2006. In addition, FUN provided $13 million and $26 million of revenue for the three and nine months ended September 30, 2006; and Starz Media and BuySeasons provided

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$23 million and $9 million of revenue since their respective acquisition in the third quarter of 2006. See Management's Discussion and Analysis for the Interactive Group and for the Capital Group below for a more complete discussion of QVC's and Starz Entertainment's results of operations.

OPERATING CASH FLOW. We define Operating Cash Flow as revenue less cost of sales, operating expenses and selling, general and administrative expenses (excluding stock-based compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this 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, litigation settlements and impairments of long-lived assets that are included in the measurement of operating income pursuant to generally accepted accounting principles. Accordingly, Operating Cash Flow should be considered in addition to, but not as a substitute for, operating income, net earnings, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 14 to the accompanying condensed consolidated financial statements for a reconciliation of Operating Cash Flow to Earnings (Loss) from Continuing Operations Before Income Taxes and Minority Interests.

Consolidated Operating Cash Flow increased $38 million or 10.7% and $154 million or 14.2% during the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. These increases are due primarily to $60 million or 19.6% and $146 million or 15.3% increases in QVC's operating cash flow resulting from higher revenue both domestically and internationally and $20 million generated by Provide for the nine month period. These increases were partially offset by an operating cash flow deficit of $16 million for Starz Media, which we acquired in the third quarter.

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

Effective January 1, 2006, we adopted Statement No. 123R. Statement No. 123R requires that we amortize the grant date fair value of our stock option and SAR Awards that qualify as equity awards as stock compensation expense over the vesting period of such Awards. Statement No. 123R also requires that we record the liability for our liability awards at fair value each reporting period and that the change in fair value be reflected as stock compensation expense in our condensed consolidated statement of operations. Prior to adoption of Statement No. 123R, the amount of expense associated with stock-based compensation was generally based on the vesting of the related stock options and stock appreciation rights and the market price of the underlying common stock, as well as the vesting of PSARs and the equity value of the related subsidiary. The expense reflected in our condensed consolidated financial statements was based on the market price of the underlying common stock as of the date of the financial statements.

In connection with our adoption of Statement 123R, we recorded an $89 million transition adjustment, net of related income taxes, which primarily reflects the fair value of the liability portion of the QVC Awards at January 1, 2006. The transition adjustment is reflected in the accompanying condensed consolidated statement of operations as the cumulative effect of accounting change. In addition, we recorded $49 million of stock compensation expense for the nine months ended September 30, 2006 (net of the $24 million credit resulting from the Exchange Offer and the Tender Offer), compared with

$32 million for the comparable period in 2005. As of September 30, 2006, the

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total compensation cost related to unvested Liberty equity awards was approximately $65 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2 years.

OPERATING INCOME. Consolidated operating income increased $51 million or 28.7% and $122 million or 21.5% for the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. These increases are the net effect of an increase in operating income for QVC and operating income generated by Provide, partially offset by operating losses generated by Starz Media and FUN and an increase in corporate stock option expense due to the adoption of Statement 123R.

OTHER INCOME AND EXPENSE

Components of Other Income (Expense) are as follows:

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Interest expense				
Interactive Group	$(108)	(93)	(298)	(274)
Capital Group	(69)	(56)	(187)	(170)
Consolidated Liberty	$(177)	(149)	(485)	(444)
Dividend and interest income				
Interactive Group	$ 10	10	29	28
Capital Group	62	46	140	93
Consolidated Liberty	$ 72	56	169	121
Share of earnings of affiliates				
Interactive Group	$ 8	7	29	5
Capital Group	(5)	(3)	3	10
Consolidated Liberty	$ 3	4	32	15
Realized and unrealized gains (losses) on financial instruments, net				
Interactive Group	$ 5	14	22	(37)
Capital Group	(78)	(346)	74	185
Consolidated Liberty	$ (73)	(332)	96	148
Gains (losses) on dispositions, net				
Interactive Group	$ --	--	--	40
Capital Group	25	1	352	(400)
Consolidated Liberty	$ 25	1	352	(360)
Nontemporary declines in fair value of investments				
Interactive Group	$ --	--	--	--
Capital Group	(4)	(68)	(4)	(68)
Consolidated Liberty	$ (4)	(68)	(4)	(68)
Other, net				
Interactive Group	$ 2	(2)	15	(31)
Capital Group	(2)	(3)	(2)	(4)
Consolidated Liberty	$ --	(5)	13	(35)

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INTEREST EXPENSE. Consolidated interest expense increased 18.8% and 9.2% for the three and nine months ended September 30, 2006 and 2005, respectively. Interest expense attributable to the Interactive Group increased 16.1% and 8.8% for the three and nine-month periods due to increased borrowings on the March 2006 Credit Agreement, partially offset by decreases from retirements of our publicly-traded debt.

DIVIDEND AND INTEREST INCOME. Interest income for the Capital Group increased in 2006 due to higher invested cash balances. Interest and dividend income attributable to the Capital Group for the nine months ended September 30, 2006 was comprised of interest income earned on invested cash ($57 million), dividends on News Corp. common stock ($57 million), dividends on other AFS securities ($14 million), and other ($12 million).

REALIZED AND UNREALIZED GAINS (LOSSES) ON FINANCIAL INSTRUMENTS. Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

<Table>
<Caption>

	NINE MONTHS ENDED SEPTEMBER 30, 2006	NINE MONTHS ENDED SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS	
<S>	<C>	<C>
Exchangeable debenture call option obligations	$ 69	114
Equity collars	147	238
Put options	(9)	(47)
Borrowed shares	(198)	(175)
Other derivatives	87	18
	$ 96	148

</Table>

GAINS (LOSSES) ON DISPOSITIONS. We recognized gains on dispositions of $352 million for the nine months ended September 30, 2006 and losses on dispositions of $360 million in 2005. Our 2006 gains relate to the sale of our 50% interest in Court TV ($303 million, including $124 million of allocated goodwill) and dispositions of certain AFS securities. In the first quarter of 2005, we disposed of our interests in certain investments and recognized $488 million of foreign currency translation losses, before related income taxes, related to these two investments that were previously included in accumulated other comprehensive earnings (loss). These foreign currency losses were partially offset by gains on disposition of certain of our AFS securities and other assets. The foregoing gains or losses were calculated based upon the difference between the cost basis of the assets relinquished, as determined on an average cost basis, and the fair value of the assets received.

INCOME TAXES. Our effective tax rate was 28.9% for nine months ended September 30, 2006. Such rate is less than the U.S. federal income tax rate of 35% due to a deferred tax benefit we recognized in the first quarter. Late in the first quarter of 2006, we decided to effect a restructuring transaction which was effective on April 1, 2006, and which enabled us to include TruePosition in our Federal consolidated tax group on a prospective basis. As a result of this decision and considering our overall tax position, we reversed $89 million of valuation allowance recorded against TruePosition's net deferred tax assets into our statement of operations as a deferred tax benefit in the first quarter of 2006. This valuation allowance did not relate to net operating loss carryforwards or some other future tax deduction of TruePosition, but rather related to temporary differences caused by revenue and cost amounts that were recognized for tax purposes in prior periods, but have been deferred for financial reporting purposes until future periods. We recorded an additional deferred tax benefit ($29 million) for changes in our estimated state tax rate used to calculate our deferred tax liabilities. These benefits were partially offset by current tax expense ($43 million) on the gain on sale of Court TV for which we

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had higher book basis than tax basis. In addition, we recorded state ($22 million) and foreign ($20 million) tax expense.

For the nine months ended September 30, 2005 we generated a pre-tax loss of $84 million and we recognized an income tax benefit of $110 million. In the third quarter of 2005, we assessed our weighted average state tax rate in connection with our spin off of DHC. As a result of this assessment, we decreased our state tax rate used in calculating the amount of our deferred tax liabilities and recognized a deferred income tax benefit of $131 million.

NET EARNINGS. Our net earnings were $515 million and $53 million for nine months ended September 30, 2006 and 2005, respectively. Such change is due to the aforementioned fluctuations in revenue and expenses. In addition, we recognized $27 million of earnings from discontinued operations in 2005.

MATERIAL CHANGES IN FINANCIAL CONDITION

While the Interactive 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 the other group, the following discussion assumes that future liquidity needs of each group will be funded by the financial resources attributed to each respective group.

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 (including derivatives), debt and equity issuances, and dividend and interest receipts.

INTERACTIVE GROUP. During the nine months ended September 30, 2006, the Interactive Group's primary uses of cash were the retirement of $1,369 million principal amount of senior notes that matured in September 2006, funding the acquisition of Provide ($465 million), repurchases of QVC common stock ($314 million), capital expenditures ($170 million), stock compensation payments ($105 million) and the repurchase of outstanding Liberty Interactive common stock. In connection with the issuance of our tracking stocks, our board of directors authorized a share repurchase program pursuant to which we may repurchase up to $1 billion of outstanding shares of Liberty Interactive Stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. During the period from May 10, 2006 to September 30, 2006, we repurchased 41.4 million shares of Liberty Interactive Series A common stock for aggregate cash consideration of $731 million pursuant to this share repurchase program. Subsequent to September 30, 2006, our board of directors authorized us to repurchase up to an additional $1 billion of outstanding shares of Liberty Interactive stock in the open market or in privately negotiated transactions, subject to market conditions. We may alter or terminate the stock repurchase program at any time.

