

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

FORM 10-Q

<Table>
<C> <S>
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

OR

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

FOR THE TRANSITION PERIOD FROM TO

</Table>

COMMISSION FILE NUMBER 000-51990

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

<Table>
<S> <C>
STATE OF DELAWARE 84-1288730
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

12300 LIBERTY BOULEVARD 80112
ENGLEWOOD, COLORADO (Zip Code)
(Address of principal executive offices)

</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.

Large accelerated filer /X/ Accelerated filer / / Non-accelerated filer
/ /

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 July 31, 2007 was:

Series A Liberty Capital common stock 123,140,940 shares;
Series B Liberty Capital common stock 5,988,020 shares;
Series A Liberty Interactive common stock 602,175,656 shares; and
Series B Liberty Interactive common stock 29,941,436 shares.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

<Table>
<Caption>

JUNE 30, DECEMBER 31,
2007 2006

AMOUNTS IN MILLIONS

<S> <C> <C>
ASSETS
Current assets:
Cash and cash equivalents..... \$ 3,194 3,107

| | | |
|--|----------|--------|
| Trade and other receivables, net..... | 1,183 | 1,276 |
| Inventory, net..... | 862 | 831 |
| Program rights..... | 564 | 531 |
| Financial instruments (note 11)..... | 174 | 239 |
| Other current assets..... | 122 | 233 |
| Assets of discontinued operations (note 7)..... | -- | 512 |
| | ----- | ----- |
| Total current assets..... | 6,099 | 6,729 |
| | ----- | ----- |
| Investments in available-for-sale securities and other cost investments, including \$1,361 million and \$1,482 million pledged as collateral for share borrowing arrangements (note 8)..... | 20,177 | 21,622 |
| Long-term financial instruments (note 11)..... | 1,091 | 1,340 |
| Investments in affiliates, accounted for using the equity method..... | 1,796 | 1,842 |
| Investment in special purpose entity (note 9)..... | 750 | -- |
| | ----- | ----- |
| Property and equipment, at cost..... | 1,756 | 1,531 |
| Accumulated depreciation..... | (459) | (385) |
| | ----- | ----- |
| | 1,297 | 1,146 |
| | ----- | ----- |
| Intangible assets not subject to amortization: | | |
| Goodwill (note 10)..... | 7,899 | 7,588 |
| Trademarks..... | 2,491 | 2,471 |
| Other..... | 171 | -- |
| | ----- | ----- |
| | 10,561 | 10,059 |
| | ----- | ----- |
| Intangible assets subject to amortization, net..... | 3,998 | 3,910 |
| Other assets, net (note 9)..... | 1,805 | 990 |
| | ----- | ----- |
| Total assets..... | \$47,574 | 47,638 |
| | ===== | ===== |

</Table>

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS, CONTINUED
(UNAUDITED)

<Table>

<Caption>

| | JUNE 30, 2007 | DECEMBER 31, 2006 |
|---|---------------------|----------------------|
| | ----- | ----- |
| | AMOUNTS IN MILLIONS | |
| | <C> | <C> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable..... | \$ 434 | 508 |
| Accrued interest..... | 141 | 214 |
| Other accrued liabilities..... | 1,001 | 1,035 |
| Financial instruments (note 11)..... | 1,365 | 1,484 |
| Current portion of debt (note 12)..... | 220 | 114 |
| Other current liabilities..... | 281 | 113 |
| Liabilities of discontinued operations (note 7)..... | -- | 101 |
| | ----- | ----- |
| Total current liabilities..... | 3,442 | 3,569 |
| | ----- | ----- |
| Long-term debt (including \$4,171 million measured at fair value at June 30, 2007) (note 12)..... | 11,645 | 8,909 |
| Long-term financial instruments (note 11)..... | 131 | 1,706 |
| Deferred income tax liabilities..... | 8,975 | 9,661 |
| Other liabilities..... | 1,465 | 1,870 |
| | ----- | ----- |
| Total liabilities..... | 25,658 | 25,715 |
| | ----- | ----- |
| Minority interests in equity of subsidiaries (note 9)..... | 892 | 290 |
| Stockholders' equity (note 14): | | |
| Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued..... | -- | -- |
| Series A Liberty Capital common stock, \$.01 par value. Authorized 400,000,000 shares; issued and outstanding 123,110,645 shares at June 30, 2007 and 134,503,165 shares at December 31, 2006..... | 1 | 1 |
| Series B Liberty Capital common stock, \$.01 par value. Authorized 25,000,000 shares; issued and outstanding | | |

| | | |
|--|-----------|----------|
| 5,998,020 shares at June 30, 2007 and 6,014,680 shares at December 31, 2006..... | -- | -- |
| Series A Liberty Interactive common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 603,298,421 shares at June 30, 2007 and 623,061,760 shares at December 31, 2006..... | 6 | 6 |
| Series B Liberty Interactive common stock, \$.01 par value. Authorized 125,000,000 shares; issued and outstanding 29,944,850 shares at June 30, 2007 and 29,971,039 shares at December 31, 2006..... | -- | -- |
| Additional paid-in capital..... | 26,324 | 28,112 |
| Accumulated other comprehensive earnings, net of taxes.... | 5,531 | 5,952 |
| Accumulated deficit..... | (10,838) | (12,438) |
| | ----- | ----- |
| Total stockholders' equity..... | 21,024 | 21,633 |
| | ----- | ----- |
| Commitments and contingencies (note 15) | | |
| Total liabilities and stockholders' equity..... | \$ 47,574 | 47,638 |
| | ===== | ===== |

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<Table>
<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|--|-------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Revenue: | | | | |
| Net retail sales..... | \$1,791 | 1,715 | 3,562 | 3,323 |
| Communications and programming services..... | 402 | 310 | 754 | 603 |
| | ----- | ----- | ----- | ----- |
| | 2,193 | 2,025 | 4,316 | 3,926 |
| | ----- | ----- | ----- | ----- |
| Operating costs and expenses: | | | | |
| Cost of sales..... | 1,112 | 1,054 | 2,222 | 2,054 |
| Operating..... | 434 | 361 | 818 | 706 |
| Selling, general and administrative, including stock-based compensation (note 4)..... | 248 | 207 | 477 | 398 |
| Depreciation and amortization..... | 172 | 146 | 323 | 287 |
| | ----- | ----- | ----- | ----- |
| | 1,966 | 1,768 | 3,840 | 3,445 |
| | ----- | ----- | ----- | ----- |
| Operating income..... | 227 | 257 | 476 | 481 |
| Other income (expense): | | | | |
| Interest expense..... | (145) | (160) | (295) | (308) |
| Dividend and interest income..... | 64 | 39 | 139 | 95 |
| Share of earnings of affiliates, net..... | 16 | 21 | 25 | 29 |
| Realized and unrealized gains (losses) on financial instruments, net (note 11)..... | (251) | 362 | 93 | 169 |
| Gains on dispositions of assets, net..... | 629 | 303 | 635 | 327 |
| Other, net..... | 5 | 9 | 5 | 13 |
| | ----- | ----- | ----- | ----- |
| | 318 | 574 | 602 | 325 |
| | ----- | ----- | ----- | ----- |
| Earnings from continuing operations before income taxes and minority interests..... | 545 | 831 | 1,078 | 806 |
| Income tax benefit (expense)..... | 372 | (340) | 170 | (240) |
| Minority interests in earnings of subsidiaries..... | (15) | (9) | (19) | (15) |
| | ----- | ----- | ----- | ----- |
| Earnings from continuing operations..... | 902 | 482 | 1,229 | 551 |
| Earnings (loss) from discontinued operations, net of taxes (note 7)..... | 107 | (4) | 149 | (10) |
| Cumulative effect of accounting change, net of taxes (note 4)..... | -- | -- | -- | (89) |
| | ----- | ----- | ----- | ----- |
| Net earnings..... | \$1,009 | 478 | 1,378 | 452 |
| | ===== | ===== | ===== | ===== |
| Net earnings: | | | | |
| Liberty Series A and Series B common stock..... | \$ -- | 120 | -- | 94 |
| Liberty Capital common stock..... | 907 | 269 | 1,185 | 269 |

| | | | | |
|---|---------|-------|-------|-------|
| Liberty Interactive common stock..... | 102 | 89 | 193 | 89 |
| | ----- | ----- | ----- | ----- |
| | \$1,009 | 478 | 1,378 | 452 |
| | ===== | ===== | ===== | ===== |
| Basic earnings from continuing operations per common share (note 5): | | | | |
| Liberty Series A and Series B common stock..... | \$ -- | .04 | -- | .06 |
| Liberty Capital common stock..... | \$ 6.11 | 1.94 | 7.67 | 1.94 |
| Liberty Interactive common stock..... | \$.16 | .13 | .30 | .13 |
| Diluted earnings from continuing operations per common share (note 5): | | | | |
| Liberty Series A and Series B common stock..... | \$ -- | .04 | -- | .06 |
| Liberty Capital common stock..... | \$ 6.11 | 1.94 | 7.62 | 1.94 |
| Liberty Interactive common stock..... | \$.16 | .13 | .30 | .13 |
| Basic net earnings per common share (note 5): | | | | |
| Liberty Series A and Series B common stock..... | \$ -- | .04 | -- | .03 |
| Liberty Capital common stock..... | \$ 6.92 | 1.92 | 8.78 | 1.92 |
| Liberty Interactive common stock..... | \$.16 | .13 | .30 | .13 |
| Diluted net earnings per common share (note 5): | | | | |
| Liberty Series A and Series B common stock..... | \$ -- | .04 | -- | .03 |
| Liberty Capital common stock..... | \$ 6.92 | 1.92 | 8.71 | 1.92 |
| Liberty Interactive common stock..... | \$.16 | .13 | .30 | .13 |

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(UNAUDITED)

<Table>

<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|--|-----------------------------------|------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| | <C> | <C> | <C> | <C> |
| Net earnings..... | \$1,009 | 478 | 1,378 | 452 |
| Other comprehensive earnings (loss), net of taxes: | | | | |
| Foreign currency translation adjustments..... | 11 | 58 | 22 | 78 |
| Unrealized holding gains (losses) arising during the period..... | (322) | 441 | (47) | 902 |
| Recognition of previously unrealized gains on available-for-sale securities, net..... | (392) | -- | (396) | (15) |
| Other comprehensive earnings from discontinued operations (note 7)..... | -- | 1 | -- | 1 |
| Other comprehensive earnings (loss)..... | (703) | 500 | (421) | 966 |
| Comprehensive earnings..... | \$ 306 | 978 | 957 | 1,418 |
| Comprehensive earnings (loss): | | | | |
| Liberty Series A and Series B common stock..... | \$ -- | 315 | -- | 755 |
| Liberty Capital common stock..... | 245 | 694 | 776 | 694 |
| Liberty Interactive common stock..... | 61 | (31) | 181 | (31) |
| | \$ 306 | 978 | 957 | 1,418 |

</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>

<Caption>

| | SIX MONTHS ENDED JUNE 30, | |
|--|---------------------------------|------|
| | 2007 | 2006 |

| | AMOUNTS IN MILLIONS (NOTE 6) | |
|---|------------------------------------|-------|
| <S> | <C> | <C> |
| Cash flows from operating activities: | | |
| Net earnings..... | \$ 1,378 | 452 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Loss (earnings) from discontinued operations..... | (149) | 10 |
| Cumulative effect of accounting change..... | -- | 89 |
| Depreciation and amortization..... | 323 | 287 |
| Stock-based compensation..... | 40 | 51 |
| Payments of stock-based compensation..... | (35) | (1) |
| Noncash interest expense..... | 6 | 53 |
| Share of earnings of affiliates, net..... | (25) | (29) |
| Realized and unrealized gains on financial instruments, net..... | (93) | (169) |
| Gains on disposition of assets, net..... | (635) | (327) |
| Minority interests in earnings of subsidiaries..... | 19 | 15 |
| Deferred income tax expense (benefit)..... | (247) | 71 |
| Other noncash charges, net..... | 13 | 18 |
| Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions: | | |
| Current assets..... | 2 | 29 |
| Payables and other current liabilities..... | (81) | (55) |
| | ----- | ----- |
| Net cash provided by operating activities..... | 516 | 494 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Cash proceeds from dispositions..... | 520 | 920 |
| Net proceeds (payments) from settlement of financial instruments..... | (65) | 200 |
| Cash paid for acquisitions, net of cash acquired..... | (126) | (601) |
| Cash received in exchange transactions..... | 1,154 | -- |
| Capital expended for property and equipment..... | (179) | (104) |
| Net purchases of short term investments..... | (191) | (5) |
| Investments in and loans to cost and equity investees..... | (810) | (140) |
| Net increase in restricted cash..... | (734) | -- |
| Repurchases of subsidiary common stock..... | -- | (159) |
| Other investing activities, net..... | 19 | -- |
| | ----- | ----- |
| Net cash provided (used) by investing activities.... | (412) | 111 |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Borrowings of debt..... | 1,384 | 400 |
| Repayments of debt..... | (336) | (6) |
| Repurchases of Liberty common stock..... | (1,836) | (341) |
| Contribution from minority owner..... | 750 | -- |
| Other financing activities, net..... | 19 | 37 |
| | ----- | ----- |
| Net cash provided (used) by financing activities.... | (19) | 90 |
| | ----- | ----- |
| Effect of foreign currency exchange rates on cash..... | 1 | 16 |
| | ----- | ----- |
| Net cash provided to discontinued operations: | | |
| Cash provided by operating activities..... | 8 | 33 |
| Cash used by investing activities..... | (9) | (42) |
| Cash provided by financing activities..... | -- | 3 |
| Change in available cash held by discontinued operations..... | 2 | 2 |
| | ----- | ----- |
| Net cash provided by (to) discontinued operations... | 1 | (4) |
| | ----- | ----- |
| Net increase in cash and cash equivalents..... | 87 | 707 |
| Cash and cash equivalents at beginning of period.... | 3,107 | 1,896 |
| | ----- | ----- |
| Cash and cash equivalents at end of period..... | \$ 3,194 | 2,603 |
| | ===== | ===== |

</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)

SIX MONTHS ENDED JUNE 30, 2007

<Table>

<Caption>

| ADDITIONAL PAID-IN CAPITAL | PREFERRED STOCK | LIBERTY CAPITAL | | LIBERTY INTERACTIVE | | |
|---|--------------------|-----------------|----------|---------------------|----------|-----|
| | | SERIES A | SERIES B | SERIES A | SERIES B | |
| AMOUNTS IN MILLIONS | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Balance at January 1, 2007..... | \$ -- | 1 | -- | 6 | -- | -- |
| 28,112 | | | | | | |
| Net earnings..... | -- | -- | -- | -- | -- | -- |
| -- | | | | | | |
| Other comprehensive loss..... | -- | -- | -- | -- | -- | -- |
| -- | | | | | | |
| Issuance of common stock for acquisition..... | -- | -- | -- | -- | -- | -- |
| 7 | | | | | | |
| Cumulative effects of accounting changes, net (notes 12 and 13)..... | -- | -- | -- | -- | -- | -- |
| -- | | | | | | |
| Issuance of common stock upon exercise of stock options..... | -- | -- | -- | -- | -- | -- |
| 30 | | | | | | |
| Series A Liberty Capital stock repurchases..... | -- | -- | -- | -- | -- | -- |
| (1,305) | | | | | | |
| Series A Liberty Interactive stock repurchases.... | -- | -- | -- | -- | -- | -- |
| (531) | | | | | | |
| Stock compensation..... | -- | -- | -- | -- | -- | -- |
| 20 | | | | | | |
| Other..... | -- | -- | -- | -- | -- | -- |
| (9) | | | | | | |
| ----- | | | | | | |
| Balance at June 30, 2007..... | \$ -- | 1 | -- | 6 | -- | -- |
| 26,324 | | | | | | |
| ===== | | | | | | |

<Caption>

| | ACCUMULATED OTHER COMPREHENSIVE EARNINGS | ACCUMULATED DEFICIT | TOTAL STOCKHOLDERS' EQUITY |
|---|---|------------------------|----------------------------------|
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Balance at January 1, 2007..... | 5,952 | (12,438) | 21,633 |
| Net earnings..... | -- | 1,378 | 1,378 |
| Other comprehensive loss..... | (421) | -- | (421) |
| Issuance of common stock for acquisition..... | -- | -- | 7 |
| Cumulative effects of accounting changes, net (notes 12 and 13)..... | -- | 222 | 222 |
| Issuance of common stock upon exercise of stock options..... | -- | -- | 30 |
| Series A Liberty Capital stock repurchases..... | -- | -- | (1,305) |
| Series A Liberty Interactive stock repurchases.... | -- | -- | (531) |
| Stock compensation..... | -- | -- | 20 |
| Other..... | -- | -- | (9) |
| ----- | | | |
| Balance at June 30, 2007..... | 5,531 | (10,838) | 21,024 |
| ===== | | | |

</Table>

See accompanying notes to condensed consolidated financial statements.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

(UNAUDITED)

(1) Basis of Presentation

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

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

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2006.

