

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

FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number 001-33982

LIBERTY MEDIA CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of
incorporation or organization)

84-1288730
(I.R.S. Employer
Identification No.)

12300 Liberty Boulevard
Englewood, Colorado
(Address of principal executive offices)

80112
(Zip Code)

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if smaller reporting company)

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

The number of outstanding shares of Liberty Media Corporation's common stock as of July 31, 2009 was:

Series A Liberty Capital common stock 89,867,563 shares;
Series B Liberty Capital common stock 6,024,724 shares;
Series A Liberty Interactive common stock 566,715,847 shares;
Series B Liberty Interactive common stock 29,393,683 shares;
Series A Liberty Entertainment common stock 495,026,383 shares; and
Series B Liberty Entertainment common stock 23,697,987 shares.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2009	December 31, 2008
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 3,937	3,135
Trade and other receivables, net	1,299	1,563
Inventory, net	942	1,032
Program rights	481	497
Financial instruments (note 8)	1,819	1,157
Other current assets	155	235
Total current assets	<u>8,633</u>	<u>7,619</u>
Investments in available-for-sale securities and other cost investments, including \$617 million and \$392 million pledged as collateral for share borrowing arrangements (note 6)	3,550	2,859
Long-term financial instruments (note 8)	308	1,328
Investments in affiliates, accounted for using the equity method (note 7)	15,063	14,490
Property and equipment, at cost	2,070	2,027
Accumulated depreciation	(793)	(696)
	<u>1,277</u>	<u>1,331</u>
Intangible assets not subject to amortization (note 9):		
Goodwill	6,443	6,550
Trademarks	2,508	2,511
Other	158	158
	<u>9,109</u>	<u>9,219</u>
Intangible assets subject to amortization, net (note 9)	3,286	3,489
Other assets, at cost, net of accumulated amortization	1,697	1,568
Total assets	<u>\$ 42,923</u>	<u>41,903</u>

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets, continued

(unaudited)

	June 30, 2009	December 31, 2008
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 440	550
Accrued interest	92	103
Other accrued liabilities	815	999
Financial instruments (note 8)	762	553
Current portion of debt (note 10)	3,312	868
Accrued stock compensation	221	196
Current deferred income tax liabilities	1,495	781
Other current liabilities	160	98
Total current liabilities	<u>7,297</u>	<u>4,148</u>
Long-term debt, including \$1,739 million and \$1,691 million measured at fair value (note 10)	9,524	11,359
Long-term financial instruments (note 8)	167	189
Deferred income tax liabilities	4,186	4,900
Other liabilities	1,642	1,550
Total liabilities	<u>22,816</u>	<u>22,146</u>
Equity		
Stockholders' equity (note 11):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Capital common stock, \$.01 par value. Authorized 2,000,000,000 shares; issued and outstanding 89,866,738 shares at June 30, 2009 and 90,042,840 shares at December 31, 2008	1	1
Series B Liberty Capital common stock, \$.01 par value. Authorized 75,000,000 shares; issued and outstanding 6,024,724 shares at June 30, 2009 and 6,024,724 shares at December 31, 2008	—	—
Series A Liberty Entertainment common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 494,869,823 shares at June 30, 2009 and 493,256,228 shares at December 31, 2008	5	5
Series B Liberty Entertainment common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 23,697,987 shares at June 30, 2009 and 23,706,209 shares at December 31, 2008	—	—
Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 566,714,927 shares at June 30, 2009 and 564,385,343 shares at December 31, 2008	6	6
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,393,683 shares at June 30, 2009 and 29,441,916 shares at December 31, 2008	—	—
Additional paid-in capital	25,154	25,132
Accumulated other comprehensive earnings, net of taxes	109	70
Accumulated deficit	(5,270)	(5,612)
Total stockholders' equity	<u>20,005</u>	<u>19,602</u>
Noncontrolling interests in equity of subsidiaries	102	155
Total equity	<u>20,107</u>	<u>19,757</u>
Commitments and contingencies (note 13)		
Total liabilities and equity	<u>\$42,923</u>	<u>41,903</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
amounts in millions, except per share amounts				
Revenue:				
Net retail sales	\$ 1,936	1,954	3,767	3,904
Communications and programming services	566	533	1,060	934
	<u>2,502</u>	<u>2,487</u>	<u>4,827</u>	<u>4,838</u>
Operating costs and expenses:				
Cost of sales	1,208	1,228	2,391	2,466
Operating	543	558	999	999
Selling, general and administrative, including stock-based compensation (note 3)	281	296	554	561
Depreciation and amortization	166	176	344	353
	<u>2,198</u>	<u>2,258</u>	<u>4,288</u>	<u>4,379</u>
Operating income	304	229	539	459
Other income (expense):				
Interest expense	(161)	(187)	(315)	(353)
Dividend and interest income	43	41	74	100
Share of earnings of affiliates, net (note 7)	171	165	105	210
Realized and unrealized gains (losses) on financial instruments, net (note 8)	163	(37)	(81)	(322)
Gains (losses) on dispositions, net (notes 6 and 7)	166	(1)	164	3,681
Other, net	35	—	(12)	(2)
	<u>417</u>	<u>(19)</u>	<u>(65)</u>	<u>3,314</u>
Earnings before income taxes	721	210	474	3,773
Income tax benefit (expense)	(235)	(76)	(115)	1,830
Net earnings	486	134	359	5,603
Less net earnings attributable to the noncontrolling interests	8	9	17	21
Net earnings attributable to Liberty Media Corporation shareholders	<u>\$ 478</u>	<u>125</u>	<u>342</u>	<u>5,582</u>
Net earnings (loss) attributable to Liberty Media Corporation shareholders:				
Liberty Capital common stock	\$ 201	(30)	41	(135)
Liberty Entertainment common stock	149	63	230	98
Liberty Interactive common stock	128	92	71	217
Old Liberty Capital common stock	—	—	—	5,402
	<u>\$ 478</u>	<u>125</u>	<u>342</u>	<u>5,582</u>