The Interactive Group's uses of cash in 2006 were primarily funded with cash from operations and borrowings under the QVC March 2006 Credit Agreement. As of September 30, 2006, the Interactive Group had a cash balance of $910 million.

The projected uses of Interactive Group cash for the remainder of 2006 include approximately $105 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, capital expenditures, additional tax payments to the Capital Group and additional repurchases of Liberty Interactive common stock. In addition, we may make additional investments in existing or new

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

Effective March 3, 2006, QVC refinanced its existing bank credit facility with a new $3.5 billion bank credit facility. The March 2006 Credit Agreement is comprised of an $800 million U.S. dollar term loan that was drawn at closing, an $800 million U.S. dollar term loan that was drawn on September 18, 2006, a $600 million multi-currency term loan that was drawn in U.S. dollars on September 18, 2006, a $650 million U.S. dollar revolving loan and a $650 million multi-currency revolving loan. The foregoing multi-currency loans can be made, at QVC's option, in U.S. dollars, Japanese yen, U.K. pound sterling or euros. All loans are due and payable on March 3, 2011, and accrue interest, at the option of QVC, at LIBOR plus an applicable margin or the Alternate Base Rate, as defined in the March 2006 Credit Agreement, plus an applicable margin. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments.

On October 4, 2006, QVC entered into a new credit agreement, which provides for an additional unsecured $1.75 billion credit facility, consisting of an $800 million initial term loan to be made upon closing, which occurred on October 13, 2006, and $950 million of delayed draw term loans to be made after closing from time to time upon the request of QVC. The delayed draw term loans are available until September 30, 2007 and are subject to reductions in the principal amount available starting on March 31, 2007. The loans will bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by Wachovia Bank, N.A. from time to time. The loans are scheduled to mature on October 4, 2011.

Aggregate commitments under the March 2006 Credit Agreement and the October 2006 Credit Agreement are $5.25 billion. QVC's ability to borrow the unused capacity is dependent on its continuing compliance with the covenants contained in the Agreements at the time of, and after giving effect to, a requested borrowing.

On October 4, 2006, QVC also entered into an Amendment, which amends the March 2006 Credit Agreement. The Amendment conforms the interest rate for loans under the March 2006 Credit Agreement to match the interest rate for loans under the October 2006 Credit Agreement, and amends certain restrictions on the incurrence of indebtedness and affiliate transactions to match those in the October 2006 Credit Agreement.

CAPITAL GROUP. During the nine months ended September 30, 2006, the Capital Group's primary uses of cash were the acquisition of Starz Media ($280 million) and FUN ($200 million), loans to WildBlue Communications, an equity affiliate ($141 million), and net cash transfers of $293 million to the Interactive Group prior to the Restructuring. These investing activities were funded with available cash on hand and proceeds from derivative settlements and asset sales.

The projected uses of Capital Group cash for the remainder of 2006 include approximately $35 million for interest payments on debt attributed to the Capital Group. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Capital Group. However, we do not have any commitments to make new investments at this time.

In connection with the issuance of our tracking stocks, our board of directors authorized a share repurchase program pursuant to which we may repurchase up to $1 billion of outstanding shares of Liberty Capital Stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. We may alter or terminate the stock repurchase program at any time.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, cash provided by operating activities, tax payments from the Interactive Group, proceeds from collar expirations and dispositions of non-strategic assets. At September 30, 2006, the Capital Group's sources of liquidity include $2,114 million in cash and marketable debt

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securities and $6,836 million of non-strategic AFS securities including related derivatives. In addition, we have attributed to the Capital Group $10,259 million of News Corp. common stock which we consider to be a strategic asset. To the extent the Capital Group recognizes any taxable gains from the sale of assets or the expiration of derivative instruments, we may incur current tax expense and be required to make tax payments, thereby reducing any cash proceeds attributable to the Capital Group.

Our derivatives related to certain of our AFS investments provide the Capital Group with an additional source of liquidity. Based on the put price and assuming we deliver owned or borrowed shares to settle each of the AFS Derivatives and excluding any provision for income taxes, the Capital Group would have attributed to its cash proceeds of approximately $385 million in 2007, zero in 2008, $1,180 million in 2009, $1,681 million in 2010 and $1,312 million thereafter upon settlement of its AFS Derivatives.

Prior to the maturity of the equity collars, the terms of certain of the equity and narrow-band collars allow borrowings against the future put option proceeds at LIBOR or LIBOR plus an applicable spread, as the case may be. As of September 30, 2006, such borrowing capacity aggregated approximately $4,588 million. Such borrowings would reduce the cash proceeds upon settlement noted in the preceding paragraph.

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS

CAPITAL GROUP

The following contingencies and obligations have been attributed to the Capital Groups:

Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees for the rights to exhibit certain films that are released by these producers. The unpaid balance for Programming Fees for films that were available for exhibition by Starz Entertainment at September 30, 2006 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of September 30, 2006 is payable as follows: $96 million in 2006, $28 million in 2007 and $16 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for the rights to exhibit films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at September 30, 2006. Starz Entertainment's estimate of amounts payable under these agreements is as follows: $45 million in 2006; $606 million in 2007; $99 million in 2008; $93 million in 2009; $88 million in 2010 and $98 million thereafter.

In addition, 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 through 2009, all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment through 2010 and all qualifying films produced for theatrical release in the United States by Revolution Studios through 2006. 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 to the foregoing contractual film obligations, each of Disney and Sony has the right to extend its contract for an additional three years. If Sony elects to extend its contract, Starz Entertainment has agreed to pay Sony a total of $190 million in four annual installments of $47.5 million beginning in 2011. This option expires December 31, 2007. If made, such payments to Sony would be amortized ratably as programming expense over the extension period beginning in 2011. An extension of this agreement would also result in the payment by Starz Entertainment of

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Programming Fees for qualifying films released by Sony during the extension period. If Disney elects to extend its contract, Starz Entertainment would not be obligated to pay any amounts in excess of its Programming Fees for qualifying films released by Disney during the extension period. The Disney option expires December 31, 2007.

Liberty guarantees Starz Entertainment's film licensing obligations under certain of its studio output agreements. At September 30, 2006, Liberty's guarantee for studio output obligations for films released by such date aggregated $716 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a commitment of Starz Entertainment, a consolidated subsidiary of ours, we have not recorded a separate liability for our guarantee of these obligations.

From time to time we enter into debt swaps and swap arrangements with respect to our third-party public and private indebtedness. Under these arrangements, we initially post collateral with the counterparty equal to a contractual percentage of the value of the referenced securities. We earn interest income based upon the face amount and stated interest rate of the referenced securities, and we pay interest expense at market rates on the amount funded by the counterparty. In the event the fair value of the underlying debt securities declines more than a pre-determined amount, we are required to post cash collateral for the decline, and we record an unrealized loss on financial instruments. The cash collateral is further adjusted up or down for subsequent changes in fair value of the underlying debt security. At September 30, 2006, the aggregate notional amount of debt securities referenced under our debt swap arrangements, which related to $780 million principal amount of certain of our publicly-trade debt, was $553 million. As of such date, we had posted cash collateral equal to $98 million, In the event the fair value of the referenced debt securities were to fall to zero, we would be required to post additional cash collateral of $455 million. The posting of such collateral and the related settlement of the agreements would reduce our outstanding debt by $780 million.

Since the date we issued our exchangeable debentures, we have claimed interest deductions on such exchangeable debentures for federal income tax purposes based on the "comparable yield" at which we could have issued a fixed-rate debenture with similar terms and conditions. In all instances, this policy has resulted in us claiming interest deductions significantly in excess of the cash interest currently paid on our exchangeable debentures. In this regard, we have deducted $2,090 million in cumulative interest expense associated with the exchangeable debentures since our split-off from AT&T. Of that amount, $612 million represents cash interest payments. Interest deducted in prior years on our exchangeable debentures has contributed to NOLs that may be carried to offset taxable income in 2006 and later years. These NOLs and current interest deductions on our exchangeable debentures are being used to offset taxable income currently being generated.

The IRS has issued Technical Advice Memorandums challenging the current deductibility of interest expense claimed on exchangeable debentures issued by other companies. The TAMs conclude that such interest expense must be capitalized as basis to the shares referenced in the exchangeable debentures. If the IRS were to similarly challenge our tax treatment of these interest deductions, and ultimately win such challenge, there would be no impact to our reported total tax expense as the resulting increase in current tax expense would be offset by a decrease in our deferred tax expense. However, we would be required to make current federal income tax payments. These federal income tax payments could prove to be significant.