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) its estimates of retail-related adjustments and allowances to be its most significant estimates.

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

Certain prior period amounts have been reclassified for comparability with the 2007 presentation.

(2) Tracking Stocks

On May 9, 2006, Liberty completed a restructuring (the "Restructuring") pursuant to which the Company was organized as a new holding company and issued two new tracking stocks. In the Restructuring, Liberty became the new publicly traded parent company of Liberty Media LLC

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

("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 Restructuring, 0.25 of a share of the Company's Series A Liberty Interactive common stock and 0.05 of a share of the Company's Series A Liberty Capital common stock, and for each share of Old Liberty's Series B common stock held immediately prior to the Restructuring, 0.25 of a share of the Company's Series B Liberty Interactive common stock and 0.05 of a share of the Company's Series B Liberty Capital common stock, in each case, with cash in lieu of any fractional shares. Liberty is the successor reporting company to Old Liberty. Each tracking stock is intended to track and reflect the economic performance of one of two 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"), Backcountry.com, Inc. ("Backcountry"), Expedia, Inc. and IAC/InterActiveCorp. The Interactive Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as Liberty may acquire for the Interactive Group. In addition, Liberty has attributed \$3,107 million principal amount (as of June 30, 2007) of its senior notes and debentures 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 ("Starz Entertainment"), Starz Media, LLC ("Starz Media"), FUN Technologies, Inc. ("FUN"), Atlanta National League Baseball Club, Inc. (the "Atlanta Braves"), Leisure Arts, Inc. ("Leisure Arts"), TruePosition, Inc. ("TruePosition") and WFRV and WJMN Television Station, Inc. ("WFRV TV Station"); its equity affiliates: GSN, LLC and WildBlue Communications, Inc.; and its interests in News Corporation, Time Warner Inc. and Sprint Nextel Corporation. The Capital Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group. In addition, Liberty has attributed \$5,233 million principal amount (as of June 30, 2007) of its senior exchangeable debentures and bank 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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "FAIR VALUE MEASUREMENTS" ("Statement 157"), which defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. Statement 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. Liberty is currently evaluating the potential impact of the adoption of Statement 157 on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES, INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115" ("Statement 159"). Statement 159 permits entities to choose to measure many financial instruments, such as available-for-sale securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations. Currently under Statement of Financial Accounting Standards No. 115, entities are required to recognize changes in fair value of available-for-sale securities in the balance sheet in accumulated other comprehensive earnings. Statement 159 is effective as of the beginning of an entity's fiscal year that begins after November 15, 2007. Liberty is currently evaluating the potential impacts of Statement 159 on its financial statements and has not made a determination as to which of its financial instruments, if any, it will choose to apply the provisions of Statement 159.

(4) Stock-Based Compensation

The Company has granted to certain of its employees and employees of its subsidiaries options, stock appreciation rights ("SARs") and options with tandem SARs (collectively, "Awards") to purchase shares of Series A and Series B Liberty Capital common stock and Series A and Series B Liberty Interactive 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.

STATEMENT 123R

Liberty accounts for compensation related to Awards granted to its employees pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004), "SHARE-BASED PAYMENT" ("Statement 123R"). Statement 123R established 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 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.

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. Prior to

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2007, the Company calculated the expected term of the Awards using the methodology included in SEC Staff Accounting Bulletin No. 107. In 2007, the Company estimated the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards granted in 2007 is 20.8% for Liberty Interactive Awards and 17.5% for Liberty Capital Awards and is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

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

| | |
|---------------------|------|
| <Table> | |
| <S> | <C> |
| Three months ended: | |
| June 30, 2007..... | \$18 |
| June 30, 2006..... | \$21 |
| Six months ended: | |
| June 30, 2007..... | \$40 |
| June 30, 2006..... | \$51 |
| </Table> | |

As of June 30, 2007, the total compensation cost related to unvested Liberty equity awards was approximately \$68 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.0 years.

LIBERTY AWARDS

During the six months ended June 30, 2007, Liberty granted 402,503 options to purchase shares of Series A Liberty Capital common stock and 2,021,755 options to purchase shares of Series A Liberty Interactive common stock to certain of its directors, officers and employees and officers and employees of certain subsidiaries. Liberty used the Black-Scholes Model to estimate the grant date fair value of such options. The Series A Liberty Capital options and the Series A Liberty Interactive options granted in 2007 had a weighted average grant-date fair value of \$27.79 and \$6.60, respectively.

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

| | | | | | | | |
|-----------------------------------|---------------------------------|----------|--------------------------------|----------|------------------------------------|---------|---------------------|
| <Table> | | | | | | | |
| <Caption> | | | | | | | |
| | SERIES A LIBERTY CAPITAL | | SERIES B LIBERTY CAPITAL | | SERIES A LIBERTY INTERACTIVE | | SERIES B LIBERTY |
| INTERACTIVE | COMMON STOCK | WAEP | COMMON STOCK | WAEP | COMMON STOCK | WAEP | COMMON STOCK |
| WAEP | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| --- | ----- | | | | | | |
| | NUMBERS OF OPTIONS IN THOUSANDS | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | | | |
| Outstanding at January 1, 2007... | 2,318 | \$ 93.24 | 1,498 | \$101.37 | 21,503 | \$19.71 | 7,491 |
| \$23.41 | | | | | | | |

| | | | | | | | |
|-----------------------------------|-------|----------|-------|----------|---------|---------|-------|
| Granted..... | 403 | \$109.38 | -- | | 2,022 | \$23.88 | -- |
| Exercised..... | (202) | \$ 82.52 | -- | | (1,549) | \$17.47 | -- |
| Forfeited..... | (17) | \$275.00 | -- | | (366) | \$35.57 | -- |
| Repurchased..... | -- | | -- | | (510) | \$17.76 | -- |
| | ----- | | ----- | | ----- | | ----- |
| Outstanding at June 30, 2007..... | 2,502 | \$ 94.30 | 1,498 | \$101.37 | 21,100 | \$20.02 | 7,491 |
| \$23.41 | ===== | | ===== | | ===== | | ===== |
| Exercisable at June 30, 2007..... | 1,575 | \$ 96.86 | 1,468 | \$101.69 | 9,149 | \$21.56 | 7,341 |
| \$23.48 | ===== | | ===== | | ===== | | ===== |

</Table>

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table provides additional information about outstanding options to purchase Liberty common stock at June 30, 2007.

| | NO. OF OUTSTANDING OPTIONS (000'S) | WAEP OF OUTSTANDING OPTIONS | WEIGHTED AVERAGE REMAINING LIFE | AGGREGATE INTRINSIC VALUE (000'S) | NO. OF EXERCISABLE OPTIONS (000'S) | WAEP OF EXERCISABLE OPTIONS | AGGREGATE INTRINSIC VALUE (000'S) |
|------------------------------|---|-----------------------------------|--|--|---|-----------------------------------|--|
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Series A Capital..... | 2,502 | \$ 94.30 | 5.0 years | \$63,786 | 1,575 | \$ 96.86 | \$38,071 |
| Series B Capital..... | 1,498 | \$101.37 | 3.9 years | \$24,923 | 1,468 | \$101.69 | \$23,948 |
| Series A Interactive..... | 21,100 | \$ 20.02 | 5.4 years | \$61,450 | 9,149 | \$ 21.56 | \$16,774 |
| Series B Interactive..... | 7,491 | \$ 23.41 | 3.9 years | \$ 1,103 | 7,341 | \$ 23.48 | \$ 735 |

</Table>

(5) Earnings (Loss) Per Common Share

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

LIBERTY SERIES A AND SERIES B COMMON STOCK

The basic EPS calculation is based on 2,806 million and 2,803 million weighted average outstanding shares of Liberty common stock for the period from April 1, 2006 to May 10, 2006 and the period from January 1, 2006 to May 10, 2006, respectively.

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.

Loss from discontinued operations per common share for the period from January 1, 2006 to May 10, 2006 was less than \$.01.

LIBERTY CAPITAL COMMON STOCK

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the six months ended June 30, 2007 are less than 1 million potential common shares because their inclusion would be anti-dilutive.

<Table>
<Caption>

| | LIBERTY CAPITAL COMMON STOCK | | |
|--------------------|---|--------------------------------------|--|
| | THREE MONTHS ENDED JUNE 30, 2007 | SIX MONTHS ENDED JUNE 30, 2007 | PERIOD FROM MAY 11, 2006 TO JUNE 30, 2006 |
| | NUMBERS OF SHARES IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Basic EPS..... | 131 | 135 | 140 |
| Stock options..... | -- | 1 | -- |
| | --- | --- | --- |
| Diluted EPS..... | 131 | 136 | 140 |
| | === | === | === |

</Table>

Earnings from discontinued operations per common share for the three and six

months ended June 30, 2007 was \$.82 and 1.10, respectively.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

LIBERTY INTERACTIVE COMMON STOCK

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the six months ended June 30, 2007 are approximately 2 million potential common shares because their inclusion would be anti-dilutive.

<Table>
<Caption>

| | LIBERTY INTERACTIVE COMMON STOCK | | |
|--------------------|----------------------------------|------------------|-----------------------------|
| | THREE MONTHS ENDED | SIX MONTHS ENDED | PERIOD FROM MAY 11, 2006 TO |
| | JUNE 30, 2007 | JUNE 30, 2007 | JUNE 30, 2006 |
| | NUMBERS OF SHARES IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Basic EPS..... | 648 | 650 | 694 |
| Stock options..... | 4 | 4 | -- |
| | --- | --- | --- |
| Diluted EPS..... | 652 | 654 | 694 |
| | === | === | === |

</Table>

(6) Supplemental Disclosures to Statements of Cash Flows

<Table>
<Caption>

| | SIX MONTHS ENDED | |
|---|---------------------|------|
| | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | |
| <S> | <C> | <C> |
| Cash paid for acquisitions: | | |
| Fair value of assets acquired..... | \$ 168 | 770 |
| Net liabilities assumed..... | (34) | (49) |
| Deferred tax liabilities..... | -- | (48) |
| Minority interest..... | (1) | (72) |
| Common stock issued..... | (7) | -- |
| | ----- | --- |
| Cash paid for acquisitions, net of cash acquired..... | \$ 126 | 601 |
| | ===== | === |
| Available-for-sale securities exchanged for consolidated subsidiaries and cash..... | \$1,718 | -- |
| | ===== | === |

</Table>

(7) Discontinued Operations

SALE OF OPENTV CORP.

On January 16, 2007, Liberty completed the sale of its controlling interest in OpenTV Corp. ("OPTV") to an unaffiliated third party for cash consideration of \$132 million, \$20 million of which was deposited in an escrow account to fund potential indemnification claims by the third party made prior to the first anniversary of the closing. Pursuant to an agreement between Liberty and OPTV, \$5.4 million of the amount received by Liberty at closing was remitted to OPTV, and OPTV will be entitled to 71.4% of any amounts released from the escrow account in the future. Liberty recognized a pre-tax gain of \$65 million upon consummation of the sale. Such gain is included in earnings from discontinued operations in the accompanying condensed consolidated statement of operations. OPTV was attributed to the Capital Group.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SALE OF ASCENT ENTERTAINMENT GROUP, INC.

On April 4, 2007, Liberty consummated a transaction with an unaffiliated

third party pursuant to which Liberty sold its 100% ownership interest in Ascent Entertainment Group, Inc. ("AEG") for \$332 million in cash and 2.05 million shares of common stock of the buyer valued at approximately \$50 million. Liberty recognized a pre-tax gain of \$163 million upon consummation of the sale. Such gain is included in earnings from discontinued operations. AEG's primary operating subsidiary is On Command Corporation. Subsequent to the closing, Liberty owns approximately 9% of the buyer's outstanding common stock. AEG was attributed to the Capital Group.

The condensed consolidated financial statements and accompanying notes of Liberty have been prepared to reflect OPTV and AEG as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of OPTV and AEG 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.

(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:

<Table>
<Caption>

| | JUNE 30, 2007 | DECEMBER 31, 2006 |
|---|---------------------|----------------------|
| | ----- | ----- |
| | AMOUNTS IN MILLIONS | |
| | <C> | <C> |
| Capital Group | | |
| News Corporation..... | \$11,198 | 11,158 |
| Time Warner Inc. ("Time Warner")(1)..... | 2,161 | 3,728 |
| Sprint Nextel Corporation(2)..... | 1,810 | 1,651 |
| Motorola, Inc.(3)..... | 1,310 | 1,522 |
| Other available-for-sale equity securities(4)..... | 711 | 830 |
| Other available-for-sale debt securities..... | 338 | 135 |
| Other cost investments and related receivables..... | 43 | 34 |
| | ----- | ----- |
| Total attributed Capital Group..... | 17,571 | 19,058 |
| | ----- | ----- |
| Interactive Group | | |
| IAC/InterActiveCorp..... | 2,396 | 2,572 |
| Other..... | 210 | -- |
| | ----- | ----- |
| Total attributed Interactive Group..... | 2,606 | 2,572 |
| | ----- | ----- |
| Consolidated Liberty..... | 20,177 | 21,630 |
| Less short-term investments..... | -- | (8) |
| | ----- | ----- |
| | \$20,177 | 21,622 |
| | ===== | ===== |

</Table>

- - - - -

(1) Includes \$191 million and \$198 million of shares pledged as collateral for share borrowing arrangements at June 30, 2007 and December 31, 2006, respectively.

(2) Includes \$187 million and \$170 million of shares pledged as collateral for share borrowing arrangements at June 30, 2007 and December 31, 2006, respectively.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Includes \$919 million and \$1,068 million of shares pledged as collateral for share borrowing arrangements at June 30, 2007 and December 31, 2006, respectively.

(4) Includes \$64 million and \$46 million of shares pledged as collateral for share borrowing arrangements at June 30, 2007 and December 31, 2006, respectively.

TIME WARNER

On May 17, 2007, Liberty completed a transaction (the "Time Warner Exchange") with Time Warner in which Liberty exchanged approximately 68.5 million shares of Time Warner common stock valued at \$1,479 million, subject to a working capital adjustment, for a subsidiary of Time Warner which holds the Atlanta Braves, Leisure Arts and \$984 million in cash. Liberty

recognized a pre-tax gain of \$582 million based on the difference between the fair value and the weighted average cost basis of the Time Warner shares exchanged.

On a pro forma basis, the results of operations of the Atlanta Braves and Leisure Arts are not significant to those of Liberty for the six months ended June 30, 2007 and 2006.

UNREALIZED HOLDING GAINS AND LOSSES

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

<Table>
<Caption>

| | JUNE 30, 2007 | | DECEMBER 31, 2006 | |
|--------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | EQUITY SECURITIES | DEBT SECURITIES | EQUITY SECURITIES | DEBT SECURITIES |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Gross unrealized holding gains..... | \$8,633 | -- | 9,335 | -- |
| Gross unrealized holding losses..... | \$ (1) | -- | (1) | -- |

The aggregate fair value of securities with unrealized holding losses at June 30, 2007 was \$6 million. None of these securities had unrealized losses for more than 12 continuous months.

(9) Investment in Special Purpose Entity

In April 2007, Liberty and a third party financial institution (the "Financial Institution") jointly created a series of special purpose entities (the "Investment Fund"). Pursuant to the terms of the Investment Fund, a Liberty subsidiary borrowed \$750 million from the Financial Institution with the intent to invest such proceeds in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors (the "Debt Securities") that Liberty believes have favorable risk/return profiles. One of the special purpose entities in the Investment Fund ("MFC") is a variable interest entity in which the Financial Institution has been deemed the primary beneficiary and thus its parent for consolidation purposes. Liberty contributed the borrowed funds to MFC in exchange for a mandatorily redeemable preferred stock interest. MFC subsequently invested the proceeds as an equity investment in another special purpose entity ("LCAP Investments LLC") which will make and hold the investments in the Debt Securities. A Liberty subsidiary separately made a nominal investment in LCAP Investments LLC which allows it to serve as its Managing Member. LCAP Investments LLC is considered a variable interest entity in which Liberty is deemed the primary beneficiary as a result of various special profit and loss allocations set forth in the governing agreements. As a result, LCAP Investments LLC is treated as a consolidated subsidiary

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

of Liberty. Liberty is required to post cash collateral for the benefit of the Financial Institution of up to 20% of the cost of the Debt Securities.

The various accounting treatment determinations noted above for MFC and LCAP Investments LLC, as prescribed by FIN 46, "CONSOLIDATION OF VARIABLE INTEREST ENTITIES," and Statement of Financial Accounting Standards No. 150, "ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY," and related interpretations, have resulted in Liberty recording a balance sheet gross-up of the elements in the Investment Fund. The cash balances and Debt Securities held by LCAP Investments LLC are consolidated with Liberty and included in restricted cash and AFS securities, respectively. The \$750 million of bank financing held by the Liberty subsidiary is included in Liberty's consolidated debt balance. In addition, the preferred stock interest in MFC is presented separately as a long-term asset, and the equity interest held by MFC in LCAP Investments LLC is reflected as minority interest in Liberty's condensed consolidated balance sheet. The structural form of the Investment Fund did not meet the GAAP requirements necessary to offset, net or otherwise eliminate the gross-up of balance sheet accounts.

The amount of restricted cash in the Investment Fund at June 30, 2007 is \$734 million and is reflected in other long-term assets in Liberty's condensed consolidated balance sheet.

(10) Intangible Assets

GOODWILL

Changes in the carrying amount of goodwill for the six months ended June 30, 2007 are as follows:

<Table>
<Caption>

| | QVC | STARZ ENTERTAINMENT | OTHER | TOTAL |
|-----------------------------------|---------------------|------------------------|-------|-------|
| | ----- | ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Balance at January 1, 2007..... | \$5,416 | 1,371 | 801 | 7,588 |
| Acquisitions(1)..... | -- | -- | 329 | 329 |
| Foreign currency translation..... | 13 | -- | -- | 13 |
| Other(2)..... | (31) | -- | -- | (31) |
| | ----- | ----- | ----- | ----- |
| Balance at June 30, 2007..... | \$5,398 | 1,371 | 1,130 | 7,899 |
| | ===== | ===== | ===== | ===== |

</Table>

(1) The increase in goodwill relates primarily to the Time Warner Exchange and an exchange transaction with CBS Corporation in which Liberty received WFRV TV Station. The amount of goodwill recorded represents the difference between the consideration given up and the estimated fair value of the assets acquired. Such goodwill is subject to adjustment pending the completion of the Company's purchase price allocation process.

(2) Other for QVC relates to the reversal of certain tax reserves in connection with the adoption of FIN 48 (see note 13). Such tax reserves were established prior to Liberty's acquisition of a controlling interest in QVC in 2003. Accordingly, the offset to the reversal of the tax reserves is a reduction of goodwill.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

AMORTIZABLE INTANGIBLE ASSETS

Amortization of intangible assets with finite useful lives was \$251 million and \$230 million for the six months ended June 30, 2007 and 2006, 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):

| <S> | <C> |
|------------------------|-------|
| Remainder of 2007..... | \$259 |
| 2008..... | \$481 |
| 2009..... | \$434 |
| 2010..... | \$402 |
| 2011..... | \$375 |

(11) Financial Instruments

The Company's financial instruments are summarized as follows:

<Table>
<Caption>

| TYPE OF FINANCIAL INSTRUMENT | JUNE 30, 2007 | DECEMBER 31, 2006 |
|--|---------------------|----------------------|
| ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | |
| <S> | <C> | <C> |
| ASSETS | | |
| Equity collars..... | \$ 1,041 | 1,218 |
| Other..... | 224 | 361 |
| | ----- | ----- |
| | 1,265 | 1,579 |
| Less current portion..... | (174) | (239) |
| | ----- | ----- |
| | \$ 1,091 | 1,340 |
| | ===== | ===== |
| LIABILITIES | | |
| Borrowed shares..... | \$ 1,361 | 1,482 |
| Exchangeable debenture call option obligations(1)... | -- | 1,280 |
| Equity collars..... | 131 | 416 |
| Other..... | 4 | 12 |
| | ----- | ----- |
| | 1,496 | 3,190 |

| | | |
|---------------------------|---------|---------|
| Less current portion..... | (1,365) | (1,484) |
| | ----- | ----- |
| | \$ 131 | 1,706 |
| | ===== | ===== |

</Table>

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

<Table>
<Caption>

| | SIX MONTHS ENDED JUNE 30, | |
|--|---------------------------------|-------|
| | 2007 | 2006 |
| | ----- | ----- |
| | AMOUNTS IN MILLIONS | |
| | <C> | <C> |
| Senior exchangeable debentures(1)..... | \$ 61 | -- |
| Equity collars..... | (71) | (61) |
| Borrowed shares..... | 121 | 105 |
| Exchangeable debenture call option obligations(1)..... | -- | 140 |
| Other derivatives..... | (18) | (15) |
| | ---- | ---- |
| | \$ 93 | 169 |
| | ===== | ===== |

</Table>

(1) See note 12 regarding the accounting for the Company's senior exchangeable debentures.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Long-Term Debt

Debt is summarized as follows:

<Table>
<Caption>

| | OUTSTANDING PRINCIPAL JUNE 30, 2007 | CARRYING VALUE ----- JUNE 30, DECEMBER 31, 2007 2006 ----- | |
|--|--|--|-------|
| | ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | | |
| | <C> | <C> | <C> |
| Capital Group | | | |
| Senior exchangeable debentures | | | |
| 0.75% Senior Exchangeable Debentures due 2023..... | \$ 1,750 | 2,148 | 1,637 |
| 4% Senior Exchangeable Debentures due 2029..... | 869 | 578 | 254 |
| 3.75% Senior Exchangeable Debentures due 2030..... | 810 | 470 | 234 |
| 3.5% Senior Exchangeable Debentures due 2031..... | 503 | 504 | 238 |
| 3.25% Senior Exchangeable Debentures due 2031..... | 551 | 471 | 119 |
| Liberty bank facility..... | 750 | 750 | -- |
| Subsidiary debt..... | 103 | 103 | 158 |
| | ----- | ----- | ----- |
| Total attributed Capital Group debt..... | 5,336 | 5,024 | 2,640 |
| | ----- | ----- | ----- |
| Interactive Group | | | |
| Senior notes and debentures | | | |
| 7.875% Senior Notes due 2009..... | 670 | 667 | 667 |
| 7.75% Senior Notes due 2009..... | 233 | 234 | 234 |
| 5.7% Senior Notes due 2013..... | 802 | 801 | 800 |
| 8.5% Senior Debentures due 2029..... | 500 | 495 | 495 |
| 8.25% Senior Debentures due 2030..... | 902 | 895 | 895 |
| QVC bank credit facilities..... | 3,675 | 3,675 | 3,225 |
| Other subsidiary debt..... | 74 | 74 | 67 |
| | ----- | ----- | ----- |
| Total attributed Interactive Group debt..... | 6,856 | 6,841 | 6,383 |
| | ----- | ----- | ----- |
| Total consolidated Liberty debt..... | \$12,192 | 11,865 | 9,023 |

| | | | |
|------------------------------|-------|----------|-------|
| Less current maturities..... | ===== | (220) | (114) |
| Total long-term debt..... | | ----- | ----- |
| | | \$11,645 | 8,909 |
| | | ===== | ===== |

</Table>

SENIOR EXCHANGEABLE DEBENTURES

Effective January 1, 2007, Liberty adopted Statement of Financial Accounting Standards No. 155, "ACCOUNTING FOR CERTAIN HYBRID FINANCIAL INSTRUMENTS, AN AMENDMENT OF FASB STATEMENTS NO. 133 AND 140" ("Statement 155"). Statement 155, among other things, amends Statement of Financial Accounting Standards No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES" ("Statement 133"), and permits fair value remeasurement of hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Under Statement 133, Liberty reported the fair value of the call option feature separate from the long-term debt. The long-term debt portion was reported as the difference between the face amount of the debenture and the fair value of the call option feature on the date of issuance and was accreted through interest expense to its face amount over the expected term of the debenture. Pursuant to the provisions of Statement 155, Liberty now accounts for its senior exchangeable debentures at fair value rather than bifurcating such instruments into a debt instrument and a derivative instrument. Increases in the fair value of the

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

exchangeable debentures are included in realized and unrealized gains on financial instruments in the accompanying condensed consolidated statements of operations and aggregated \$61 million for the six months ended June 30, 2007.

The impact--increase/(decrease)--on Liberty's balance sheet of the adoption of Statement 155 is as follows (amounts in millions):

| | | |
|---|--|-----------|
| <Table> | | <C> |
| <S> | | |
| Long-term financial instrument liabilities..... | | \$(1,280) |
| Long-term debt..... | | \$ 1,848 |
| Deferred income tax liabilities..... | | \$ (216) |
| Accumulated deficit..... | | \$ 352 |
| </Table> | | |

LIBERTY BANK FACILITY

Represents borrowings related to the Investment Fund described in note 9 above. Borrowings accrue interest at a rate of LIBOR plus an applicable margin.

QVC BANK CREDIT FACILITIES

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

QVC is party to a second credit agreement dated October 4, 2006, as amended on March 20, 2007 (the "October 2006 Credit Agreement"), which provides for an additional unsecured \$1.75 billion credit facility, consisting of an \$800 million initial term loan, and \$950 million of delayed draw term loans to be made from time to time upon the request of QVC. The delayed draw term loans are available until December 31, 2007 and are subject to reductions in the principal amount available. The loans are scheduled to mature on October 4, 2011.

All loans under the March 2006 Credit Agreement and the October 2006 Credit Agreement bear interest at a rate equal to (i) LIBOR for the interest period selected by QVC plus a margin that varies based on QVC's leverage ratio or (ii) the higher of the Federal Funds Rate plus 0.50% or the prime rate announced by the respective Administrative Agent from time to time. QVC is required to pay a commitment fee quarterly in arrears on the unused portion of the commitments.

The credit agreements contain restrictive covenants regarding, among other matters, the maintenance of certain financial ratios and limitations on indebtedness, liens, encumbrances, dispositions, guarantees and dividends. QVC was in compliance with its debt covenants at June 30, 2007. QVC's ability to borrow the unused portion of its credit agreements is dependent on its continuing compliance with such covenants both before and after giving effect to

such additional borrowings.

QVC INTEREST RATE SWAP ARRANGEMENTS

During 2006, QVC entered into ten separate interest rate swap arrangements with an aggregate notional amount of \$2,200 million to manage the cash flow risk associated with interest payments on its

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

variable rate debt. The swap arrangements provide for QVC to make fixed payments at rates ranging from 4.9575% to 5.2928% and to receive variable payments at 3 month LIBOR. All of the swap arrangements expire in March 2011 contemporaneously with the maturity of the March 2006 Credit Agreement. Liberty accounts for the swap arrangements as cash flow hedges with the effective portions of changes in the fair value reflected in other comprehensive earnings in the accompanying condensed consolidated balance sheet.

OTHER SUBSIDIARY DEBT

Other subsidiary debt at June 30, 2007, is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

FAIR VALUE OF DEBT

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at June 30, 2007 is as follows (amounts in millions):

| <Table> | <S> | <C> |
|------------------------|-----|---------|
| Senior notes..... | | \$1,678 |
| Senior debentures..... | | \$1,379 |

Liberty believes that the carrying amount of its subsidiary debt approximated fair value at June 30, 2007.

(13) Income Taxes

FIN 48

Effective January 1, 2007, Liberty adopted 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. In instances where the Company has taken or expects to take a tax position in its tax return and the Company believes it is more likely than not that such tax position will be upheld by the relevant taxing authority, the Company may record a benefit for such tax position in its consolidated financial statements.

The impact--increase/(decrease)--on Liberty's balance sheet of the adoption of FIN 48 is as follows (amounts in millions):

| <Table> | <S> | <C> |
|---|-----|---------|
| Tax liabilities (including interest and penalties)..... | | \$(634) |
| Goodwill..... | | \$(31) |
| Deferred tax liabilities..... | | \$36 |
| Accumulated deficit..... | | \$(574) |
| Other assets..... | | \$7 |

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As of January 1, 2007, the Company had recorded tax reserves of \$422 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$360 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment, which may be

subject to change in the future. However, based on information currently available to it, Liberty does not believe it is reasonably possible that its judgments will change significantly in the next 12 months.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying condensed consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying condensed consolidated statements of operations. As of January 1, 2007, the Company had recorded \$18 million of accrued interest and penalties related to uncertain tax positions.

As of June 30, 2007, the Company's 2001 and 2002 tax years are closed for federal income tax purposes, although tax loss carryforwards from those years are still subject to adjustment. The Company's tax years 2003 through 2006 remain subject to examination by the IRS for federal income tax purposes.

EFFECTIVE TAX RATE

The Time Warner Exchange and the CBS Exchange qualify as IRC Section 355 transactions, and therefore do not trigger federal or state income tax obligations. In addition, upon consummation of the exchange transactions, deferred tax liabilities previously recorded for the difference between Liberty's book and tax bases in its Time Warner and CBS Corporation investments in the amount of \$354 million were reversed with an offset to income tax benefit. Accordingly, an income tax benefit adjustment of approximately \$541 million will be included in Liberty's reconciliation of computed "expected" income taxes to actual income taxes for the year ended December 31, 2007.

(14) Stockholders' Equity

As of June 30, 2007, there were 2.5 million and 1.5 million shares of Series A and Series B Liberty Capital common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

As of June 30, 2007, there were 21.1 million and 7.5 million shares of Series A and Series B Liberty Interactive common stock, respectively, reserved for issuance under exercise privileges of outstanding stock options.

In addition to the Series A and Series B Liberty Capital common stock and the Series A and Series B Liberty Interactive common stock, there are 300 million and 1,500 million shares of Series C Liberty Capital and Series C Liberty Interactive common stock, respectively, authorized for issuance. As of June 30, 2007, no shares of either Series C common stock were issued or outstanding.

During the six months ended June 30, 2007, the Company repurchased 2.0 million shares of Series A Liberty Interactive common stock in the open market for aggregate cash consideration of \$46.2 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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In addition, on May 15, 2007, Liberty commenced a tender offer pursuant to which it sought to purchase up to 19,417,476 shares of Series A Liberty Interactive common stock at a price not greater than \$25.75 or less than \$23.75 per share. The tender offer expired on June 12, 2007, and 27,543,660 shares of Series A Liberty Interactive common stock were properly tendered at or below a purchase price of \$24.95 per share. The final proration factor was approximately 70.3952% and Liberty accepted for purchase 19,417,476 shares at a price of \$24.95 per share, or aggregate cash consideration of \$484.5 million.

Liberty commenced a tender offer on March 7, 2007 that it subsequently amended on March 20, 2007. Pursuant to the tender offer, as amended, Liberty sought to purchase up to 8,849,500 shares of Series A Liberty Capital common stock at a price not greater than \$113.00 or less than \$105.00 per share. The tender offer expired on April 5, 2007, and 11,858,343 shares of Series A Liberty Capital common stock were properly tendered. Liberty exercised its right to purchase an additional 2% of its outstanding Series A Liberty Capital common stock and accepted for purchase 11,540,680 shares at a price of \$113.00 per share or aggregate cash consideration of \$1,305 million (including transaction costs).

During the six months ended June 30, 2007, the Company sold put options on Series A Liberty Capital common stock for aggregate cash proceeds of approximately \$5.5 million. As of June 30, 2007, put options with respect to approximately 1,307,000 shares of Series A Liberty Capital common stock with a

weighted average put price of \$114.78 remained outstanding. Such put options expire on or before August 31, 2007. 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 are recorded in financial instrument liabilities at fair value, and changes in the fair value are included in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statement of operations.