Pursuant to a tax sharing agreement between us and AT&T when we were a subsidiary of AT&T, we received a cash payment from AT&T in periods when we generated taxable losses and such taxable losses were utilized by AT&T to reduce its consolidated income tax liability. To the extent such losses were not utilized by AT&T, such amounts were available to reduce federal taxable income generated by us in future periods, similar to a net operating loss carryforward. While we were a subsidiary of AT&T,

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we recorded our stand-alone tax provision on a separate return basis. Subsequent to our split off from AT&T, if adjustments are made to amounts previously paid under the AT&T Tax Sharing Agreement, such adjustments are reflected as adjustments to additional paid-in capital. During the period from March 10, 1999 to December 31, 2002, we received cash payments from AT&T aggregating $670 million as payment for our taxable losses that AT&T utilized to reduce its income tax liability.

Also, pursuant to the AT&T Tax Sharing Agreement and in connection with the split off from AT&T, AT&T was required to pay us an amount equal to 35% of the amount of the net operating losses reflected in TCI's final federal income tax return that had not been used as an offset to our obligations under the AT&T Tax Sharing Agreement and that had been, or were reasonably expected to be, utilized by AT&T. In connection with our split off from AT&T, we received an $803 million payment for TCI's NOLs and recorded such payment as an increase to additional paid-in capital. We were not paid for certain of TCI's NOLs due to limitations and uncertainty regarding AT&T's ability to use them to offset taxable income in the future. In the event AT&T was ultimately able to use any of the SRLY NOLs, they would be required to pay us 35% of the amount of the SRLY NOLs used. In the fourth quarter of 2004 and in connection with the completion of an IRS audit of TCI's tax return for 1994, it was determined that we were required to recognize additional taxable income related to the recapitalization of one of our investments resulting in a tax liability of approximately $30 million. As a result of the tax assessment, we also received a corresponding amount of additional tax basis in the investment. However, we were able to cause AT&T to use a portion of the SRLY NOLs to offset this taxable income, the benefit of which resulted in the elimination of the $30 million tax liability and an increase to additional paid-in capital.

In the fourth quarter of 2004, AT&T requested a refund from us of $70 million, plus accrued interest, relating to losses that it generated in 2002 and 2003 and was able to carry back to offset taxable income previously offset by our losses. AT&T has asserted that our losses caused AT&T to pay $70 million in alternative minimum tax that it would not have been otherwise required to pay had our losses not been included in its return. In 2004, we estimated that we may ultimately pay AT&T up to $30 million of the requested $70 million because we believed AT&T received an AMT credit of $40 million against income taxes resulting from the AMT previously paid. Accordingly, we accrued a $30 million liability with an offsetting reduction of additional paid-in capital. The net effect of the completion of the IRS tax audit noted above (including the benefit derived from AT&T for the utilization of the SRLY NOLs) and our accrual of amounts due to AT&T was an increase to deferred tax assets and an increase to other liabilities.

In the fourth quarter of 2005, AT&T requested an additional $21 million relating to additional losses it generated and was able to carry back to offset taxable income previously offset by our losses. In addition, the information provided to us in connection with AT&T's request showed that AT&T had not yet claimed a credit for AMT previously paid. Accordingly, in the fourth quarter of 2005, we increased our accrual by approximately $40 million (with a corresponding reduction of additional paid-in capital) representing our estimate of the amount we may ultimately pay (excluding accrued interest, if any) to AT&T as a result of this request. Although we have not reduced our accrual for any future refunds, we believe we are entitled to a refund when AT&T is able to realize a benefit in the form of a credit for the AMT previously paid.

In March 2006, AT&T requested an additional $21 million relating to additional losses and IRS audit adjustments that it claims it is able to use to offset taxable income previously offset by our losses. We have reviewed this claim and we believe that our accrual as of December 31, 2005 is adequate. Accordingly, no additional accrual was recorded during the nine months ended September 30, 2006.

Although for accounting purposes we have accrued a portion of the amounts claimed by AT&T to be owed by us under the AT&T Tax Sharing Agreement, we believe there are valid defenses or set-off or similar rights in our favor that may cause the total amount that we owe AT&T to be less than the

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amounts accrued; and under certain interpretations of the AT&T Tax Sharing Agreement, we may be entitled to further reimbursements from AT&T.

CAPITAL GROUP AND INTERACTIVE GROUP

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

We have contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we 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.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS, AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140." Statement No. 155, among other things, amends Statement No. 133, and permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Statement No. 155 is effective after the beginning of an entity's first fiscal year that begins after September 15, 2006. Under Statement No. 155, we may elect to account for our senior exchangeable debentures at fair value rather than bifurcating such debentures into a debt instrument and a derivative instrument as required by Statement No. 133. We are evaluating the impact of Statement No. 155 on our financial statements and have not yet made a determination as to what election we will make with respect to the accounting for our senior exchangeable derivatives.

In June 2006, the FASB issued FASB Interpretation No. 48, "ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, AN INTERPRETATION OF FASB STATEMENT NO. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. While we have not completed our evaluation of the impact of FIN 48 on our financial statements, we believe that the application of FIN 48 will result in the derecognition of certain tax liabilities currently reflected in our consolidated balance sheet with a corresponding decrease to our accumulated deficit. We are unable to quantify the amount of these adjustments at this time.

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 financing activities and 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 and (ii) issuing variable rate debt with appropriate maturities and interest rates. As of September 30, 2006, the face amount of the Interactive Group's fixed rate debt (considering the effects of interest rate swap agreements) was $3,979 million, which had a weighted average interest rate of 7.02%. The Interactive Group's variable rate debt of $2,375 million had a weighted average interest rate of 5.84% at September 30, 2006. As of September 30, 2006, the face amount of the Capital Group's fixed rate debt was $4,584 million, which had a weighted average interest rate of 2.56%.

Each of the Interactive Group and the Capital Group 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. We use equity collars, put spread collars, narrow-band collars, written put and call options and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models.

Among other factors, changes in the market prices of the securities underlying our AFS Derivatives affect the fair market value of such AFS Derivatives. The following table illustrates the impact that changes in the market price of the securities underlying our equity collars that have been attributed to the Capital Group would have on the fair market value of such derivatives. Such changes in fair market value would be included in realized and unrealized gains (losses) on financial instruments in our statement of operations (amounts in millions).

	ESTIMATED AGGREGATE FAIR VALUE OF EQUITY COLLARS
Fair value at September 30, 2006	$1,008
5% increase in market prices	$ 885
10% increase in market prices	$ 760
5% decrease in market prices	$1,130
10% decrease in market prices	$1,251

At September 30, 2006, the fair value of our AFS securities attributed to the Interactive Group was $1,991 million and the fair value of our AFS securities attributed to the Capital Group was $18,270 million. Had the market price of such securities been 10% lower at September 30, 2006, the aggregate value of such securities would have been $199 million and $1,827 million lower, respectively, resulting in a decrease to unrealized holding gains in other comprehensive earnings (loss). The decrease attributable to the Capital Group would be partially offset by an increase in the value of our AFS Derivatives as noted in the table above.

In connection with certain of our AFS Derivatives, we periodically borrow 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 we have attributed to the Capital Group have been posted as collateral with the counterparty. These share borrowing arrangements can be terminated at any time at our option by delivering shares to the counterparty. The counterparty can

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terminate these arrangements upon the occurrence of certain events which limit the trading volume of the underlying security. The liability under these share borrowing arrangements is marked to market each reporting period with changes in value recorded in unrealized gains or losses in the Capital Group's attributed statement of operations. The shares posted as collateral under these arrangements continue to be treated as AFS securities and are marked to market each reporting period with changes in value recorded as unrealized gains or losses in other comprehensive earnings.

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 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 generally 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.

We periodically assess the effectiveness of our derivative financial instruments. With regard to interest rate swaps, we monitor the fair value of interest rate swaps as well as the effective interest rate the interest rate swap yields, in comparison to historical interest rate trends. We believe that any losses incurred with regard to interest rate swaps would be offset by the effects of interest rate movements on the underlying debt facilities. With regard to equity collars, we monitor historical market trends relative to values currently present in the market. We believe that any unrealized losses incurred with regard to equity collars and swaps would be offset by the effects of fair value changes on the underlying assets. These measures allow our management to measure the success of its use of derivative instruments and to determine when to enter into or exit from derivative instruments.

Our derivative instruments are executed with counterparties who are well known major financial institutions with high credit ratings. While we believe these derivative instruments effectively manage the risks highlighted above, they are subject to counterparty credit risk. Counterparty credit risk is the risk that the counterparty is unable to perform under the terms of the derivative instrument upon settlement of the derivative instrument. To protect ourselves against credit risk associated with these counterparties we generally:

- execute our derivative instruments with several different counterparties, and

- execute equity derivative instrument agreements which contain a provision that requires the counterparty to post the "in the money" portion of the derivative instrument into a cash collateral account for our benefit, if the respective counterparty's credit rating for its senior unsecured debt were to reach certain levels, generally a rating that is below Standard & Poor's rating of A- and/or Moody's rating of A3.

Due to the importance of these derivative instruments to our risk management strategy, we actively monitor the creditworthiness of each of these counterparties. Based on our analysis, we currently consider nonperformance by any of our counterparties to be unlikely.