(15) Commitments and Contingencies

FILM RIGHTS

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides video programming distributed by cable operators, direct-to-home satellite providers, other distributors and via the Internet throughout the United States. Starz Entertainment has entered into agreements with a number of motion picture producers which obligate Starz Entertainment to pay fees ("Programming Fees") for the rights to exhibit certain films that are released by these producers. The unpaid balance of Programming Fees for films that were available for exhibition by Starz Entertainment at June 30, 2007 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of June 30, 2007 is payable as follows: \$139 million in 2007, \$15 million in 2008 and \$23 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 June 30, 2007. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$203 million in 2007; \$409 million in 2008; \$90 million in 2009; \$74 million in 2010; \$31 million in 2011; and \$68 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

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

studios owned by Sony Pictures Entertainment ("Sony") through 2010 and all qualifying films produced for theatrical release in the United States by Revolution Studios, an equity affiliate, 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 June 30, 2007, Liberty's guarantee for obligations for films released by such date aggregated \$694 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a 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.

EMPLOYMENT CONTRACTS

The Atlanta Braves and certain of their players and coaches have entered into long-term employment contracts whereby such individuals' compensation is guaranteed. Amounts due under guaranteed contracts as of June 30, 2007 aggregated \$148 million, which is payable as follows: \$42 million in 2007, \$65 million in 2008, \$19 million in 2009 and \$22 million thereafter. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OPERATING LEASES

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

LITIGATION

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

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 \$2,577 million in cumulative interest expense associated with the exchangeable debentures since the Company's 2001 split-off from AT&T. Of that amount, \$785 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. The IRS has made inquiries and started an examination of Liberty's exchangeable debentures. If the IRS were to 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 and may be required to make interest payments to the IRS. These 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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, AT&T would be required to pay Liberty 35% of the amount of the SRLY NOLs used.

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.

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 has been made for AT&T's March 2006 request.

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.

(16) 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 the issuance of its tracking stocks, 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

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's consolidated earnings before income taxes. The segment presentation for prior periods has been conformed to the current period segment presentation.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, operating

cash flow, gross margin, average sales price per unit, number of units shipped, and revenue or sales per customer equivalent. In addition, Liberty reviews non-financial measures such as subscriber growth and penetration, as appropriate.

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

For the six months ended June 30, 2007, Liberty has identified the following businesses as its reportable segments:

- QVC--consolidated subsidiary attributed to the Interactive Group that markets and sells a wide variety of consumer products in the 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 attributed to 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.

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PERFORMANCE MEASURES

<Table>

<Caption>

| | SIX MONTHS ENDED JUNE 30, | | | |
|---------------------------|---------------------------|-------------------------------|---------|-------------------------------|
| | 2007 | | 2006 | |
| | REVENUE | OPERATING CASH FLOW (DEFICIT) | REVENUE | OPERATING CASH FLOW (DEFICIT) |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Interactive Group | | | | |
| QVC..... | \$3,377 | 757 | 3,185 | 733 |
| Corporate and other..... | 185 | 18 | 138 | 17 |
| | ----- | --- | ----- | --- |
| | 3,562 | 775 | 3,323 | 750 |
| | ----- | --- | ----- | --- |
| Capital Group | | | | |
| Starz Entertainment..... | 519 | 128 | 523 | 91 |
| Corporate and other..... | 235 | (64) | 80 | (22) |
| | ----- | --- | ----- | --- |
| | 754 | 64 | 603 | 69 |
| | ----- | --- | ----- | --- |
| Consolidated Liberty..... | \$4,316 | 839 | 3,926 | 819 |
| | ===== | === | ===== | === |

</Table>

<Table>

<Caption>

| THREE MONTHS ENDED JUNE 30, | | | |
|-----------------------------|--|------|--|
| 2007 | | 2006 | |

| | REVENUE | OPERATING CASH FLOW (DEFICIT) | REVENUE | OPERATING CASH FLOW (DEFICIT) |
|---------------------------|---------------------|-------------------------------------|---------|-------------------------------------|
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Interactive Group | | | | |
| QVC..... | \$1,693 | 383 | 1,630 | 378 |
| Corporate and other..... | 98 | 10 | 85 | 7 |
| | ----- | --- | ----- | --- |
| | 1,791 | 393 | 1,715 | 385 |
| | ----- | --- | ----- | --- |
| Capital Group | | | | |
| Starz Entertainment..... | 254 | 55 | 264 | 50 |
| Corporate and other..... | 148 | (31) | 46 | (11) |
| | ----- | --- | ----- | --- |
| | 402 | 24 | 310 | 39 |
| | ----- | --- | ----- | --- |
| Consolidated Liberty..... | \$2,193 | 417 | 2,025 | 424 |
| | ===== | === | ===== | === |

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LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER INFORMATION

<Table>

<Caption>

| | JUNE 30, 2007 | | |
|-------------------------------|---------------------|---------------------------------|-------------------------|
| | TOTAL ASSETS | INVESTMENTS IN AFFILIATES | CAPITAL EXPENDITURES |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Interactive Group | | | |
| QVC..... | \$19,577 | -- | 162 |
| Corporate and other..... | 5,785 | 1,279 | 5 |
| Intragroup elimination..... | (5,810) | -- | -- |
| | ----- | ----- | --- |
| | 19,552 | 1,279 | 167 |
| | ----- | ----- | --- |
| Capital Group | | | |
| Starz Entertainment..... | 2,835 | -- | 3 |
| Corporate and other..... | 25,303 | 517 | 9 |
| | ----- | ----- | --- |
| | 28,138 | 517 | 12 |
| | ----- | ----- | --- |
| Inter-group eliminations..... | (116) | -- | -- |
| | ----- | ----- | --- |
| Consolidated Liberty..... | \$47,574 | 1,796 | 179 |
| | ===== | ===== | === |

</Table>

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

<Table>

<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|--|--------------------------------|-------|------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Consolidated segment operating cash flow..... | \$ 417 | 424 | 839 | 819 |
| Stock-based compensation..... | (18) | (21) | (40) | (51) |
| Depreciation and amortization..... | (172) | (146) | (323) | (287) |
| Interest expense..... | (145) | (160) | (295) | (308) |
| Realized and unrealized gains (losses) on financial instruments, net..... | (251) | 362 | 93 | 169 |
| Gains on dispositions of assets, net..... | 629 | 303 | 635 | 327 |
| Other, net..... | 85 | 69 | 169 | 137 |
| | ----- | ----- | ----- | ----- |
| Earnings from continuing operations before income taxes and minority interests..... | \$ 545 | 831 | 1,078 | 806 |
| | ===== | ===== | ===== | ===== |

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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, our projected sources and uses of cash for the remainder of 2007, 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:

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

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- rapid technological changes;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- threatened terrorists attacks and ongoing military action in the Middle

East and other parts of the world; and

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

For additional risk factors, please see our Annual Report on Form 10-K for the year ended December 31, 2006. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in its expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2006.

OVERVIEW

We own controlling and noncontrolling interests in a broad range of video and on-line commerce, media, communications and entertainment companies. Our more significant operating subsidiaries, which are also our reportable segments, are QVC and Starz Entertainment. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites. Starz Entertainment provides video programming distributed by cable operators, direct-to-home satellite providers, 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., Starz Media, LLC, FUN Technologies, Inc., Atlanta National League Baseball Club, Inc., Leisure Arts, Inc. TruePosition, Inc., BuySeasons, Inc., Backcountry.com, Inc. and WFRV and WJMN Television Station, Inc. Provide, which we acquired in February 2006, operates an e-commerce marketplace of websites for perishable goods, including flowers, gourmet foods, fruits and desserts. Starz Media, which we acquired in August 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. FUN, in which we acquired a controlling interest in March 2006, operates websites that offer casual gaming, sports information and fantasy sports services. The Atlanta Braves, which we acquired in May 2007, own the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. Leisure Arts, which we acquired in May 2007, publishes and markets needlework, craft, decorating, entertaining and other lifestyle interest "how-to" books. TruePosition provides equipment and technology that deliver location-based services to wireless users. BuySeasons, which we acquired in August 2006, operates BuyCostumes.com, an online retailer of costumes, accessories, decor and party supplies. Backcountry, which we acquired in June 2007, operates six websites offering outdoor and backcountry sports gear and clothing. WFRV TV Station, which we acquired in April 2007, is a CBS broadcast affiliate that serves Green Bay, Wisconsin and Escanaba, Michigan.

In addition to the foregoing businesses, we hold an approximate 23% ownership interest in Expedia, Inc., which we account for as an equity method investment, and we continue to maintain

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significant investments and related financial instruments in public companies such as News Corporation, Time Warner, IAC/InterActiveCorp and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

TRACKING STOCKS

On May 9, 2006, we completed a restructuring pursuant to which we, among other things, issued two new tracking stocks, Liberty Interactive common stock and Liberty Capital common stock. 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 subsidiaries QVC, Provide, BuySeasons and Backcountry and our interests in Expedia and IAC/ InterActiveCorp. The Interactive Group will also include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group. In addition, we have attributed \$3,107 million principal amount (as of June 30, 2007) of our senior notes and debentures 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, Starz Media, FUN, the Atlanta Braves, Leisure Arts, TruePosition and WFRV TV Station, our equity affiliates GSN, LLC and WildBlue Communications, Inc. and our interests in News Corporation, Time Warner and Sprint Nextel Corporation. The Capital Group will also include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group. In addition, we have attributed \$5,233 million principal amount (as of June 30, 2007) of our senior exchangeable debentures and bank 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.

2007 COMPLETED AND PENDING TRANSACTIONS

In addition to the sales of OPTV and AEG described in note 7 to the accompanying condensed consolidated financial statements, we have several other completed and pending transactions. Among these are:

On April 16, 2007, we completed a transaction (the "CBS Exchange") with CBS Corporation pursuant to which we exchanged our 7.6 million shares of CBS Class B common stock valued at \$239 million for a subsidiary of CBS that holds WFRV TV Station and approximately \$170 million in cash.

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On May 17, 2007 we completed the Time Warner Exchange in which we exchanged approximately 68.5 million shares of Time Warner common stock, subject to a working capital adjustment, for a subsidiary of Time Warner which holds the Atlanta Braves, Leisure Arts and \$984 million in cash.

In December 2006, we announced that we had entered into an exchange agreement with News Corporation pursuant to which, if completed, we would exchange our approximate 16% ownership interest in News Corporation for a subsidiary of News Corporation which would own an approximate 38% interest in The DIRECTV Group, Inc., three regional sports television networks and approximately \$588 million in cash. Consummation of the exchange, which is subject to various closing conditions, including regulatory approval and receipt of a favorable ruling from the IRS confirming that the exchange is tax-free, is expected in the fall of 2007.

RESULTS OF OPERATIONS

GENERAL. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items of our reportable segments categorized by the tracking stock group to which those segments are attributed. The "corporate and other" category for each tracking stock group consists of those assets within the category which are attributed to such tracking stock group. For a more detailed discussion and analysis of the financial results of the principal reporting segments of each tracking stock group, see "Interactive Group" and "Capital Group" below.

2006 ACQUISITIONS. In addition to the 2007 acquisitions noted above, we completed several acquisitions in 2006 that impact the comparability of our 2006 and 2007 results of operations. Those acquisitions and the months in which they occurred are: Provide in February 2006, FUN in March 2006 and BuySeasons and Starz Media in August 2006.

CONSOLIDATED OPERATING RESULTS

<Table>
<Caption>

THREE MONTHS

SIX MONTHS

| | ENDED JUNE 30, | | ENDED JUNE 30, | |
|---------------------------|-------------------|-------|-------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| <S> | <C> | <C> | <C> | <C> |
| REVENUE | | | | |
| Interactive Group | | | | |
| QVC..... | \$1,693 | 1,630 | 3,377 | 3,185 |
| Corporate and Other..... | 98 | 85 | 185 | 138 |
| | ----- | ----- | ----- | ----- |
| | 1,791 | 1,715 | 3,562 | 3,323 |
| | ----- | ----- | ----- | ----- |
| Capital Group | | | | |
| Starz Entertainment..... | 254 | 264 | 519 | 523 |
| Corporate and Other..... | 148 | 46 | 235 | 80 |
| | ----- | ----- | ----- | ----- |
| | 402 | 310 | 754 | 603 |
| | ----- | ----- | ----- | ----- |
| Consolidated Liberty..... | \$2,193 | 2,025 | 4,316 | 3,926 |
| | ===== | ===== | ===== | ===== |

</Table>

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<Page>

<Table>

<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|-------------------------------|-----------------------------------|-------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| <S> | <C> | <C> | <C> | <C> |
| OPERATING CASH FLOW (DEFICIT) | | | | |
| Interactive Group | | | | |
| QVC..... | \$ 383 | 378 | 757 | 733 |
| Corporate and Other..... | 10 | 7 | 18 | 17 |
| | ----- | ----- | ----- | ----- |
| | 393 | 385 | 775 | 750 |
| | ----- | ----- | ----- | ----- |
| Capital Group | | | | |
| Starz Entertainment..... | 55 | 50 | 128 | 91 |
| Corporate and Other..... | (31) | (11) | (64) | (22) |
| | ----- | ----- | ----- | ----- |
| | 24 | 39 | 64 | 69 |
| | ----- | ----- | ----- | ----- |
| Consolidated Liberty..... | \$ 417 | 424 | 839 | 819 |
| | ===== | ===== | ===== | ===== |
| OPERATING INCOME (LOSS) | | | | |
| Interactive Group | | | | |
| QVC..... | \$ 244 | 242 | 487 | 454 |
| Corporate and Other..... | 3 | 1 | 4 | 7 |
| | ----- | ----- | ----- | ----- |
| | 247 | 243 | 491 | 461 |
| | ----- | ----- | ----- | ----- |
| Capital Group | | | | |
| Starz Entertainment..... | 42 | 44 | 102 | 77 |
| Corporate and Other..... | (62) | (30) | (117) | (57) |
| | ----- | ----- | ----- | ----- |
| | (20) | 14 | (15) | 20 |
| | ----- | ----- | ----- | ----- |
| Consolidated Liberty..... | \$ 227 | 257 | 476 | 481 |
| | ===== | ===== | ===== | ===== |

</Table>

REVENUE. Our consolidated revenue increased \$168 million or 8.3% and \$390 million or 9.9% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. The three month increase is due primarily to a \$63 million or 3.9% increase for QVC, \$66 million generated by Starz Media, which we acquired in August 2006 and \$50 million generated by the Atlanta Braves, which we acquired in May 2007. The six month increase is due to a \$192 million or 6.0% increase for QVC, \$127 million generated by Starz Media and \$50 million generated by the Atlanta Braves. In addition, we recognized a full six months of revenue for Provide and FUN in 2007. These increases were partially offset by \$27 million and \$51 million decreases for TruePosition for the three and six months ended June 30, 2007, respectively. In November 2006, TruePosition signed an amendment to its existing services contract with Cingular Wireless that requires TruePosition to develop and deliver additional software features. Because vendor specific objective evidence related to the value of these additional features does not exist, TruePosition is required to defer revenue recognition until all

of the features have been delivered. TruePosition estimates that these features will be delivered in the first quarter of 2008. Accordingly, absent any further contractual changes, TruePosition will not recognize any revenue under this contract until 2008. TruePosition's services contract with its other major customer, T-Mobile, Inc., has a similar provision which prevents TruePosition from recognizing revenue. It should be noted, however, that both Cingular Wireless and T-Mobile are paying currently for services they receive and that the aforementioned deferrals have normal gross profit margins included. 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

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chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this measure is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and 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 16 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 decreased \$7 million or 1.7% and increased \$20 million or 2.4% during the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. The three month decrease is due primarily to an \$18 million decrease in operating cash flow for TruePosition due to the reduction in revenue noted above and a \$16 million operating cash flow deficit for Starz Media partially offset by increases for QVC, Provide, Starz Entertainment and the Atlanta Braves. The six month increase is due to Starz Entertainment, QVC and the Atlanta Braves partially offset by operating cash flow deficits for Starz Media of \$26 million and TruePosition of \$43 million.

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 123R. Statement 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 123R also requires that we record 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 statements of operations.

In connection with our adoption of Statement 123R, we recorded an \$89 million transition adjustment, net of related income taxes. The transition adjustment is reflected in the accompanying condensed consolidated statement of operations as the cumulative effect of accounting change. We recorded \$40 million of stock compensation expense for the six months ended June 30, 2007, compared with \$51 million for the comparable period in 2006. As of June 30, 2007, the total compensation cost related to our unvested equity awards was approximately \$68 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.0 years.

OPERATING INCOME. Consolidated operating income decreased \$30 million or 11.7% and \$5 million or 1.0% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. These changes are the net effect of an increase in operating income for Starz Entertainment and QVC, partially offset by operating losses generated by Starz Media of \$34 million and TruePosition of \$45 million. We currently expect Starz Media to continue incurring operating cash flow deficits and operating losses for the next two to three years.

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OTHER INCOME AND EXPENSE

Components of Other Income (Expense) are as follows:

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|-----------------------------------|------------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| <S> | <C> | AMOUNTS IN | MILLIONS | <C> |
| Interest expense | | | | |
| Interactive Group..... | \$ (105) | (97) | (219) | (190) |
| Capital Group..... | (40) | (63) | (76) | (118) |
| Consolidated Liberty..... | \$ (145) | (160) | (295) | (308) |
| Dividend and interest income | | | | |
| Interactive Group..... | \$ 12 | 10 | 23 | 19 |
| Capital Group..... | 52 | 29 | 116 | 76 |
| Consolidated Liberty..... | \$ 64 | 39 | 139 | 95 |
| Share of earnings (losses) of affiliates | | | | |
| Interactive Group..... | \$ 24 | 17 | 39 | 21 |
| Capital Group..... | (8) | 4 | (14) | 8 |
| Consolidated Liberty..... | \$ 16 | 21 | 25 | 29 |
| Realized and unrealized gains (losses) on financial instruments, net | | | | |
| Interactive Group..... | \$ (4) | (3) | (2) | 17 |
| Capital Group..... | (247) | 365 | 95 | 152 |
| Consolidated Liberty..... | \$ (251) | 362 | 93 | 169 |
| Gains on dispositions, net | | | | |
| Interactive Group..... | \$ 12 | -- | 12 | -- |
| Capital Group..... | 617 | 303 | 623 | 327 |
| Consolidated Liberty..... | \$ 629 | 303 | 635 | 327 |
| Other, net | | | | |
| Interactive Group..... | \$ 4 | 12 | 4 | 13 |
| Capital Group..... | 1 | (3) | 1 | -- |
| Consolidated Liberty..... | \$ 5 | 9 | 5 | 13 |

</Table>

INTEREST EXPENSE. Consolidated interest expense decreased for the six months ended June 30, 2007 and 2006. However, interest expense attributable to the Interactive Group increased \$29 million or 15.3% for the six-month period due to increased borrowings on the QVC credit facilities. Interest expense attributable to the Capital Group decreased \$42 million for the six months ended June 30, 2007 due to our adoption of Statement 155 and the resulting change in accounting for our senior exchangeable debentures. Our 2006 interest expense included \$47 million of accretion related to our exchangeable debentures. See note 12 to the accompanying condensed consolidated financial statements.

DIVIDEND AND INTEREST INCOME. Interest income for the Capital Group increased in 2007 due to higher invested cash balances. Interest and dividend income attributable to the Capital Group for the six months ended June 30, 2007 was comprised of interest income earned on invested cash (\$62 million), dividends on News Corporation common stock (\$29 million), dividends on other AFS securities (\$10 million), and other (\$15 million).

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SHARE OF EARNINGS OF AFFILIATES. Our share of earnings (losses) of affiliates for the six months ended June 30, 2007 are \$39 million for the Interactive Group and (\$14) million for the Capital Group. The increase in share of earnings for the Interactive Group is attributable to GSI Commerce (\$11 million), which was a cost investment for most of 2006, and Expedia (\$7 million). The decrease in share of earnings for the Capital Group is due to CourtTV (\$10 million), which we sold in 2006 and WildBlue (\$12 million).

In December 2006, we announced that we had entered into an exchange agreement with News Corporation pursuant to which, if completed, we would exchange our approximate 16% ownership interest in News Corporation for a subsidiary of News Corporation, which would own News Corporation's approximate 38% interest in The DIRECTV Group, Inc., three regional sports television

networks and approximately \$588 million in cash. Consummation of the exchange, which is subject to various closing conditions, including regulatory approval and receipt of a favorable ruling from the IRS that the exchange is tax free, is expected in the fall of 2007. Upon consummation, we will account for our interest in The DIRECTV Group using the equity method of accounting, which could result in a significant increase in our share of earnings of affiliates in future periods. In this regard, The DIRECTV Group reported net income for the year ended December 31, 2006 of \$1,420 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>

| | SIX MONTHS ENDED JUNE 30, | |
|---|---------------------------------|------|
| | 2007 | 2006 |
| | ----- | |
| | 2007 | 2006 |
| | ----- | |
| | AMOUNTS IN MILLIONS | |
| <S> | <C> | <C> |
| Senior exchangeable debentures..... | \$ 61 | -- |
| Equity collars..... | (71) | (61) |
| Borrowed shares..... | 121 | 105 |
| Exchangeable debenture call option obligations..... | -- | 140 |
| Other derivatives..... | (18) | (15) |
| | ---- | --- |
| | \$ 93 | 169 |
| | ==== | === |

</Table>

GAINS ON DISPOSITION, NET. Gains on dispositions in 2007 include \$582 million related to the Time Warner Exchange and \$31 million related to the CBS Exchange.

INCOME TAXES. For the six months ended June 30, 2007, we recorded pre-tax earnings of \$1,059 million and an income tax benefit of \$170 million. The Time Warner Exchange and the CBS Exchange qualify as IRC Section 355 transactions, and therefore do not trigger federal or state income tax obligations. In addition, upon consummation of the exchange transactions, deferred tax liabilities previously recorded for the difference between our book and tax bases in our Time Warner and CBS Corporation investments in the amount of \$354 million were reversed with an offset to income tax benefit.

NET EARNINGS. Our net earnings were \$1,378 million and \$452 million for six months ended June 30, 2007 and 2006, respectively. Such change is due to the aforementioned fluctuations in revenue and expenses. In addition, we recognized \$149 million and (\$10) million of earnings (loss) from discontinued operations in 2007 and 2006, respectively. The 2007 earnings from discontinued operations include pre-tax gains of \$65 million and \$163 million from the disposition of OpenTV and AEG, respectively. In 2006, we also recognized a transition adjustment of \$89 million related to the adoption of Statement 123R.

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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 attributed to one group may be used to satisfy liabilities attributed to 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 six months ended June 30, 2007, the Interactive Group's primary uses of cash were debt repayments (\$180 million), capital expenditures (\$167 million), tax payments to the Capital Group (\$182 million), the acquisition of Backcountry (\$120 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 could repurchase up to \$1 billion of outstanding shares of Liberty Interactive common stock in the open market or in privately

negotiated transactions, from time to time, subject to market conditions. In the fourth quarter of 2006, our board of directors authorized us to repurchase up to an additional \$1 billion of outstanding shares of Liberty Interactive common stock. During the six months ended June 30, 2007, we repurchased 2.0 million shares of Liberty Interactive Series A common stock in the open market for aggregate cash consideration of \$46.2 million. In addition, on May 15, 2007, we commenced a tender offer pursuant to which we sought to purchase up to 19,417,476 shares of Series A Liberty Interactive common stock at a price not greater than \$25.75 or less than \$23.75 per share. The tender offer expired on June 12, 2007, and 27,543,660 shares of Series A Liberty Interactive common stock were properly tendered. The final proration factor was approximately 70.3952% and we accepted for purchase 19,417,476 shares at a price of \$24.95 per share, or aggregate cash consideration of \$484.5 million. During the period from May 11, 2006 through June 30, 2007, we have repurchased an aggregate of \$1,485 million of Liberty Interactive common stock. We may alter or terminate the stock repurchase program at any time.

The Interactive Group's uses of cash in 2007 were primarily funded with cash from operations and borrowings under the QVC credit facilities. As of June 30, 2007, the Interactive Group had a cash balance of \$806 million.

The projected uses of Interactive Group cash for the remainder of 2007 include approximately \$230 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, \$180 million for 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 businesses and attribute such investments to the Interactive Group. However, we do not have any commitments to make new investments at this time.

As of June 30, 2007, the aggregate commitments under QVC's credit agreements were \$5.25 billion, and outstanding borrowings were \$3.675 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.

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CAPITAL GROUP. During the six months ended June 30, 2007, the Capital Group's primary uses of cash were the repurchase of Series A Liberty Capital common stock as described below (\$1,305 million), debt repayments (\$156 million) and loans and investments (\$810 million).

In connection with the issuance of our tracking stocks, our board of directors authorized a share repurchase program pursuant to which we could repurchase up to \$1 billion of outstanding shares of Liberty Capital common stock in the open market or in privately negotiated transactions, from time to time, subject to market conditions. That amount was increased to approximately \$1.3 billion in connection with a tender offer for Liberty Capital stock that was completed in April 2007. In May 2007, our board of directors authorized the repurchase of an additional \$1 billion of Liberty Capital common stock. We may alter or terminate the program at any time.

In order to implement our share repurchase program for Liberty Capital common stock, we commenced a tender offer on March 7, 2007 that we subsequently amended on March 20, 2007. Pursuant to the tender offer, as amended, we sought to purchase up to 8,849,500 shares of Series A Liberty Capital common stock at a price not greater than \$113.00 or less than \$105.00 per share. The tender offer expired on April 5, 2007, and 11,858,343 shares of Series A Liberty Capital common stock were properly tendered. We exercised our right to purchase an additional 2% of our outstanding Series A Liberty Capital common stock and accepted for purchase 11,540,680 shares at a price of \$113.00 per share or aggregate cash consideration of \$1,305 million (including transaction costs). We funded the cash consideration with available cash on hand.

The Capital Group's sources of liquidity for the six months ended June 30, 2007 include cash from the Time Warner Exchange (\$984 million) and the CBS Exchange (\$170 million), cash proceeds from the sale of AEG (\$332 million) and OPTV (\$112 million), available cash on hand and proceeds from the settlement of derivatives.

In addition, in April 2007, we borrowed \$750 million of bank financing with an interest rate of LIBOR plus an applicable margin. We intend to invest such proceeds in a portfolio of selected debt and mezzanine-level instruments of companies in the telecommunications, media and technology sectors that we believe have favorable risk/return profiles. Although no assurance can be given, we expect to make such investments over the next 18-24 months.

In June 2007, we announced that we intend to make an offer to purchase all of the common shares of FUN that we do not already own. Our offer will be subject to certain conditions, and if completed, we estimate our cash payments will be approximately \$100 million. In addition, the projected uses of Capital Group cash for the remainder of 2007 include approximately \$80 million for interest payments on debt attributed to the Capital Group. We may also 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.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, cash proceeds from our exchange transaction with News Corporation, cash provided by operating activities, tax payments from the Interactive Group, proceeds from collar expirations and dispositions of non-strategic assets. At June 30, 2007, the Capital Group's sources of liquidity include \$2,726 million in cash and marketable debt securities and \$5,724 million of non-strategic AFS securities including related derivatives. 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 it cash proceeds of approximately \$245 million in 2007, \$21 million in

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2008, \$1,223 million in 2009, \$1,675 million in 2010 and \$446 million in 2011 upon settlement of its AFS Derivatives.

Prior to the maturity of the equity collars, the terms of certain of these instruments allow borrowings against the future put option proceeds at LIBOR or LIBOR plus an applicable spread, as the case may be. As of June 30, 2007, such borrowing capacity aggregated approximately \$3,610 million. Such borrowings would reduce the cash proceeds upon settlement noted in the preceding paragraph. In the event we complete our exchange transaction with News Corporation as currently contemplated, such borrowing capacity would be reduced by \$916 million.

See note 15 to the accompanying condensed consolidated financial statements for a discussion of our commitments and contingencies.

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, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of June 30, 2007, the face amount of the Interactive Group's fixed rate debt (considering the effects of interest rate swap agreements) was \$5,369 million, which had a weighted average interest rate of 6.4%. The Interactive Group's variable rate debt of \$1,487 million had a weighted average interest rate of 6.7% at June 30, 2007. As of June 30, 2007, the face amount of the Capital Group's fixed rate debt was \$4,486 million, which had a weighted average interest rate of 2.5%.

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, 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

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in fair market value would be included in realized and unrealized gains (losses) on financial instruments in our statement of operations.

<Table>

<Caption>

| | ESTIMATED AGGREGATE FAIR VALUE | | |
|------------------------------------|-----------------------------------|-------|-------|
| | ----- | | |
| | EQUITY COLLARS | OTHER | TOTAL |
| ----- | | | |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Fair value at June 30, 2007..... | \$ 910 | 97 | 1,007 |
| 5% increase in market prices..... | \$ 814 | 105 | 919 |
| 10% increase in market prices..... | \$ 716 | 113 | 829 |
| 5% decrease in market prices..... | \$1,006 | 88 | 1,094 |
| 10% decrease in market prices..... | \$1,101 | 80 | 1,181 |

</Table>

At June 30, 2007, the fair value of our AFS securities attributed to the Interactive Group was \$2,606 million and the fair value of our AFS securities attributed to the Capital Group was \$17,528 million. Had the market price of such securities been 10% lower at June 30, 2007, the aggregate value of such securities would have been \$261 million and \$1,753 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.

From time to time and in connection with certain of our AFS Derivatives, we borrow shares of the underlying securities from a counterparty and deliver 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 terminate these arrangements at any time. 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

<Page>

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.

INTERACTIVE GROUP

The Interactive Group consists of our subsidiaries QVC, Provide, BuySeasons and Backcountry, our interests in IAC/InterActiveCorp, Expedia and GSI Commerce, Inc. and \$3,107 million principal amount (as of June 30, 2007) of our senior notes and debentures.

The following discussion and analysis provides information concerning the results of operations and financial condition of the Interactive Group. Although our Restructuring was not completed until May 9, 2006, the following discussion is presented as though the Restructuring had been completed on January 1, 2006. 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 2006 to 2007 are due primarily to the acquisitions of Provide in February 2006 and BuySeasons in August 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.

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MATERIAL CHANGES IN RESULTS OF OPERATIONS

<Table>

<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|--------------------------|-----------------------------------|--------------|---------------------------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| REVENUE | | | | |
| QVC..... | \$1,693 | 1,630 | 3,377 | 3,185 |
| Corporate and other..... | 98 | 85 | 185 | 138 |
| | =====\$1,791 | =====\$1,715 | =====\$3,562 | =====\$3,323 |
| OPERATING CASH FLOW | | | | |
| QVC..... | \$ 383 | 378 | 757 | 733 |
| Corporate and other..... | 10 | 7 | 18 | 17 |
| | =====\$ 393 | =====\$ 385 | =====\$ 775 | =====\$ 750 |
| OPERATING INCOME | | | | |
| QVC..... | \$ 244 | 242 | 487 | 454 |
| Corporate and other..... | 3 | 1 | 4 | 7 |
| | =====\$ 247 | =====\$ 243 | =====\$ 491 | =====\$ 461 |

</Table>

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

QVC's operating results are as follows:

<Table>
<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|--|-----------------------------------|---------|---------------------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| | <C> | <C> | <C> | <C> |
| Net revenue..... | \$ 1,693 | 1,630 | 3,377 | 3,185 |
| Cost of sales..... | (1,058) | (1,007) | (2,118) | (1,978) |
| Gross profit..... | 635 | 623 | 1,259 | 1,207 |
| Operating expenses..... | (143) | (138) | (284) | (269) |
| SG&A expenses (excluding stock-based compensation)..... | (109) | (107) | (218) | (205) |
| Operating cash flow..... | 383 | 378 | 757 | 733 |
| Stock-based compensation--SG&A..... | (5) | (16) | (16) | (41) |
| Depreciation and amortization..... | (134) | (120) | (254) | (238) |
| Operating income..... | \$ 244 | 242 | 487 | 454 |

</Table>

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<Page>

Net revenue is generated in the following geographic areas:

<Table>
<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|------------------|-----------------------------------|-------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| | <C> | <C> | <C> | <C> |
| QVC-US..... | \$1,184 | 1,140 | 2,358 | 2,228 |
| QVC-UK..... | 160 | 137 | 312 | 271 |
| QVC-Germany..... | 198 | 190 | 413 | 385 |
| QVC-Japan..... | 151 | 163 | 294 | 301 |
| | \$1,693 | 1,630 | 3,377 | 3,185 |

</Table>

QVC's consolidated net revenue increased 3.9% and 6.0% during the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. The three month increase in revenue is comprised of a \$38 million increase due to a 2.0% increase in the number of units shipped from 39.1 million to 39.9 million, a \$7 million increase due to a 0.3% increase in the average sales price per unit ("ASP") and a \$17 million increase due to favorable foreign currency rates as the U.S. dollar weakened against the UK pound sterling and the euro, net of the negative effect a stronger U.S. dollar compared to the Japanese yen. The six month increase in revenue is comprised of a \$114 million increase due to a 3.3% increase in the number of units shipped from 76.3 million to 78.8 million, a \$29 million increase due to a 0.7% increase in the ASP and a \$48 million net increase due to changes in foreign currency exchange rates. In addition, returns as a percent of gross product revenue decreased from 19.2% to 19.0% for the three month periods and decreased from 19.3% for the six months ended June 30, 2006 to 19.0% in 2007 due to a shift in the sales mix from jewelry products to accessory products, which typically have lower return rates.