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INTERACTIVE GROUP

On May 9, 2006, our stockholders approved the Restructuring which, among other things, resulted in the creation of two tracking stocks, one of which is intended to reflect the separate performance of the Interactive Group. The Interactive Group consists of our subsidiaries QVC, Provide and BuySeasons, our interests in IAC/InterActiveCorp and Expedia and $3,108 million principal amount (as of September 30, 2006) of our existing publicly-traded debt.

The following discussion and analysis provides information concerning the results of operations and financial condition of the Interactive Group. Although the Restructuring was not completed until May 9, 2006, the following discussion is presented as though the Restructuring had been completed on January 1, 2005. The results of operations of Provide and BuySeasons are included in Corporate and Other since their respective date of acquisition in the tables below. Fluctuations in Corporate and Other from 2005 to 2006 are due primarily to the acquisitions of Provide and BuySeasons in 2006. 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 Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

MATERIAL CHANGES IN RESULTS OF OPERATIONS

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	THREE MONTHS ENDED SEPTEMBER 30, 2006	THREE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2006	NINE MONTHS ENDED SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
REVENUE				
QVC	$1,653	1,475	4,838	4,418
Corporate and Other	40	--	178	--
	$1,693	1,475	5,016	4,418
OPERATING CASH FLOW (DEFICIT)				
QVC	$ 366	306	1,099	953
Corporate and Other	(1)	(1)	16	(3)
	$ 365	305	1,115	950
OPERATING INCOME (LOSS)				
QVC	$ 257	179	711	572
Corporate and Other	(7)	(1)	--	(3)
	$ 250	178	711	569

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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, to a lesser extent, via the Internet. In the United States, the program is aired live through its nationally televised shopping network--24 hours a day, 7 days a week ("QVC-US"). Internationally, QVC has electronic retailing program services based in the United Kingdom ("QVC-UK"), Germany ("QVC-Germany") and Japan ("QVC-Japan"). QVC-UK broadcasts 24 hours a day with 17 hours of live programming, and QVC-Germany and QVC-Japan each broadcast live 24 hours a day.

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QVC's operating results are as follows:

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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Net revenue..................................	$ 1,653	1,475	4,838	4,418
Cost of sales................................	(1,040)	(942)	(3,018)	(2,778)
Gross profit..............................	613	533	1,820	1,640
Operating expenses...........................	(139)	(129)	(408)	(388)
SG&A expenses (excluding stock-based compensation).............................	(108)	(98)	(313)	(299)
Operating cash flow........................	366	306	1,099	953
Stock-based compensation--SG&A...............	10	(10)	(31)	(35)
Depreciation and amortization................	(119)	(117)	(357)	(346)
Operating income...........................	$ 257	179	711	572

</Table>

Net revenue includes the following revenue by geographical area:

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
QVC-US.......................................	$1,151	1,039	3,379	3,098
QVC-UK.......................................	144	129	415	388
QVC-Germany..................................	202	178	587	557
QVC-Japan....................................	156	129	457	375
Consolidated...............................	$1,653	1,475	4,838	4,418

</Table>

QVC's consolidated net revenue increased 12.1% and 9.5% during the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. The three month increase in revenue is comprised of a $147 million increase due to an increase in the number of units shipped from 35.3 million to 38.3 million, a $50 million increase due to a 3.1% increase in the average sales price per unit ("ASP") and a $9 million increase due to favorable foreign currency rates as the U.S. dollar weakened against the UK pound sterling and the euro. The revenue increases were partially offset by a $28 million decrease due primarily to an increase in estimated product returns. The nine month increase in revenue is comprised of a $464 million increase due to an increase in the number of units shipped from 105.6 million to 114.6 million and a $26 million increase due to a 1.4% increase in the ASP. The revenue increases were partially offset by a $48 million decrease due to unfavorable foreign currency rates and a $22 million decrease due primarily to an increase in estimated product returns. Returns as a percent of gross product revenue remained constant at 19.2% for the three month periods and increased from 18.7% for the nine months ended September 30, 2005 to 19.3% in 2006 due to a shift in the sales mix from home products to apparel and accessories products, which typically have higher return rates.

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The number of homes receiving QVC's services are as follows:

<Table>
<Caption>

	HOMES (IN MILLIONS)	
	SEPTEMBER 30,	DECEMBER 31,

	2006	2005
QVC-US	90.3	90.0
QVC-UK	19.0	17.8
QVC-Germany	37.8	37.4
QVC-Japan	18.2	16.7

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S. and Germany. In addition, the rate of growth in homes receiving the service is expected to diminish in the UK and Japan. As these markets continue to mature, QVC also expects its consolidated rate of growth in revenue to diminish. Future sales growth will primarily depend on continued additions of new customers from homes already receiving the QVC service, continued growth in sales to existing customers and growth in the number of cable and direct broadcast satellite homes. 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.

As noted above, during the three and nine months ended September 30, 2006, the changes in revenue and expenses were also impacted by fluctuations in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's reported revenue and operating cash flow will be negatively impacted. The percentage increase in revenue for each of QVC's geographic areas in U.S. dollars and in local currency is as follows:

	PERCENTAGE INCREASE IN NET REVENUE			
	THREE MONTHS ENDED SEPTEMBER 30, 2006		NINE MONTHS ENDED SEPTEMBER 30, 2006	
	U.S. DOLLARS	LOCAL CURRENCY	U.S. DOLLARS	LOCAL CURRENCY
QVC-US	10.8%	10.8%	9.1%	9.1%
QVC-UK	11.6%	5.8%	7.0%	8.3%
QVC-Germany	13.5%	8.4%	5.4%	6.9%
QVC-Japan	20.9%	26.9%	21.9%	30.9%

QVC's gross profit percentage increased 95 and 50 basis points during the three and nine months ending September 30, 2006, respectively, as compared to the corresponding prior year periods. The increases for both periods are due to higher initial margins due to a shift in the sales mix from home products to higher margin apparel and accessories products and to a lower inventory obsolescence provision for the nine-month period.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, provision for doubtful accounts, telecommunications expense and credit card processing fees. Operating expenses increased 7.8% and 5.2% for the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. These increases are primarily due to the increases in sales volume. As a percentage of net revenue, operating expenses decreased to 8.4% for the three months ended September 30, 2006 from 8.7% for the comparable period in 2005 and decreased to 8.4% from 8.8% for the nine-month period. As a percentage of net revenue, commissions and license fees decreased due to a greater percentage of Internet sales for which lower commissions are required to be paid. In addition, commission and license fee expense

decreased as a percentage of net revenue in QVC-Japan where certain distributors are paid the greater of (i) a fixed fee per subscriber and (ii) a specified percentage of sales. In the first quarter of 2006, more distributors started to receive payments based on sales volume rather than a fixed fee per subscriber. The bad debt provision decreased as a percentage of net revenue in both periods due to lower write-offs on the Company's private label credit card. As a percent of net revenue, order processing and customer service expenses decreased in both periods due to increased Internet sales, the higher ASP and efficiencies in call staffing. Telecommunications expense and credit card processing fees remained consistent as a percent of net revenue in 2006 as compared to 2005.

QVC's SG&A expenses include personnel, information technology, marketing and advertising expenses. Due to the fixed cost and discretionary nature of many of these expenses, SG&A expenses increased at a lower rate than revenue for the three and nine months ended September 30, 2006, as compared to the corresponding prior year periods.

<Page>
CAPITAL GROUP

The other tracking stock created in the Restructuring is intended to reflect the separate performance of the Capital Group. The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group, including controlling interests in Starz Entertainment, FUN, TruePosition, Starz Media, On Command, and OpenTV, as well as minority investments in News Corporation, Time Warner Inc., Sprint Nextel Corporation and other public and private companies and $4,580 million principal amount (as of September 30, 2006) of our existing publicly-traded debt.

We acquired the U.S. and U.K. operations of Starz Media from IDT Corporation ("IDT") on August 24, 2006, and the Canadian and Australian operations on September 29, 2006. The aggregate consideration was valued for accounting purposes at $515 million and was comprised of 14.9 million shares of IDT Class B common stock, 7,500 shares of IDT Telecom, Inc., a subsidiary of IDT, and $280 million in cash. Starz Media's operations include animated feature film production, proprietary live action and animated series production, contracted 2D animation production and DVD distribution.

The following discussion and analysis provides information concerning the attributed results of operations and financial condition of the Capital Group. Although the Restructuring was not completed until May 9, 2006, the following discussion is presented as though the Restructuring had been completed on January 1, 2005. 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 Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

MATERIAL CHANGES IN RESULTS OF OPERATIONS

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
REVENUE				
Starz Entertainment...........................	$253	245	776	757
Corporate and Other...........................	157	130	401	335
	$410	375	1,177	1,092
OPERATING CASH FLOW (DEFICIT)				
Starz Entertainment...........................	$ 45	47	136	142
Corporate and Other...........................	(16)	4	(11)	(6)
	$ 29	51	125	136
OPERATING INCOME (LOSS)				
Starz Entertainment...........................	$ 40	35	117	107
Corporate and Other...........................	(61)	(35)	(139)	(109)
	$(21)	--	(22)	(2)

</Table>

REVENUE. The Capital Group's combined revenue increased $35 million or 9.3% and $85 million or 7.8% for the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. In addition to the increases for Starz Entertainment, these increases are due to $13 million and $26 million attributable to FUN, which we acquired in March 2006 and $23 million generated by Starz Media, which we acquired in August 2006.