During the three and six months ended June 30, 2007, net revenue was negatively impacted by continued weakness in the jewelry category particularly in the U.S., U.K. and German businesses due in part to higher gold prices. QVC-Germany net revenue in local currency declined relative to the prior periods due to softness in the home textile category, a 300 basis point increase in the German value added tax (VAT) rate and higher usage of markdowns in the fashion category. QVC-Japan net revenue declined in local currency during the three months ended June 30, 2007 as compared to the prior year period due to the heightened regulatory focus on health and beauty product presentations which began in March 2007.

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

<Table>
<Caption>

| | HOMES (IN MILLIONS) | |
|------------------|---------------------|----------------------|
| | JUNE 30, 2007 | DECEMBER 31, 2006 |
| <S> | <C> | <C> |
| QVC-US..... | 90.9 | 90.7 |
| QVC-UK..... | 21.0 | 19.4 |
| QVC-Germany..... | 37.7 | 37.5 |
| QVC-Japan..... | 19.9 | 18.7 |

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 households 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 and continued growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to

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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 six months ended June 30, 2007, 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:

<Table>
<Caption>

| | PERCENTAGE INCREASE (DECREASE) IN NET REVENUE | | | |
|------------------|---|----------------|-----------------------------------|----------------|
| | THREE MONTHS ENDED JUNE 30, 2007 | | SIX MONTHS ENDED JUNE 30, 2007 | |
| | U.S. DOLLARS | LOCAL CURRENCY | U.S. DOLLARS | LOCAL CURRENCY |
| <S> | <C> | <C> | <C> | <C> |
| QVC-US..... | 3.9% | 3.9% | 5.8% | 5.8% |
| QVC-UK..... | 16.8% | 7.5% | 15.1% | 4.4% |
| QVC-Germany..... | 4.2% | (2.8)% | 7.3% | (0.6)% |
| QVC-Japan..... | (7.4)% | (1.7)% | (2.3)% | 1.7% |

QVC's gross profit percentage decreased approximately 70 basis points and 60 basis points during the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. These decreases are due primarily to higher product distribution costs as well as a higher inventory obsolescence provision in 2007.

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 3.6% and 5.6% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. These increases are primarily due to the increase in sales volume. As a percentage of net revenue, operating expenses remained relatively consistent during 2007, as compared to 2006.

QVC's SG&A expenses include personnel, information technology, marketing and advertising expenses. Such expenses increased 1.9% and 6.3% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. The six month increase is due primarily to (i) an \$8 million increase in personnel expenses due to merit and headcount increases and (ii) a \$5 million accrual for a legal settlement.

QVC's operating cash flow increased 1.3% and 3.3% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. Such percentage increases in operating cash flow were less than the percentage increase in revenue primarily due to the decrease in gross profit percentage discussed above, as well as the \$5 million accrual for a legal settlement included in SG&A expenses.

The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group, including controlling interests in Starz Entertainment, Starz Media, FUN, the Atlanta Braves, Leisure Arts, TruePosition and WFRV TV Station, as well as minority interests in GSN, LLC, WildBlue Communications, News Corporation, Time Warner, Sprint Nextel Corporation and other public and private companies and \$5,233 million principal amount (as of June 30, 2007) of our senior exchangeable debentures and bank debt.

We exchanged our CBS Corporation common stock for WFRV TV Station and cash on April 16, 2007, and we exchanged some of our Time Warner common stock for the Atlanta Braves, Leisure Arts and cash on May 17, 2007. We acquired Starz Media from IDT Corporation in August 2006.

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The following discussion and analysis provides information concerning the attributed results of operations and financial condition of the Capital Group. Although our Restructuring was not completed until May 9, 2006, the following discussion is presented as though the Restructuring had been completed on January 1, 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

<Table>
<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|-------------------------------|-----------------------------------|------|---------------------------------|------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| REVENUE | | | | |
| Starz Entertainment..... | \$254 | 264 | 519 | 523 |
| Corporate and other..... | 148 | 46 | 235 | 80 |
| | ==== | --- | ---- | --- |
| | \$402 | 310 | 754 | 603 |
| | ==== | === | ===== | === |
| OPERATING CASH FLOW (DEFICIT) | | | | |
| Starz Entertainment..... | \$ 55 | 50 | 128 | 91 |
| Corporate and other..... | (31) | (11) | (64) | (22) |
| | ---- | --- | ---- | --- |
| | \$ 24 | 39 | 64 | 69 |
| | ==== | === | ===== | === |
| OPERATING INCOME (LOSS) | | | | |
| Starz Entertainment..... | \$ 42 | 44 | 102 | 77 |
| Corporate and other..... | (62) | (30) | (117) | (57) |
| | ---- | --- | ---- | --- |
| | \$(20) | 14 | (15) | 20 |
| | ==== | === | ===== | === |

</Table>

REVENUE. The Capital Group's combined revenue increased \$92 million or 29.7% and \$151 million or 25.0% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. Starz Media, which we acquired in August 2006, generated \$66 million and \$127 million for the three and six months ended June 30, 2007, respectively, and the Atlanta Braves generated \$50 million of revenue in the second quarter. These increases were partially offset by \$27 million and \$51 million decreases for TruePosition for those same periods. In November 2006, TruePosition signed an amendment to its existing services contract with Cingular Wireless that requires TruePosition to develop and deliver additional software features. Because vendor specific objective evidence related to the value of these additional features does not exist, TruePosition is required to defer revenue recognition until all of the features have been delivered. TruePosition estimates that these features will be delivered in the first quarter of 2008. Accordingly, absent any further contractual changes, TruePosition will not recognize any revenue under this contract until 2008. TruePosition's services contract with its other major customer, T-Mobile, Inc., has a similar provision which prevents TruePosition from recognizing revenue. It should be noted, however, that both Cingular Wireless and T-Mobile are paying currently for services they receive and that the aforementioned deferrals have normal gross profit margins included.

OPERATING CASH FLOW. The Capital Group's Operating Cash Flow decreased \$15 million and \$5 million during the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. These decreases are due primarily to Starz Media (\$16 million and \$26 million) and TruePosition (\$22 million and \$43 million) partially offset by increases for Starz Entertainment.

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OPERATING INCOME. The Capital Group's operating income decreased \$34 million and \$35 million for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. The improvement in operating income for Starz Entertainment was more than offset by operating losses for TruePosition of \$45 million and Starz Media of \$34 million. We currently expect Starz Media to continue incurring operating cash flow deficits and operating losses for the next two to three years.

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 addition, Starz Entertainment has launched Vongo, a subscription Internet service which is comprised of Starz and other movie and entertainment content. Vongo also offers content on a pay-per-view basis. 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 expire in 2007 through 2012. During the six months ended June 30, 2007, 70.2% of Starz Entertainment's revenue was generated by its four largest customers, Comcast Corporation, Echostar Communications, The DIRECTV Group, Inc. and Time Warner Inc., each of which individually generated more than 10% of Starz Entertainment's revenue for such period.

Starz Entertainment's operating results are as follows:

<Table>

<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|------------------------------------|-----------------------------------|-------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| Revenue..... | \$ 254 | 264 | 519 | 523 |
| Operating expenses..... | (171) | (188) | (338) | (377) |
| SG&A expenses..... | (28) | (26) | (53) | (55) |
| | ----- | ----- | ----- | ----- |
| Operating cash flow..... | 55 | 50 | 128 | 91 |
| Stock-based compensation..... | (7) | -- | (14) | -- |
| Depreciation and amortization..... | (6) | (6) | (12) | (14) |
| | ----- | ----- | ----- | ----- |
| Operating income..... | \$ 42 | 44 | 102 | 77 |
| | ===== | ===== | ===== | ===== |

</Table>

Starz Entertainment's revenue decreased \$10 million or 3.8% and \$4 million or 0.8% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. The three month decrease is due to a \$24 million decrease due to a lower effective rate for Starz Entertainment's services, partially offset by a \$14 million increase resulting from growth in the average number of subscription units for Starz Entertainment's services. The six month decrease is due to a lower effective rate (\$34 million) partially offset by a \$30 million increase resulting from higher average subscription units.

Starz Entertainment's affiliation agreements with DirecTV and another affiliate have expired. In addition, the affiliate agreement with Time Warner, which originally expired on December 31, 2006, has been extended to September 30, 2007. Starz Entertainment is currently in negotiations with each of these affiliates regarding new agreements. There can be no assurance that any new agreements with these affiliates will have economic terms comparable to the old agreements. In the event new affiliation agreements do not have comparable terms, Starz Entertainment's revenue and operating cash flow could be adversely impacted. In this regard, DirecTV and the other affiliate are currently making

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payments to Starz Entertainment at rates lower than the expired contracts required. Starz Entertainment is recognizing revenue from these two affiliates based on such payments, contributing to the lower effective rate in 2007 noted above. In addition, the sale of Adelphia Communication's systems to Comcast and Time Warner in 2006 has also contributed to the lower effective rate.

The Starz movie service and the Encore movie service are the primary drivers

of Starz Entertainment's revenue. Starz average subscription units increased 7.4% and 8.3% for the three and six months ended June 30, 2007, respectively, and Encore average subscription units increased 5.8% and 5.8%, respectively, for such periods. The effects of these increases in subscription units are somewhat mitigated by Starz Entertainment's fixed-rate affiliation agreements. In this regard, approximately 38% of Starz Entertainment's revenue was earned under its fixed-rate affiliation agreements during the six months ended June 30, 2007.

At June 30, 2007, cable, DTH satellite, and other distribution media represented 66.5%, 31.3% and 2.2%, respectively, of Starz Entertainment's total subscription units.

Starz Entertainment's operating expenses decreased 9.0% and 10.3% for the three and six months ended June 30, 2007, respectively, due primarily to a reduction in programming costs, which decreased from \$180 million for the three months ended June 30, 2006 to \$162 million in 2007 and from \$359 million for the six months ended June 30, 2006 to \$319 million in 2007. The decrease in programming costs is due primarily to a lower effective rate for the movie titles exhibited in 2007. Such decrease was partially offset by an increase in the 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 2007 will be 6%-9% lower than the 2006 costs due to Starz Entertainment receiving fewer first-run titles under certain of its output arrangements in 2007 and a lower effective rate for certain titles. 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 costs experienced by Starz Entertainment may differ from the estimated decreases noted above.

Starz Entertainment's SG&A expenses increased \$2 million or 7.7% and decreased \$2 million or 3.6% for the three and six months ended June 30, 2007, respectively, as compared to the corresponding prior year period. These fluctuations are due primarily to changes in sales and marketing expenses in 2007, as compared to 2006. To a certain extent, the timing of Starz Entertainment's sales and marketing expenses are determined by Starz Entertainment's affiliates, and Starz Entertainment currently expects its full year 2007 sales and marketing expenses to exceed those of 2006 due to expected increases in affiliate and consumer marketing costs.

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 June 30, 2007 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 six months ended June 30, 2007 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 our Quarterly Report on Form 10-Q filed on May 8, 2007 and Part I, Item 3 of our Annual Report on Form 10-K filed on March 1, 2007. Except as described below, there have been no material developments in such legal proceedings during the three months ended June 30, 2007.

KLESCH & COMPANY LIMITED V. LIBERTY MEDIA CORPORATION, JOHN C. MALONE AND ROBERT R. BENNETT. In March 2005, the United States District Court for the District of Colorado entered a judgment in our favor and in favor of Messrs. Malone and Bennett with respect to the plaintiff's claims for damages arising from a failed attempt to acquire six regional cable television companies in Germany. In April 2007, the United States Court of Appeals for the Tenth Circuit affirmed the judgment entered by the trial court. The time period for the plaintiff to appeal that decision to the United States Supreme Court has lapsed and, accordingly, that judgment is now final.

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

<Table>
<Caption>

| SERIES A LIBERTY INTERACTIVE 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 |
| <S> | <C> | <C> | <C> | <C> |
| April 2007..... | 457,627 | \$24.17 | 457,627 | \$1,000.7 million |
| May 2007..... | 31,100 | \$24.09 | 31,100 | \$1,000.0 million |
| June 2007..... | 19,417,476 | \$24.95 | 19,417,476 | \$ 515.5 million |
| Total..... | 19,906,203 | | 19,906,203 | |

</Table>

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 Statement dated April 7, 2006. In November 2006, Liberty's board of directors increased the aggregate amount of Liberty Interactive common stock that can be repurchased from \$1 billion to \$2 billion. Liberty may alter or terminate the program at any time.

<Table>
<Caption>

| SERIES A LIBERTY CAPITAL 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 |
| <S> | <C> | <C> | <C> | <C> |
| April 2007..... | 11,540,680 | \$113.00 | 11,540,680 | \$ 1,000 million |
| May 2007..... | -- | | -- | |
| June 2007..... | -- | | -- | |
| Total..... | 11,540,680 | | 11,540,680 | |

</Table>

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<Page>

Liberty's program to repurchase shares of Liberty Capital common stock was approved by its board of directors and disclosed in its 2006 Annual Proxy Statement dated April 7, 2006. In May 2007, Liberty's board of directors increased the aggregate amount of Liberty Capital common stock that can be repurchased to \$2.3 billion. Liberty may alter or terminate the program at any time.

In addition to the shares listed in the tables above, 515 shares of Series A Liberty Capital common stock and 1,304 shares of Series A Liberty Interactive common stock were surrendered in the second quarter of 2007 by certain of our officers to pay withholding for vested restricted stock.

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

At the Company's annual meeting of stockholders held on May 1, 2007, the following matters were voted on and approved by the stockholders of the Company:

1. Election of the following to the Company's Board of Directors:

<Table>
<Caption>

| | VOTES FOR | VOTES WITHHELD |
|------------------------|---------------|----------------|
| <S> | <C> | <C> |
| Robert R. Bennett..... | 1,004,672,138 | 110,702,000 |
| Paul A. Gould..... | 990,768,796 | 124,605,342 |
| John C. Malone..... | 921,971,977 | 193,402,161 |

</Table>

The foregoing nominees also served on the Company's board of directors prior to the annual meeting. The term of the following directors continued following the annual meeting: Donne F. Fisher, Gregory B. Maffei, David E. Rapley, M. LaVoy Robison and Larry E. Romrell. Broker non-votes had no effect on voting for the election of directors, and abstentions and unreturned proxies have been treated as votes withheld.

<Table>
<Caption>

| | VOTES FOR | VOTES AGAINST | ABSTENTIONS |
|---|-------------|---------------|-------------|
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| 2. Approval of the Liberty Media Corporation 2007 Incentive Plan..... | 598,684,948 | 302,264,004 | 3,469,060 |

</Table>

There were 110,425,581 broker non-votes with respect to this proposal.