OPERATING CASH FLOW. The Capital Group's Operating Cash Flow decreased $22 million or 43.1% and $11 million or 8.1% during the three and nine months ended September 30, 2006, respectively, as

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compared to the corresponding prior year periods. These decreases are due primarily to an operating cash flow deficit generated by Starz Media ($16 million).

OPERATING INCOME. The Capital Group's operating loss increased $21 million and $20 million for the three and nine months ended September 30, 2006 and 2005, respectively, as compared to the corresponding prior year periods. Improvements in operating income for TruePosition, Starz Entertainment and On Command were more than offset by operating losses for Starz Media and FUN.

INCOME TAXES. For the nine months ended September 30, 2006, the Capital Group had an effective tax rate of 22.0%. Such rate is less than the U.S. federal rate of 35% due to a deferred tax benefit recognized in the first quarter. Late in the first quarter of 2006, we decided to effect a restructuring transaction which was effective on April 1, 2006, and which enabled us to include TruePosition in our Federal consolidated tax group on a prospective basis. As a result of this decision and considering our overall tax position, we reversed $89 million of valuation allowance recorded against TruePosition's net deferred tax assets into the Capital Group's attributed statement of operations as a deferred tax benefit in the first quarter of 2006. This valuation allowance did not relate to net operating loss carryforwards or some other future tax deduction of TruePosition, but rather related to temporary differences caused by revenue and cost amounts that were recognized for tax purposes in prior periods, but have been deferred for financial reporting purposes until future periods. Such deferred tax benefit was partially offset by tax expense on the gain on sale of Court TV for which we had higher book basis than tax basis. The Capital Group's effective tax rate was 67.1% for the nine months ended September 30, 2005. In the third quarter of 2005, we assessed our weighted average state tax rate in connection with our spin off of DHC. As a result of this assessment, we decreased our state tax rate used in calculating the amount of our deferred tax liabilities and recognized a deferred income tax benefit of $119 million.

NET EARNINGS (LOSS). The Capital Group's net earnings (loss) was $287 million and $(82) million for the nine months ended September 30, 2006 and 2005, respectively. Such change is due to the aforementioned fluctuations in revenue and expenses. In addition, the Capital Group recognized $27 million of earnings from discontinued operations in 2005.

STARZ ENTERTAINMENT. Historically, Starz Entertainment has provided premium programming distributed by cable operators, direct-to-home satellite providers and other distributors throughout the United States. In 2004 and 2005, Starz Entertainment launched, via the Internet, Starz Ticket and Vongo which are comprised of a stream of the Starz channel and other movie and entertainment content on an on-demand basis. Starz Ticket and Vongo are each offered on a subscription basis, and in addition, Vongo offers content on a pay-per-view basis. Notwithstanding the launches of these new services, substantially all of Starz Entertainment's revenue continues to be derived from the delivery of movies to subscribers under affiliation agreements with television video programming distributors. Some of Starz Entertainment's affiliation agreements provide for payments to Starz Entertainment based on the number of subscribers that receive Starz Entertainment's services. Starz Entertainment also has fixed-rate affiliation agreements with certain of its customers. Pursuant to these agreements, the customers generally pay an agreed-upon rate regardless of the number of subscribers. The agreed-upon rate is contractually increased annually or semi-annually as the case may be, and these agreements, other than the Comcast agreement described below, expire in 2006 through 2008. During the nine months ended September 30, 2006, 57.3% of Starz Entertainment's revenue was generated by its three largest customers, Comcast, Echostar Communications and DirecTV. Starz Entertainment has entered into a new affiliation agreement with Echostar which expires in June 2009. Starz Entertainment's affiliation agreement with DirecTV expired June 30, 2006, and Starz Entertainment is currently in negotiations with DirecTV regarding a new agreement. There can be no assurance that any new agreement with DirecTV will have economic terms comparable to the old agreement. Starz Entertainment continues to recognize revenue from DirecTV based on the pattern of cash payments received from DirecTV.

Starz Entertainment's affiliation agreements generally do not provide for the inclusion of its services in specific programming packages of the distributors. The previous affiliation agreement with Comcast, however, did include a short-term packaging commitment to carry the Encore and Thematic Multiplex channels (EMP) in specified digital tiers on Comcast's cable systems. The affiliation agreement originally expired at the end of 2010, and Comcast's packaging commitment expired at the end of 2005. In the second quarter of 2005, Starz Entertainment and Comcast renegotiated their affiliation agreement. The new agreement eliminates Comcast's packaging commitment for EMP and provides for a fixed fee payment structure, with certain Consumer Price Index ("CPI") adjustments, for EMP through September 2009. The agreement also provides for a guaranteed payment structure for Comcast's carriage of Starz through December 2012 with contractual increases for 2006 and 2007 and annual CPI adjustments for the remainder of the term. The foregoing payment structure for EMP and Starz may be adjusted in the event Comcast acquires or disposes of cable systems. Finally, Comcast agreed to the elimination of certain future marketing support commitments from Starz Entertainment. As a result of this new agreement, Starz Entertainment's future revenue from Comcast for its EMP and Starz products will not be impacted by any increases or decreases in actual subscribers, except in the case of acquisitions or dispositions noted above. The terms of the EMP and Starz payment structures can be extended by Comcast, at its option, for a total of six years and five years, respectively.

Starz Entertainment's operating results are as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
Revenue	$ 253	245	776	757
Operating expenses	(182)	(171)	(559)	(522)
SG&A expenses	(26)	(27)	(81)	(93)
Operating cash flow	45	47	136	142
Depreciation and amortization	(5)	(12)	(19)	(35)
Operating income	$ 40	35	117	107

Starz Entertainment's revenue increased $8 million or 3.3% and $19 million or 2.5% for the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. The three month increase is due to a $15 million increase resulting from growth in the average number of subscription units for Starz Entertainment's services partially offset by an $7 million decrease due to a decrease in the effective rate for Starz Entertainment's services. The nine month increase is due to a $37 million increase resulting from growth in the average number of subscription units for Starz Entertainment's services partially offset by a $18 million decrease due to a decrease in the effective rate for Starz Entertainment's services.

Starz Entertainment's Starz movie service and its Encore movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions increased 7.0% and 4.6% for the three and nine months ended September 30, 2006, respectively, and Encore average subscriptions increased 7.1% and 6.8%. The effects of these increases in subscription units are somewhat mitigated by the fixed-rate affiliation agreements that Starz Entertainment has entered into in recent years.

At September 30, 2006, cable, DTH satellite, and other distribution media represented 67.2%, 31.2% and 1.6%, respectively, of Starz Entertainment's total subscription units.

Starz Entertainment's operating expenses increased 6.4% and 7.1% for the three and nine months ended September 30, 2006, respectively, due primarily to increases in programming costs, which increased from $161 million for the three months ended September 30, 2005 to $173 million in 2006

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and from $493 million for the nine months ended September 30, 2005 to $532 million in 2006. The increases in programming costs are due primarily to $16 million and $48 million of additional amortization of deposits previously made under certain of its output arrangements. Such amortization was partially offset by a decrease in programming costs due to a lower percentage of first-run movie exhibitions (which have a relatively higher cost per title) as compared to the number of library product exhibitions.

Starz Entertainment expects that its full-year programming costs in 2006 will be 5%-7% higher than the 2005 costs due to the amortization described above. This estimate is subject to a number of assumptions that could change depending on the number and timing of movie titles actually becoming available to Starz Entertainment and their ultimate box office performance. Accordingly, the actual amount of cost increases experienced by Starz Entertainment may differ from the amounts noted above.

Starz Entertainment's SG&A expenses decreased 3.7% and 12.9% for the three and nine months ended September 30, 2006, respectively, as compared to the corresponding prior year periods. The nine-month decrease is due primarily to lower sales and marketing expenses of $13 million due to the elimination of certain marketing support commitments under the Comcast affiliation agreement and less marketing activity with other affiliates, partially offset by marketing expenses related to the commercial launch of Vongo.

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, 2006 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal controls over financial reporting identified in connection with the evaluation described above that occurred during the three months ended September 30, 2006 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

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PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding institution of, or material changes in, material legal proceedings that have been reported this fiscal year, reference is made to Part II, Item 1 of the Quarterly Report on Form 10-Q filed by Liberty on August 9, 2006, Part II, Item 1 of the Quarterly Report on Form 10-Q filed by Old Liberty on May 8, 2006 and Part I, Item 3 of the Annual Report on Form 10-K filed by Old Liberty on March 8, 2006. There have been no material developments in such legal proceedings during the three months ended September 30, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) N/A

(b) N/A

(c) Purchases of Equity Securities by the Issuer

LIBERTY INTERACTIVE SERIES A COMMON STOCK

PERIOD	(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 2006..................	10,926,503	$17.01	10,926,503	$474.1 million
August 2006................	6,390,174	$17.37	6,390,174	$363.1 million
September 2006.............	4,852,202	$19.33	4,852,202	$269.3 million

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Liberty's program to repurchase shares of Liberty Interactive common stock was approved by its board of directors and disclosed in its 2006 Annual Proxy dated April 7, 2006. Under the repurchase program, Liberty may purchase shares of Liberty Interactive common stock for an aggregate purchase price of up to $1 billion. Liberty may alter or terminate the program at any time.