<Table>

| | | | |
|--|---------------|-----------|-----------|
| <S> | <C> | <C> | <C> |
| 3. Ratification of KPMG LLP as the Company's independent auditors for the fiscal year ended December 31, 2007..... | 1,007,699,570 | 4,650,105 | 2,493,918 |

</Table>

There were no broker non-votes with respect to this proposal.

For each of proposals 2 and 3, proxies representing 100,530,545 votes were not returned.

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):

<Table>

| | |
|------|---|
| <C> | <S> |
| 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>

- - - - -

* Filed herewith

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<Page>

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> | <C> |
| | LIBERTY MEDIA CORPORATION | | |
| Date: August 8, 2007 | By: | /s/ | GREGORY B. MAFFEI |
| | | | ----- Gregory B. Maffei President and Chief Executive Officer |
| Date: August 8, 2007 | By: | /s/ | DAVID J.A. FLOWERS |
| | | | ----- David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer) |
| Date: August 8, 2007 | By: | /s/ | CHRISTOPHER W. SHEAN |
| | | | ----- Christopher W. Shean Senior Vice President and Controller (Principal Accounting Officer) |

</Table>

II-3

<Page>

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):

| <Table> | |
|---------|---|
| <C> | <S> |
| 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>

- -----

* Filed herewith

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> <C>
Date: August 8, 2007

</Table>

<Table>
<S> <C>
/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer
</Table>

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> <C>
Date: August 8, 2007

</Table>

<Table>
<S> <C>
/s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer
</Table>

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> <C>
Date: August 8, 2007

</Table>

<Table>
<S> <C>
/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller
</Table>

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 June 30, 2007 (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 June 30, 2007 and December 31, 2006 and for the six months ended June 30, 2007 and 2006.

| | | |
|---------|-------------------------|---|
| <Table> | | |
| <S> | <C> | <C> |
| Dated: | August 8, 2007 ----- | /s/ GREGORY B. MAFFEI ----- Gregory B. Maffei President and Chief Executive Officer |
| Dated: | August 8, 2007 ----- | /s/ DAVID J.A. FLOWERS ----- David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer) |
| Dated: | August 8, 2007 ----- | /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.

ATTRIBUTED FINANCIAL INFORMATION FOR TRACKING STOCK GROUPS

Our Liberty Interactive common stock is intended to reflect the separate performance of our Interactive Group which is comprised of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc., BuySeasons, Inc. and Backcountry.com, Inc. and our interests in IAC/InterActiveCorp and Expedia, Inc. Our Liberty Capital common stock is intended to reflect the separate performance of our Capital Group which is comprised of all of our assets and businesses not attributed to the Interactive Group.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the six months ended June 30, 2007 and 2006. 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 should be read in conjunction with our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2007 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, 2006.

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

1

<Page>

SUMMARY ATTRIBUTED FINANCIAL DATA

INTERACTIVE GROUP

<Table>
<Caption>

| | JUNE 30, 2007 | DECEMBER 31, 2006 |
|--|---------------------|----------------------|
| | ----- | ----- |
| | AMOUNTS IN MILLIONS | |
| <S> | <C> | <C> |
| SUMMARY BALANCE SHEET DATA: | | |
| Current assets..... | \$ 2,683 | 2,984 |
| Cost investments..... | \$ 2,606 | 2,572 |
| Equity investments..... | \$ 1,279 | 1,358 |
| Total assets..... | \$19,552 | 19,820 |
| Long-term debt, including current portion..... | \$ 6,841 | 6,383 |
| Deferred income tax liabilities..... | \$ 2,961 | 3,057 |
| Attributed net assets..... | \$ 8,315 | 8,561 |

<Table>
<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|--|-----------------------------------|---------|---------------------------------|---------|
| | ----- | ----- | ----- | ----- |
| | 2007 | 2006 | 2007 | 2006 |
| | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| SUMMARY OPERATIONS DATA: | | | | |
| Revenue..... | \$ 1,791 | 1,715 | 3,562 | 3,323 |
| Cost of sales..... | (1,112) | (1,054) | (2,222) | (2,054) |
| Operating expenses..... | (148) | (141) | (292) | (273) |
| Selling, general and administrative expenses(1)..... | (147) | (152) | (295) | (290) |
| Depreciation and amortization..... | (137) | (125) | (262) | (245) |
| | ----- | ----- | ----- | ----- |
| Operating income..... | 247 | 243 | 491 | 461 |
| Interest expense..... | (105) | (97) | (219) | (190) |
| Other income, net..... | 48 | 36 | 76 | 70 |
| Income tax expense..... | (81) | (46) | (141) | (122) |
| Minority interests in earnings of subsidiaries..... | (7) | (10) | (14) | (18) |
| | ----- | ----- | ----- | ----- |
| Earnings before cumulative effect of accounting change.... | 102 | 126 | 193 | 201 |
| Cumulative effect of accounting change, net of taxes..... | -- | -- | -- | (87) |
| | ----- | ----- | ----- | ----- |
| Net earnings..... | \$ 102 | 126 | 193 | 114 |

</Table>

(1) Includes stock-based compensation of \$9 million and \$17 million for the three months ended June 30, 2007 and 2006, respectively; and \$22 million and \$44 million for the six months ended June 30, 2007 and 2006, respectively.

<Page>

SUMMARY ATTRIBUTED FINANCIAL DATA

CAPITAL GROUP

<Table>
<Caption>

| | JUNE 30, 2007 | DECEMBER 31, 2006 |
|--|---------------------|----------------------|
| | AMOUNTS IN MILLIONS | |
| | <C> | <C> |
| SUMMARY BALANCE SHEET DATA: | | |
| Current assets..... | \$ 3,532 | 3,776 |
| Cost investments..... | \$17,571 | 19,050 |
| Equity investments..... | \$ 517 | 484 |
| Total assets..... | \$28,138 | 27,849 |
| Long-term debt, including current portion..... | \$ 5,024 | 2,640 |
| Deferred income tax liabilities..... | \$ 6,014 | 6,604 |
| Attributed net assets..... | \$12,709 | 13,072 |

<Table>
<Caption>

| | THREE MONTHS ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|-----------------------------------|-------|---------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | AMOUNTS IN MILLIONS | | | |
| | <C> | <C> | <C> | <C> |
| SUMMARY OPERATIONS DATA: | | | | |
| Revenue..... | \$ 402 | 310 | 754 | 603 |
| Operating expenses..... | (286) | (220) | (526) | (433) |
| Selling, general and administrative expenses(1)..... | (101) | (55) | (182) | (108) |
| Depreciation and amortization..... | (35) | (21) | (61) | (42) |
| Operating income (loss)..... | (20) | 14 | (15) | 20 |
| Interest expense..... | (40) | (63) | (76) | (118) |
| Realized and unrealized gains (losses) on financial instruments, net..... | (247) | 365 | 95 | 152 |
| Gain on dispositions, net..... | 617 | 303 | 623 | 327 |
| Other income, net..... | 45 | 30 | 103 | 84 |
| Income tax benefit (expense)..... | 453 | (294) | 311 | (118) |
| Minority interests in losses (earnings) of subsidiaries..... | (8) | 1 | (5) | 3 |
| Earnings from continuing operations..... | 800 | 356 | 1,036 | 350 |
| Earnings (loss) from discontinued operations, net of taxes..... | 107 | (4) | 149 | (10) |
| Cumulative effect of accounting change, net of taxes..... | -- | -- | -- | (2) |
| Net earnings..... | \$ 907 | 352 | 1,185 | 338 |

</Table>

(1) Includes stock-based compensation of \$9 million and \$4 million for the three months ended June 30, 2007 and 2006, respectively; and \$18 million and \$7 million for the six months ended June 30, 2007 and 2006, respectively.

<Page>

BALANCE SHEET INFORMATION

JUNE 30, 2007

(UNAUDITED)

<Table>
<Caption>

| ATTRIBUTED (NOTE 1) | | |
|---------------------|---------|--------------|
| INTERACTIVE | CAPITAL | CONSOLIDATED |

| | GROUP | GROUP | ELIMINATIONS | LIBERTY |
|---|---------------------|--------|--------------|---------|
| | ----- | ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | | | |
| <S> | <C> | <C> | <C> | <C> |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents..... | \$ 806 | 2,388 | -- | 3,194 |
| Trade and other receivables, net..... | 840 | 343 | -- | 1,183 |
| Inventory, net..... | 862 | -- | -- | 862 |
| Program rights..... | -- | 564 | -- | 564 |
| Financial instruments (note 2)..... | -- | 174 | -- | 174 |
| Current deferred tax assets..... | 116 | -- | (116) | -- |
| Other current assets..... | 59 | 63 | -- | 122 |
| | ----- | ----- | ----- | ----- |
| Total current assets..... | 2,683 | 3,532 | (116) | 6,099 |
| | ----- | ----- | ----- | ----- |
| Investments in available-for-sale securities and other cost investments..... | 2,606 | 17,571 | -- | 20,177 |
| Long-term financial instruments (note 2)..... | 28 | 1,063 | -- | 1,091 |
| Investments in affiliates, accounted for using the equity method..... | 1,279 | 517 | -- | 1,796 |
| Investment in special purpose entity..... | -- | 750 | -- | 750 |
| Property and equipment, net..... | 1,012 | 285 | -- | 1,297 |
| Goodwill..... | 5,831 | 2,068 | -- | 7,899 |
| Trademarks..... | 2,470 | 21 | -- | 2,491 |
| Intangible assets subject to amortization, net..... | 3,600 | 398 | -- | 3,998 |
| Other assets, at cost, net of accumulated amortization..... | 43 | 1,933 | -- | 1,976 |
| | ----- | ----- | ----- | ----- |
| Total assets..... | \$19,552 | 28,138 | (116) | 47,574 |
| | ===== | ===== | ===== | ===== |
| LIABILITIES AND EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable..... | \$ 408 | 26 | -- | 434 |
| Accrued interest..... | 98 | 43 | -- | 141 |
| Other accrued liabilities..... | 540 | 461 | -- | 1,001 |
| Intergroup payable (receivable)..... | 5 | (5) | -- | -- |
| Financial instruments (note 2)..... | -- | 1,365 | -- | 1,365 |
| Current portion of debt (note 3)..... | 22 | 198 | -- | 220 |
| Current deferred tax liabilities..... | -- | 293 | (116) | 177 |
| Other current liabilities..... | 49 | 55 | -- | 104 |
| | ----- | ----- | ----- | ----- |
| Total current liabilities..... | 1,122 | 2,436 | (116) | 3,442 |
| | ----- | ----- | ----- | ----- |
| Long-term debt (note 3)..... | 6,819 | 4,826 | -- | 11,645 |
| Long-term financial instruments (note 2)..... | -- | 131 | -- | 131 |
| Deferred income tax liabilities (note 5)..... | 2,961 | 6,014 | -- | 8,975 |
| Other liabilities..... | 252 | 1,213 | -- | 1,465 |
| | ----- | ----- | ----- | ----- |
| Total liabilities..... | 11,154 | 14,620 | (116) | 25,658 |
| Minority interests in equity of subsidiaries..... | 83 | 809 | -- | 892 |
| Equity/Attributed net assets..... | 8,315 | 12,709 | -- | 21,024 |
| | ----- | ----- | ----- | ----- |
| Total liabilities and equity..... | \$19,552 | 28,138 | (116) | 47,574 |
| | ===== | ===== | ===== | ===== |

</Table>

4

<Page>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION

THREE MONTHS ENDED JUNE 30, 2007

(UNAUDITED)

<Table>
<Caption>

| | ATTRIBUTED (NOTE 1) | | |
|---|---------------------|---------|--------------|
| | INTERACTIVE | CAPITAL | CONSOLIDATED |
| | GROUP | GROUP | LIBERTY |
| | ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Revenue: | | | |
| Net retail sales..... | \$1,791 | -- | 1,791 |
| Communications and programming services..... | -- | 402 | 402 |
| | ----- | ----- | ----- |
| | 1,791 | 402 | 2,193 |
| | ----- | ----- | ----- |
| Operating costs and expenses: | | | |
| Cost of sales..... | 1,112 | -- | 1,112 |
| Operating..... | 148 | 286 | 434 |
| Selling, general and administrative (including stock-based compensation of \$9 million and \$9 million for | | | |

| | | | |
|--|--------|-------|-------|
| Interactive Group and Capital Group, respectively (notes 1 and 4)..... | 147 | 101 | 248 |
| Depreciation and amortization..... | 137 | 35 | 172 |
| | ----- | ----- | ----- |
| | 1,544 | 422 | 1,966 |
| | ----- | ----- | ----- |
| Operating income (loss)..... | 247 | (20) | 227 |
| Other income (expense): | | | |
| Interest expense..... | (105) | (40) | (145) |
| Dividend and interest income..... | 12 | 52 | 64 |
| Share of earnings (losses) of affiliates, net..... | 24 | (8) | 16 |
| Realized and unrealized losses on financial instruments, net..... | (4) | (247) | (251) |
| Gains on dispositions, net..... | 12 | 617 | 629 |
| Other, net..... | 4 | 1 | 5 |
| | ----- | ----- | ----- |
| | (57) | 375 | 318 |
| | ----- | ----- | ----- |
| Earnings from continuing operations before income taxes and minority interests..... | 190 | 355 | 545 |
| Income tax benefit (expense) (note 5)..... | (81) | 453 | 372 |
| Minority interests in earnings of subsidiaries..... | (7) | (8) | (15) |
| | ----- | ----- | ----- |
| Earnings from continuing operations..... | 102 | 800 | 902 |
| Earnings from discontinued operations, net of taxes..... | -- | 107 | 107 |
| | ----- | ----- | ----- |
| Net earnings..... | \$ 102 | 907 | 1,009 |
| | ----- | ----- | ----- |
| Other comprehensive earnings (loss), net of taxes: | | | |
| Foreign currency translation adjustments..... | 9 | 2 | 11 |
| Unrealized holding losses arising during the period..... | (50) | (272) | (322) |
| Recognition of previously unrealized gains on available-for-sale securities, net..... | -- | (392) | (392) |
| | ----- | ----- | ----- |
| Other comprehensive loss..... | (41) | (662) | (703) |
| | ----- | ----- | ----- |
| Comprehensive earnings..... | \$ 61 | 245 | 306 |
| | ===== | ===== | ===== |

</Table>

5

<Page>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION

THREE MONTHS ENDED JUNE 30, 2006

(UNAUDITED)

<Table>
<Caption>

| | ATTRIBUTED (NOTE 1) | | |
|--|----------------------|------------------|-------------------------|
| | INTERACTIVE GROUP | CAPITAL GROUP | CONSOLIDATED LIBERTY |
| | ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Revenue: | | | |
| Net retail sales..... | \$1,715 | -- | 1,715 |
| Communications and programming services..... | -- | 310 | 310 |
| | ----- | ----- | ----- |
| | 1,715 | 310 | 2,025 |
| | ----- | ----- | ----- |
| Operating costs and expenses: | | | |
| Cost of sales..... | 1,054 | -- | 1,054 |
| Operating..... | 141 | 220 | 361 |
| Selling, general and administrative (including stock-based compensation of \$17 million and \$4 million for Interactive Group and Capital Group, respectively) (notes 1 and 4)..... | 152 | 55 | 207 |
| Depreciation and amortization..... | 125 | 21 | 146 |
| | ----- | ----- | ----- |
| | 1,472 | 296 | 1,768 |
| | ----- | ----- | ----- |
| Operating income..... | 243 | 14 | 257 |
| Other income (expense): | | | |
| Interest expense..... | (97) | (63) | (160) |
| Dividend and interest income..... | 10 | 29 | 39 |
| Share of earnings of affiliates, net..... | 17 | 4 | 21 |
| Realized and unrealized gains (losses) on financial instruments, net..... | (3) | 365 | 362 |
| Gains on dispositions of assets, net..... | -- | 303 | 303 |
| Other, net..... | 12 | (3) | 9 |

| | | | |
|---|--------|-------|-------|
| | (61) | 635 | 574 |
| Earnings from continuing operations before income taxes and minority interests..... | 182 | 649 | 831 |
| Income tax expense (note 5)..... | (46) | (294) | (340) |
| Minority interests in losses (earnings) of subsidiaries..... | (10) | 1 | (9) |
| Earnings from continuing operations..... | 126 | 356 | 482 |
| Loss from discontinued operations, net of taxes..... | -- | (4) | (4) |
| Net earnings..... | \$ 126 | 352 | 478 |
| Other comprehensive earnings (loss), net of taxes: | | | |
| Foreign currency translation adjustments..... | 58 | -- | 58 |
| Unrealized holding gains (losses) arising during the period..... | (141) | 582 | 441 |
| Other comprehensive earnings from discontinued operations..... | -- | 1 | 1 |
| Other comprehensive earnings (loss)..... | (83) | 583 | 500 |
| Comprehensive earnings..... | \$ 43 | 935 | 978 |