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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):

4 Instruments Defining the Rights of Security Holders:

4.1 Credit Agreement dated as of October 4, 2006 among QVC, Wachovia Bank, N.A., as administrative agent, Bank of America, N.A. and J.P. Morgan Securities Inc., as syndication agents, and the lenders party thereto from time to time incorporated by reference to Exhibit 99.1 to Liberty Media Corporation's Current Report on Form 8-K dated October 4, 2006, as filed on October 10, 2006 (the "October 4 8-K") (Commission File No. 000-51990).

4.2 Amendment dated October 4, 2006 to the Credit Agreement dated March 3, 2006 among QVC, JPMorgan Chase Bank, N.A., as administrative agent, Wachovia Capital Markets, LLC, as syndication agent, and the lenders party thereto from time to time, incorporated by reference to Exhibit 99.2 to the October 4 8-K.

31.1	Rule 13a-14(a)/15d-14(a) Certification*	
31.2	Rule 13a-14(a)/15d-14(a) Certification*	
31.3	Rule 13a-14(a)/15d-14(a) Certification*	
32	Section 1350 Certification*	
99.1	Attributed Financial Information for Tracking Stock Groups*	

</Table>

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*   Filed herewith

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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.

<Table>
<S> <C> <C>

		LIBERTY MEDIA CORPORATION
Date: November 6, 2006	By:	/s/ CHARLES Y. TANABE Charles Y. Tanabe SENIOR VICE PRESIDENT AND GENERAL COUNSEL
Date: November 6, 2006	By:	/s/ DAVID J.A. FLOWERS David J.A. Flowers SENIOR VICE PRESIDENT AND TREASURER (PRINCIPAL FINANCIAL OFFICER)
Date: November 6, 2006	By:	/s/ CHRISTOPHER W. SHEAN Christopher W. Shean SENIOR VICE PRESIDENT AND CONTROLLER (PRINCIPAL ACCOUNTING OFFICER)

</Table>

<Page>

EXHIBIT INDEX

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<Table>
<S> <C> <C> <C>

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

99.1 Attributed Financial Information for Tracking Stock Groups*
</Table>

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* Filed herewith

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EXHIBIT 31.1

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.

<Table>
<S> <C>
Date: November 6, 2006

/s/ GREGORY B. MAFFEI
- ---
Gregory B. Maffei
President and Chief Executive Officer
</Table>

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EXHIBIT 31.2

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.

<Table>
<S> <C>
Date: November 6, 2006

/s/ DAVID J.A. FLOWERS
- ---
David J.A. Flowers
Senior Vice President and Treasurer
</Table>

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EXHIBIT 31.3

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.

<Table>
<S> <C>
Date: November 6, 2006

/s/ CHRISTOPHER W. SHEAN
- --
Christopher W. Shean
Senior Vice President and Controller
</Table>

<Page>

EXHIBIT 32

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, 2006 (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 as of September 30, 2006 and December 31, 2005 and for the nine months ended September 30, 2006 and 2005.

<Table>

<S>	<C>
Dated: November 6, 2006	/s/ GREGORY B. MAFFEI -- Gregory B. Maffei President and Chief Executive Officer
Dated: November 6, 2006	/s/ DAVID J.A. FLOWERS -- David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer)
Dated: November 6, 2006	/s/ CHRISTOPHER W. SHEAN -- Christopher W. Shean Senior Vice President and Controller (Principal Accounting Officer)

</Table>

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.

<Page>

EXHIBIT 99.1

ATTRIBUTED FINANCIAL INFORMATION FOR TRACKING STOCK GROUPS

On May 9, 2006, we completed a restructuring and recapitalization pursuant to which we issued two new tracking stocks, one ("Liberty Interactive Stock") intended to reflect the separate performance of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc. and BuySeasons, Inc. and our interests in IAC/InterActiveCorp and Expedia, Inc., the second ("Liberty Capital Stock") intended to reflect the separate performance of all of our assets and businesses not attributed to the Interactive Group. Each share of our existing Series A and Series B common stock was exchanged for .25 of a share of the same series of Liberty Interactive Stock and .05 of a share of the same series of Liberty Capital Stock.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the three and nine months ended September 30, 2006 and 2005. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group and the Capital Group, respectively. The financial information is derived from our unaudited financial statements for the nine months ended September 30, 2006 included in this Quarterly Report on Form 10-Q. The attributed financial information presented in the tables has been prepared assuming the restructuring had been completed as of January 1, 2005.

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

<Page>

SUMMARY ATTRIBUTED FINANCIAL DATA

INTERACTIVE GROUP

Summary balance sheet data:

<Table>
<Caption>

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	AMOUNTS IN MILLIONS	
<S>	<C>	<C>
Current assets	$ 2,819	2,716
Cost investments	$ 1,991	2,084
Equity investments	$ 1,341	1,229
Total assets	$19,025	18,338
Long-term debt, including current portion	$ 6,337	5,327
Deferred income tax liabilities	$ 3,075	3,104
Attributed net assets	$ 8,078	8,231

</Table>

Summary operations data:

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30, 2006	THREE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2006	NINE MONTHS ENDED SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Revenue	$ 1,693	1,475	5,016	4,418
Cost of goods sold	(1,063)	(942)	(3,117)	(2,778)
Operating expenses	(142)	(129)	(415)	(388)
Selling, general and administrative expenses (1)	(116)	(109)	(406)	(337)
Depreciation and amortization	(122)	(117)	(367)	(346)
Operating income	250	178	711	569
Interest expense	(108)	(93)	(298)	(274)
Other income, net	25	29	95	5
Income tax expense	(45)	(39)	(167)	(129)
Minority interests in earnings of subsidiaries	(8)	(8)	(26)	(36)

Earnings before cumulative effect of accounting change....	114	67	315	135
Cumulative effect of accounting change, net of taxes........	--	--	(87)	--
Net earnings..	$ 114	67	228	135

</Table>

- ------------------------

(1) Includes stock-based compensation of $(7) million and $10 million for the three months ended September 30, 2006 and 2005, respectively; and $37 million and $35 million for the nine months ended September 30, 2006 and 2005, respectively.

<Page>

SUMMARY ATTRIBUTED FINANCIAL DATA

CAPITAL GROUP

Summary balance sheet data:

<Table>
<Caption>

	SEPTEMBER 30, 2006	DECEMBER 31, 2005
	AMOUNTS IN MILLIONS	
<S>	<C>	<C>
Current assets....................................	$ 3,042	2,580
Cost investments..................................	$18,271	16,413
Total assets......................................	$26,747	23,750
Long-term debt, including current portion...........	$ 2,615	2,423
Deferred income tax liabilities....................	$ 6,594	5,624
Attributed net assets.............................	$12,308	10,889

</Table>

Summary operations data:

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2006	2005	2006	2005
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
Revenue..	$ 410	375	1,177	1,092
Operating expenses.......................................	(285)	(270)	(826)	(767)
Selling, general and administrative expenses (1)...........	(99)	(59)	(238)	(186)
Depreciation and amortization............................	(47)	(46)	(135)	(141)
Operating loss...	(21)	--	(22)	(2)
Interest expense...	(69)	(56)	(187)	(170)
Realized and unrealized gains (losses) on derivative instruments, net.......................................	(78)	(346)	74	185
Gain (losses) on dispositions, net........................	25	1	352	(400)
Other income (expense), net...............................	51	(28)	137	31
Income tax benefit (expense)..............................	36	272	(78)	239
Minority interests in losses of subsidiaries...............	5	3	13	8
Earnings (loss) from continuing operations...............	(51)	(154)	289	(109)
Earnings (loss) from discontinued operations, net of taxes..	--	(7)	--	27
Cumulative effect of accounting change, net of taxes........	--	--	(2)	--
Net earnings (loss)..................................	$ (51)	(161)	287	(82)

</Table>

- ------------------------

(1) Includes stock-based compensation of $3 million and $5 million for the three months ended September 30, 2006 and 2005, respectively; and $12 million and $(3) million for the nine months ended September 30, 2006 and 2005, respectively.