</Table>

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STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION

SIX MONTHS ENDED JUNE 30, 2007

(UNAUDITED)

<Table>

<Caption>

| | ATTRIBUTED (NOTE 1) | | |
|---|----------------------|------------------|-------------------------|
| | INTERACTIVE GROUP | CAPITAL GROUP | CONSOLIDATED LIBERTY |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Revenue: | | | |
| Net retail sales..... | \$3,562 | -- | 3,562 |
| Communications and programming services..... | -- | 754 | 754 |
| | 3,562 | 754 | 4,316 |
| Operating costs and expenses: | | | |
| Cost of sales..... | 2,222 | -- | 2,222 |
| Operating..... | 292 | 526 | 818 |
| Selling, general and administrative (including stock-based compensation of \$22 million and \$18 million for Interactive Group and Capital Group, respectively (notes 1 and 4)..... | 295 | 182 | 477 |
| Depreciation and amortization..... | 262 | 61 | 323 |
| | 3,071 | 769 | 3,840 |
| Operating income (loss)..... | 491 | (15) | 476 |
| Other income (expense): | | | |
| Interest expense..... | (219) | (76) | (295) |
| Dividend and interest income..... | 23 | 116 | 139 |
| Share of earnings (losses) of affiliates, net..... | 39 | (14) | 25 |
| Realized and unrealized gains (losses) on financial instruments, net..... | (2) | 95 | 93 |
| Gains on dispositions, net..... | 12 | 623 | 635 |
| Other, net..... | 4 | 1 | 5 |
| | (143) | 745 | 602 |
| Earnings from continuing operations before income taxes and minority interests..... | 348 | 730 | 1,078 |
| Income tax benefit (expense) (note 5)..... | (141) | 311 | 170 |
| Minority interests in earnings of subsidiaries..... | (14) | (5) | (19) |
| Earnings from continuing operations..... | 193 | 1,036 | 1,229 |
| Earnings from discontinued operations, net of taxes..... | -- | 149 | 149 |
| Net earnings..... | \$ 193 | 1,185 | 1,378 |
| Other comprehensive earnings (loss), net of taxes: | | | |

| | | | |
|--|--------|-------|-------|
| Foreign currency translation adjustments..... | 21 | 1 | 22 |
| Unrealized holding losses arising during the period..... | (33) | (14) | (47) |
| Recognition of previously unrealized gains on available-for-sale securities, net..... | -- | (396) | (396) |
| | ----- | ----- | ----- |
| Other comprehensive loss..... | (12) | (409) | (421) |
| | ----- | ----- | ----- |
| Comprehensive earnings..... | \$ 181 | 776 | 957 |
| | ===== | ===== | ===== |

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STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION

SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)

<Table>

<Caption>

| | ATTRIBUTED (NOTE 1) | | |
|--|----------------------|------------------|-------------------------|
| | INTERACTIVE GROUP | CAPITAL GROUP | CONSOLIDATED LIBERTY |
| | ----- | ----- | ----- |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Revenue: | | | |
| Net retail sales..... | \$3,323 | -- | 3,323 |
| Communications and programming services..... | -- | 603 | 603 |
| | ----- | ----- | ----- |
| | 3,323 | 603 | 3,926 |
| | ----- | ----- | ----- |
| Operating costs and expenses: | | | |
| Cost of sales..... | 2,054 | -- | 2,054 |
| Operating..... | 273 | 433 | 706 |
| Selling, general and administrative (including stock-based compensation of \$44 million and \$7 million for Interactive Group and Capital Group, respectively) (notes 1 and 4)..... | 290 | 108 | 398 |
| Depreciation and amortization..... | 245 | 42 | 287 |
| | ----- | ----- | ----- |
| | 2,862 | 583 | 3,445 |
| | ----- | ----- | ----- |
| Operating income..... | 461 | 20 | 481 |
| Other income (expense): | | | |
| Interest expense..... | (190) | (118) | (308) |
| Dividend and interest income..... | 19 | 76 | 95 |
| Share of earnings of affiliates, net..... | 21 | 8 | 29 |
| Realized and unrealized gains on financial instruments, net..... | 17 | 152 | 169 |
| Gains on dispositions of assets, net..... | -- | 327 | 327 |
| Other, net..... | 13 | -- | 13 |
| | ----- | ----- | ----- |
| | (120) | 445 | 325 |
| | ----- | ----- | ----- |
| Earnings from continuing operations before income taxes and minority interests..... | 341 | 465 | 806 |
| Income tax expense (note 5)..... | (122) | (118) | (240) |
| Minority interests in losses (earnings) of subsidiaries..... | (18) | 3 | (15) |
| | ----- | ----- | ----- |
| Earnings from continuing operations..... | 201 | 350 | 551 |
| Loss from discontinued operations, net of taxes..... | -- | (10) | (10) |
| Cumulative effect of accounting change, net of taxes..... | (87) | (2) | (89) |
| | ----- | ----- | ----- |
| Net earnings..... | \$ 114 | 338 | 452 |
| | ----- | ----- | ----- |
| Other comprehensive earnings (loss), net of taxes: | | | |
| Foreign currency translation adjustments..... | 78 | -- | 78 |
| Unrealized holding gains (losses) arising during the period..... | (81) | 983 | 902 |
| Recognition of previously unrealized gains on available-for-sale securities, net..... | -- | (15) | (15) |
| Other comprehensive earnings from discontinued operations..... | -- | 1 | 1 |
| | ----- | ----- | ----- |
| Other comprehensive earnings (loss)..... | (3) | 969 | 966 |
| | ----- | ----- | ----- |
| Comprehensive earnings..... | \$ 111 | 1,307 | 1,418 |
| | ===== | ===== | ===== |

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STATEMENT OF CASH FLOWS INFORMATION

SIX MONTHS ENDED JUNE 30, 2007

(UNAUDITED)

<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..... | \$ 193 | 1,185 | 1,378 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Earnings from discontinued operations..... | -- | (149) | (149) |
| Depreciation and amortization..... | 262 | 61 | 323 |
| Stock-based compensation..... | 22 | 18 | 40 |
| Payments of stock-based compensation..... | (33) | (2) | (35) |
| Noncash interest expense..... | 2 | 4 | 6 |
| Share of losses (earnings) of affiliates, net..... | (39) | 14 | (25) |
| Realized and unrealized gains on financial instruments, net..... | 2 | (95) | (93) |
| Gains on disposition of assets, net..... | (12) | (623) | (635) |
| Minority interests in earnings of subsidiaries..... | 14 | 5 | 19 |
| Intergroup tax payments..... | (182) | 182 | -- |
| Other intergroup cash transfers, net..... | (13) | 13 | -- |
| Deferred income tax expense (benefit)..... | (46) | (201) | (247) |
| Other noncash charges (credits), net..... | (4) | 17 | 13 |
| Changes in operating assets and liabilities, net of the effects of acquisitions: | | | |
| Current assets..... | 138 | (136) | 2 |
| Payables and other current liabilities..... | (79) | (2) | (81) |
| | ----- | ----- | ----- |
| Net cash provided by operating activities..... | 225 | 291 | 516 |
| | ----- | ----- | ----- |
| Cash flows from investing activities: | | | |
| Cash proceeds from dispositions..... | 12 | 508 | 520 |
| Net payments for settlement of financial instruments..... | -- | (65) | (65) |
| Cash paid for acquisitions, net of cash acquired..... | (120) | (6) | (126) |
| Cash received in exchange transactions..... | -- | 1,154 | 1,154 |
| Capital expended for property and equipment..... | (167) | (12) | (179) |
| Net purchases of short term investments..... | -- | (191) | (191) |
| Investments in and loans to cost and equity investees..... | -- | (810) | (810) |
| Net increase in restricted cash..... | -- | (734) | (734) |
| Other investing activities, net..... | (4) | 23 | 19 |
| | ----- | ----- | ----- |
| Net cash used by investing activities..... | (279) | (133) | (412) |
| | ----- | ----- | ----- |
| Cash flows from financing activities: | | | |
| Borrowings of debt..... | 630 | 754 | 1,384 |
| Repayments of debt..... | (180) | (156) | (336) |
| Repurchases of Liberty common stock..... | (531) | (1,305) | (1,836) |
| Contribution from minority owner..... | -- | 750 | 750 |
| Other financing activities, net..... | (6) | 25 | 19 |
| | ----- | ----- | ----- |
| Net cash used by financing activities..... | (87) | 68 | (19) |
| | ----- | ----- | ----- |
| Effect of foreign currency rates on cash..... | 1 | -- | 1 |
| | ----- | ----- | ----- |
| Net cash provided to discontinued operations: | | | |
| Cash provided by operating activities..... | -- | 8 | 8 |
| Cash used by investing activities..... | -- | (9) | (9) |
| Cash provided by financing activities..... | -- | -- | -- |
| Change in available cash held by discontinued operations..... | -- | 2 | 2 |
| | ----- | ----- | ----- |
| Net cash provided by discontinued operations..... | -- | 1 | 1 |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents..... | (140) | 227 | 87 |
| Cash and cash equivalents at beginning of period.... | 946 | 2,161 | 3,107 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end period..... | \$ 806 | 2,388 | 3,194 |
| | ===== | ===== | ===== |

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STATEMENT OF CASH FLOWS INFORMATION

SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)

<Table>
<Caption>

| | ATTRIBUTED (NOTE 1) | | |
|--|---------------------|---------|--------------|
| | INTERACTIVE | CAPITAL | CONSOLIDATED |
| | GROUP | GROUP | LIBERTY |
| | AMOUNTS IN MILLIONS | | |
| <S> | <C> | <C> | <C> |
| Cash flows from operating activities: | | | |
| Net earnings..... | \$ 114 | 338 | 452 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Loss from discontinued operations..... | -- | 10 | 10 |
| Cumulative effect of accounting change..... | 87 | 2 | 89 |
| Depreciation and amortization..... | 245 | 42 | 287 |
| Stock compensation..... | 44 | 7 | 51 |
| Payments of stock-based compensation..... | (1) | -- | (1) |
| Noncash interest expense..... | 1 | 52 | 53 |
| Share of earnings of affiliates, net..... | (21) | (8) | (29) |
| Realized and unrealized gains on financial instruments, net..... | (17) | (152) | (169) |
| Gains on disposition of assets, net..... | -- | (327) | (327) |
| Minority interests in earnings (losses) of subsidiaries..... | 18 | (3) | 15 |
| Deferred income tax expense (benefit)..... | (83) | 154 | 71 |
| Other noncash charges (credits), net..... | (13) | 31 | 18 |
| Changes in operating assets and liabilities, net of the effect of acquisitions and dispositions: | | | |
| Current assets..... | 89 | (60) | 29 |
| Payables and other current liabilities..... | (190) | 135 | (55) |
| | ----- | ----- | ----- |
| Net cash provided by operating activities..... | 273 | 221 | 494 |
| | ----- | ----- | ----- |
| Cash flows from investing activities: | | | |
| Cash proceeds from dispositions..... | -- | 920 | 920 |
| Net proceeds (payments) from settlement of financial instruments..... | -- | 200 | 200 |
| Cash paid for acquisitions, net of cash acquired..... | (431) | (170) | (601) |
| Capital expended for property and equipment..... | (99) | (5) | (104) |
| Net sales of short term investments..... | 23 | (28) | (5) |
| Repurchases of subsidiary common stock..... | (159) | -- | (159) |
| Investments in and loans to investees..... | (2) | (138) | (140) |
| Other investing activities, net..... | (9) | 9 | -- |
| | ----- | ----- | ----- |
| Net cash provided (used) by investing activities.... | (677) | 788 | 111 |
| | ----- | ----- | ----- |
| Cash flows from financing activities: | | | |
| Borrowings of debt..... | 400 | -- | 400 |
| Repayments of debt..... | (4) | (2) | (6) |
| Repurchases of Liberty common stock..... | (341) | -- | (341) |
| Intergroup cash transfers, net..... | 236 | (236) | -- |
| Other financing activities, net..... | 77 | (40) | 37 |
| | ----- | ----- | ----- |
| Net cash provided (used) by financing activities.... | 368 | (278) | 90 |
| | ----- | ----- | ----- |
| Effect of foreign currency rates on cash..... | 16 | -- | 16 |
| | ----- | ----- | ----- |
| Net cash provided to discontinued operations: | | | |
| Cash provided by operating activities..... | -- | 33 | 33 |
| Cash used by investing activities..... | -- | (42) | (42) |
| Cash provided by financing activities..... | -- | 3 | 3 |
| Change in available cash held by discontinued operations..... | -- | 2 | 2 |
| | ----- | ----- | ----- |
| Net cash provided to discontinued operations..... | -- | (4) | (4) |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents..... | (20) | 727 | 707 |
| Cash and cash equivalents at beginning of period.... | 945 | 951 | 1,896 |
| | ----- | ----- | ----- |
| Cash and cash equivalents at end of period..... | \$ 925 | 1,678 | 2,603 |
| | ===== | ===== | ===== |

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(1) The assets attributed to our Interactive Group as of June 30, 2007 include our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., BuySeasons, Inc. and Backcountry.com, Inc., and our interests in IAC/InterActiveCorp, GSI Commerce, Inc. and Expedia, Inc. 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, BuySeasons and Backcountry. 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 3 below. In addition, we have allocated certain corporate general and administrative expenses between the Interactive Group and the Capital Group as described in note 4 below.

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

The Capital Group consists of all of our businesses not included in the Interactive Group, including our consolidated subsidiaries Starz Entertainment, LLC, Starz Media, LLC, FUN Technologies, Inc., the Atlanta Braves, Leisure Arts, Inc., TruePosition, Inc. and WFRV and WJMN Television Station, Inc. 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 3 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) Financial instruments attributed to the Interactive Group are comprised of QVC's interest rate swap agreements and total return bond swaps that are related to the parent company debt attributed to the Interactive Group.

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

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

<Table>
<Caption>

| | JUNE 30, 2007 | |
|--|--------------------------|-------------------|
| | 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..... | 233 | 234 |
| 5.7% Senior Notes due 2013..... | 802 | 801 |
| 8.5% Senior Debentures due 2029..... | 500 | 495 |
| 8.25% Senior Debentures due 2030..... | 902 | 895 |
| QVC bank credit facilities..... | 3,675 | 3,675 |
| Other subsidiary debt..... | 74 | 74 |
| | ----- | ----- |
| Total Interactive Group debt..... | 6,856 | 6,841 |
| | ----- | ----- |
| Capital Group | | |
| 0.75% Senior Exchangeable Debentures due 2023..... | 1,750 | 2,148 |
| 4% Senior Exchangeable Debentures due 2029..... | 869 | 578 |
| 3.75% Senior Exchangeable Debentures due 2030..... | 810 | 470 |

| | | |
|--|----------|--------|
| 3.5% Senior Exchangeable Debentures due 2031..... | 503 | 504 |
| 3.25% Senior Exchangeable Debentures due 2031..... | 551 | 471 |
| Liberty bank facility..... | 750 | 750 |
| Subsidiary debt..... | 103 | 103 |
| | ----- | ----- |
| Total Capital Group debt..... | 5,336 | 5,024 |
| | ----- | ----- |
| Total debt..... | \$12,192 | 11,865 |
| | ===== | ===== |

</Table>

- (4) 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 six months ended June 30, 2007 and 2006 were \$8 million and \$7 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.
- (5) 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.
- (6) 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

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NOTES TO ATTRIBUTED FINANCIAL INFORMATION (CONTINUED)

(UNAUDITED)

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.

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