<Page>

BALANCE SHEET INFORMATION
SEPTEMBER 30, 2006

<Table>

<Caption>

	ATTRIBUTED (NOTE 1) INTERACTIVE GROUP	CAPITAL GROUP	ELIMINATIONS	CONSOLIDATED LIBERTY
	AMOUNTS IN MILLIONS			
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current assets:				
Cash and cash equivalents	$ 910	1,687	--	2,597
Trade and other receivables, net	747	441	--	1,188
Inventory, net	905	--	--	905
Derivative instruments (note 2)	16	212	--	228
Current deferred tax assets	183	--	(150)	33
Other current assets	58	702	--	760
Total current assets	2,819	3,042	(150)	5,711
Investments in available-for-sale securities and other cost investments (note 3)	1,991	18,271	--	20,262
Long-term derivative instruments (note 2)	--	1,306	--	1,306
Investments in affiliates, accounted for using the equity method	1,341	484	--	1,825
Property and equipment, net	848	422	--	1,270
Goodwill	5,742	2,054	--	7,796
Trademarks	2,442	24	--	2,466
Intangible assets subject to amortization, net	3,816	220	--	4,036
Other assets, at cost, net of accumulated amortization	26	924	--	950
Total assets	$19,025	26,747	(150)	45,622
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$ 531	64	--	595
Accrued liabilities	664	481	--	1,145
Intergroup payable (receivable)	(25)	25	--	--
Derivative instruments (note 2)	--	1,880	--	1,880
Current portion of debt (note 4)	15	4	--	19
Current deferred tax liabilities	--	150	(150)	--
Other current liabilities	34	140	--	174
Total current liabilities	1,219	2,744	(150)	3,813
Long-term debt (note 4)	6,322	2,611	--	8,933
Long-term derivative instruments (note 2)	11	1,136	--	1,147
Deferred income tax liabilities (note 7)	3,075	6,594	--	9,669
Other liabilities	225	1,161	--	1,386
Total liabilities	10,852	14,246	(150)	24,948
Minority interests in equity of subsidiaries	95	193	--	288
Equity/Attributed net assets	8,078	12,308		20,386
Total liabilities and equity	$19,025	26,747	(150)	45,622

</Table>

<Page>

STATEMENT OF OPERATIONS INFORMATION
THREE MONTHS ENDED SEPTEMBER 30, 2006

<Table>
<Caption>

	ATTRIBUTED (NOTE 1) INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	AMOUNTS IN MILLIONS		
<S>	<C>	<C>	<C>
Revenue:			
Net sales from electronic retailing	$1,693	--	1,693
Communications and programming services	--	410	410
	1,693	410	2,103
Operating costs and expenses:			
Cost of sales--electronic retailing services	1,063	--	1,063
Operating	142	285	427
Selling, general and administrative (including stock-based compensation of $(7) million and $3 million for Interactive Group and Capital Group, respectively) (notes 5 and 6)	116	99	215

Depreciation and amortization	122	47	169
	1,443	431	1,874
Operating income (loss)	250	(21)	229
Other income (expense):			
Interest expense	(108)	(69)	(177)
Dividend and interest income	10	62	72
Share of earnings (losses) of affiliates, net	8	(5)	3
Realized and unrealized gains (losses) on financial instruments, net	5	(78)	(73)
Gains on dispositions of assets, net	--	25	25
Nontemporary declines in fair value of investments	--	(4)	(4)
Other, net	2	(2)	--
	(83)	(71)	(154)
Earnings (loss) from continuing operations before income taxes and minority interests	167	(92)	75
Income tax benefit (expense) (note 7)	(45)	36	(9)
Minority interests in losses (earnings) of subsidiaries	(8)	5	(3)
Net earnings (loss)	$ 114	(51)	63

</Table>

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STATEMENT OF OPERATIONS INFORMATION
THREE MONTHS ENDED SEPTEMBER 30, 2005

<Table>
<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	AMOUNTS IN MILLIONS		
<S>	<C>	<C>	<C>
Revenue:			
Net sales from electronic retailing	$1,475	--	1,475
Communications and programming services	--	375	375
	1,475	375	1,850
Operating costs and expenses:			
Cost of sales--electronic retailing services	942	--	942
Operating	129	270	399
Selling, general and administrative (including stock-based compensation of $10 million and $5 million for Interactive Group and Capital Group, respectively (notes 5 and 6)	109	59	168
Depreciation and amortization	117	46	163
	1,297	375	1,672
Operating income	178	--	178
Other income (expense):			
Interest expense	(93)	(56)	(149)
Dividend and interest income	10	46	56
Share of earnings (losses) of affiliates, net	7	(3)	4
Realized and unrealized gains (losses) on derivative instruments, net	14	(346)	(332)
Gains on dispositions, net	--	1	1
Nontemporary declines in fair value of investments	--	(68)	(68)
Other, net	(2)	(3)	(5)
	(64)	(429)	(493)
Earnings (loss) from continuing operations before income taxes and minority interests	114	(429)	(315)
Income tax benefit (expense) (note 7)	(39)	272	233
Minority interests in losses (earnings) of subsidiaries	(8)	3	(5)
Earnings (loss) from continuing operations	67	(154)	(87)
Loss from discontinued operations, net of taxes	--	(7)	(7)
Net earnings (loss)	$ 67	(161)	(94)

</Table>

<Page>

STATEMENT OF OPERATIONS INFORMATION

NINE MONTHS ENDED SEPTEMBER 30, 2006

<Table>
<Caption>

<S>	INTERACTIVE GROUP <C>	CAPITAL GROUP <C>	CONSOLIDATED LIBERTY <C>
	ATTRIBUTED (NOTE 1)		
	AMOUNTS IN MILLIONS		
Revenue:			
Net sales from electronic retailing	$5,016	--	5,016
Communications and programming services	--	1,177	1,177
	5,016	1,177	6,193
Operating costs and expenses:			
Cost of sales--electronic retailing services	3,117	--	3,117
Operating	415	826	1,241
Selling, general and administrative (including stock-based compensation of $37 million and $12 million for Interactive Group and Capital Group, respectively) (notes 5 and 6)	406	238	644
Depreciation and amortization	367	135	502
	4,305	1,199	5,504
Operating income (loss)	711	(22)	689
Other income (expense):			
Interest expense	(298)	(187)	(485)
Dividend and interest income	29	140	169
Share of earnings of affiliates, net	29	3	32
Realized and unrealized gains on financial instruments, net	22	74	96
Gains on dispositions of assets, net	--	352	352
Nontemporary declines in fair value of investments	--	(4)	(4)
Other, net	15	(2)	13
	(203)	376	173
Earnings from continuing operations before income taxes and minority interests	508	354	862
Income tax expense (note 7)	(167)	(78)	(245)
Minority interests in losses (earnings) of subsidiaries	(26)	13	(13)
Earnings from continuing operations	315	289	604
Cumulative effect of accounting change, net of taxes	(87)	(2)	(89)
Net earnings	$ 228	287	515

</Table>

<Page>

STATEMENT OF OPERATIONS INFORMATION
NINE MONTHS ENDED SEPTEMBER 30, 2005

<Table>
<Caption>

<S>	INTERACTIVE GROUP <C>	CAPITAL GROUP <C>	CONSOLIDATED LIBERTY <C>
	ATTRIBUTED (NOTE 1)		
	AMOUNTS IN MILLIONS		
Revenue:			
Net sales from electronic retailing	$4,418	--	4,418
Communications and programming services	--	1,092	1,092
	4,418	1,092	5,510
Operating costs and expenses:			
Cost of sales--electronic retailing services	2,778	--	2,778
Operating	388	767	1,155
Selling, general and administrative (including stock-based compensation of $35 million and ($3) million for Interactive Group and Capital Group, respectively (notes 5 and 6)	337	186	523
Depreciation and amortization	346	141	487
	3,849	1,094	4,943
Operating income (loss)	569	(2)	567

Other income (expense):			
Interest expense	(274)	(170)	(444)
Dividend and interest income	28	93	121
Share of earnings of affiliates, net	5	10	15
Realized and unrealized gains (losses) on derivative instruments, net	(37)	185	148
Gains (losses) on dispositions, net	40	(400)	(360)
Nontemporary declines in fair value of investments	--	(68)	(68)
Other, net	(31)	(4)	(35)
	(269)	(354)	(623)
Earnings (loss) from continuing operations before income taxes and minority interests	300	(356)	(56)
Income tax benefit (expense) (note 7)	(129)	239	110
Minority interests in losses (earnings) of subsidiaries	(36)	8	(28)
Earnings (loss) from continuing operations	135	(109)	26
Earnings from discontinued operations, net of taxes	--	27	27
Net earnings (loss)	$ 135	(82)	53

</Table>

<Page>

STATEMENT OF CASH FLOWS INFORMATION
NINE MONTHS ENDED SEPTEMBER 30, 2006

<Table>
<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	AMOUNTS IN MILLIONS		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 228	287	515
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Cumulative effect of accounting change	87	2	89
Depreciation and amortization	367	135	502
Stock-based compensation	37	12	49
Payments of stock-based compensation	(105)	(4)	(109)
Noncash interest expense	3	78	81
Share of earnings of affiliates, net	(29)	(3)	(32)
Realized and unrealized gains on financial instruments, net	(22)	(74)	(96)
Gains on disposition of assets, net	--	(352)	(352)
Nontemporary declines in fair value of investments	--	4	4
Minority interests in earnings (losses) of subsidiaries	26	(13)	13
Deferred income tax expense (benefit)	(112)	13	(99)
Other noncash charges (credits), net	(13)	44	31
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Current assets	(66)	(149)	(215)
Payables and other current liabilities	(164)	430	266
Net cash provided by operating activities	237	410	647
Cash flows from investing activities:			
Cash proceeds from dispositions	--	925	925
Net proceeds from settlement of derivatives	--	330	330
Cash paid for acquisitions, net of cash acquired	(436)	(430)	(866)
Capital expended for property and equipment	(170)	(64)	(234)
Net sales (purchases) of short term investments	23	(11)	12
Investments in and loans to cost and equity investees	(5)	(173)	(178)
Repurchases of subsidiary common stock	(314)	(3)	(317)
Other investing activities, net	(9)	67	58
Net cash provided (used) by investing activities	(911)	641	(270)
Cash flows from financing activities:			
Borrowings of debt	2,376	1	2,377
Repayments of debt	(1,381)	(2)	(1,383)
Repurchases of Liberty common stock	(731)	--	(731)
Intergroup cash transfers, net	293	(293)	--
Other financing activities, net	71	(71)	--
Net cash provided (used) by financing activities	628	(365)	263
Effect of foreign currency rates on cash	11	--	11

Net increase (decrease) in cash and cash equivalents	(35)	686	651
Cash and cash equivalents at beginning of period	945	1,001	1,946
Cash and cash equivalents at end period	$ 910	1,687	2,597

</Table>

<Page>

STATEMENT OF CASH FLOWS INFORMATION
NINE MONTHS ENDED SEPTEMBER 30, 2005

<Table>
<Caption>

	ATTRIBUTED (NOTE 1)		
	INTERACTIVE GROUP	CAPITAL GROUP	CONSOLIDATED LIBERTY
	AMOUNTS IN MILLIONS		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings (loss)	$ 135	(82)	53
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Earnings from discontinued operations	--	(27)	(27)
Depreciation and amortization	346	141	487
Stock compensation	35	(3)	32
Payments of stock compensation	--	(96)	(96)
Noncash interest expense	2	73	75
Share of earnings of affiliates, net	(5)	(10)	(15)
Realized and unrealized losses (gains) on derivative instruments, net	37	(185)	(148)
Losses (gains) on disposition of assets, net	(40)	400	360
Nontemporary declines in fair value of investments	--	68	68
Minority interests in earnings (losses) of subsidiaries	36	(8)	28
Deferred income tax benefit	(133)	(171)	(304)
Other noncash charges, net	32	54	86
Changes in operating assets and liabilities, net of the effect of acquisitions and dispositions:			
Current assets	(3)	(104)	(107)
Payables and other current liabilities	(9)	112	103
Net cash provided by operating activities	433	162	595
Cash flows from investing activities:			
Cash proceeds from dispositions	--	54	54
Premium proceeds from origination of derivatives	--	437	437
Net proceeds from settlement of derivatives	--	318	318
Cash paid for acquisitions, net of cash acquired	--	(5)	(5)
Capital expended for property and equipment	(93)	(65)	(158)
Net purchases of short term investments	--	(73)	(73)
Repurchases of subsidiary common stock	(52)	(10)	(62)
Other investing activities, net	(3)	(4)	(7)
Net cash provided (used) by investing activities	(148)	652	504
Cash flows from financing activities:			
Borrowings of debt	800	61	861
Repayments of debt	(1,399)	(60)	(1,459)
Intergroup cash transfers, net	463	(463)	--
Other financing activities, net	(10)	72	62
Net cash used by financing activities	(146)	(390)	(536)
Effect of foreign currency rates on cash	(35)	--	(35)
Net cash provided to discontinued operations:			
Cash provided by operating activities	--	31	31
Cash used by investing activities	--	(47)	(47)
Cash provided by financing activities	--	--	--
Change in available cash held by discontinued operations	--	(190)	(190)
Net cash provided to discontinued operations	--	(206)	(206)
Net increase in cash and cash equivalents	104	218	322
Cash and cash equivalents at beginning of period	855	532	1,387
Cash and cash equivalents at end of period	$ 959	750	1,709

</Table>

<Page>

(1) The assets attributed to our Interactive Group as of September 30, 2006 include our 100% interests in QVC, Inc., Provide Commerce, Inc. and BuySeasons, Inc., our approximate 22% interest in IAC/InterActiveCorp and our approximate 20% interests in GSI Commerce, Inc. and Expedia, which we account for as equity affiliates. Accordingly, the accompanying attributed financial information for the Interactive Group includes our investments in IAC/InterActiveCorp, Expedia and GSI, as well as the assets, liabilities, revenue, expenses and cash flows of QVC, Provide 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 and the Capital Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses between the Interactive Group and the Capital Group as described in note 5 below.

The Interactive Group will focus 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 Capital Group consists of all of our businesses not included in the Interactive Group, including our consolidated subsidiaries Starz Entertainment, LLC, FUN Technologies, Inc., TruePosition, Inc., Starz Media, LLC, On Command Corporation and OpenTV Corp. and our cost and equity investments in GSN, LLC, WildBlue Communications, Inc. and others. 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. 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 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.

(2) Derivative instruments attributed to the Interactive Group are comprised of total return bond swaps and interest rate swaps that are related to the parent company debt attributed to the Interactive Group.

(3) The carrying value and unrealized holding gains as of September 30, 2006 of cost investments attributed to the Interactive Group are presented below:

<Table>
<Caption>

	CARRYING VALUE	UNREALIZED HOLDING GAINS
	AMOUNTS IN MILLIONS	
<S>	<C>	<C>
IAC/InterActiveCorp.....................................	$1,991	426
	======	===

</Table>

<Page>

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

<Table>
<Caption>

	SEPTEMBER 30, 2006	
	OUTSTANDING PRINCIPAL	CARRYING VALUE
	AMOUNTS IN MILLIONS	
<S>	<C>	<C>

Interactive Group		
7.875% Senior Notes due 2009	$ 670	667
7.75% Senior Notes due 2009	234	234
5.7% Senior Notes due 2013	802	800
8.5% Senior Debentures due 2029	500	495
8.25% Senior Debentures due 2030	902	895
QVC bank credit facility	3,175	3,175
Other subsidiary debt	71	71
Total Interactive Group debt	6,354	6,337
Capital Group		
4% Senior Exchangeable Debentures due 2029	869	254
3.75% Senior Exchangeable Debentures due 2030	810	233
3.5% Senior Exchangeable Debentures due 2031	600	237
3.25% Senior Exchangeable Debentures due 2031	551	118
0.75% Senior Exchangeable Debentures due 2023	1,750	1,615
Subsidiary debt	158	158
Total Capital Group debt	4,738	2,615
Total debt	$11,092	8,952

</Table>

(5) Cash compensation expense for our corporate employees has been allocated between the Interactive Group and the Capital Group based on the estimated percentage of time spent providing services for each group. Stock-based compensation expense for our corporate employees has been allocated between the Interactive Group and the Capital Group based on the compensation derived from the equity awards for the respective tracking stock. 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 for the nine months ended September 30, 2006 and 2005 were $10 million and $3 million, respectively. 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) Prior to January 1, 2006, we accounted for compensation expense related to stock options and stock appreciation rights pursuant to the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES" ("APB Opinion No. 25"). Compensation was recognized based upon the percentage of the options that were vested and the difference between the market price of the underlying common stock and the exercise price of the options at the balance sheet date. The following tables for the three and nine months ended September 30, 2005 illustrate the effect on earnings from continuing operations if we had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION," ("Statement 123") to our options. Compensation expense for SARs and options

<Page>

with tandem SARs is the same under APB Opinion No. 25 and Statement 123. Accordingly, no pro forma adjustment for such awards is included in the following table.

<Table>
<Caption>

<S>	<C> THREE MONTHS ENDED SEPTEMBER 30, 2005	<C> NINE MONTHS ENDED SEPTEMBER 30, 2005
	AMOUNTS IN MILLIONS	
Interactive Group		
Earnings from continuing operations, as reported	$ 67	135
Add stock-based compensation as determined under the intrinsic value method, net of taxes	--	1
Deduct stock-based compensation as determined under the fair value method, net of taxes	(11)	(18)
Pro forma earnings from continuing operations	$ 56	118
Capital Group		
Loss from continuing operations, as reported	$(154)	(109)
Add stock-based compensation as determined under the intrinsic value method, net of		

taxes	1	2
Deduct stock-based compensation as determined under the fair value method, net of taxes	(18)	(28)
Pro forma loss from continuing operations	$(171)	(135)

</Table>

(7) We have accounted for income taxes for the Interactive 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.

(8) The Liberty Interactive Stock and the Liberty Capital 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 the holders of only Series A and Series B Liberty Interactive Stock or the approval of the holders of only Series A and Series B Liberty Capital Stock.

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, Liberty Interactive Stock may be converted into Liberty Capital Stock at any time following the first anniversary of the restructuring. In addition, following certain group dispositions and subject to certain limitations, Liberty Capital Stock may be converted into Liberty Interactive Stock, and Liberty Interactive Stock may be converted into Liberty Capital Stock.