(continued)

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements Of Operations (Continued)
(unaudited)

	<u>Three months</u> <u>ended June 30,</u>		<u>Six months</u> <u>ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	amounts in millions, except per share amounts			
Basic net earnings (loss) attributable to Liberty Media Corporation shareholders per common share (note 4):				
Series A and Series B Liberty Capital common stock	\$2.09	(.24)	.43	(1.06)
Series A and Series B Liberty Entertainment common stock	\$.29	.12	.44	.19
Series A and Series B Liberty Interactive common stock	\$.22	.15	.12	.36
Old Series A and Series B Liberty Capital common stock	\$ —	—	—	41.88
Diluted net earnings (loss) attributable to Liberty Media Corporation shareholders per common share (note 4):				
Series A and Series B Liberty Capital common stock	\$2.07	(.24)	.42	(1.06)
Series A and Series B Liberty Entertainment common stock	\$.29	.12	.44	.19
Series A and Series B Liberty Interactive common stock	\$.21	.15	.12	.36
Old Series A and Series B Liberty Capital common stock	\$ —	—	—	41.55

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Net earnings	\$ 486	134	359	5,603
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	68	(14)	(19)	80
Unrealized holding gains (losses) arising during the period	23	(75)	21	(719)
Recognition of previously unrealized gains on available-for-sale securities, net	(1)	—	—	(2,273)
Share of other comprehensive earnings (loss) of equity affiliates	5	(1)	(10)	(2)
Other	20	47	37	(1)
Other comprehensive earnings (loss)	115	(43)	29	(2,915)
Comprehensive earnings	601	91	388	2,688
Less comprehensive earnings attributable to the noncontrolling interests	11	2	7	26
Comprehensive earnings attributable to Liberty Media Corporation shareholders	\$ 590	89	381	2,662
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders:				
Liberty Capital common stock	\$ 212	(31)	55	(138)
Liberty Entertainment common stock	144	62	224	95
Liberty Interactive common stock	234	58	102	(111)
Old Liberty Capital common stock	—	—	—	2,816
	\$ 590	89	381	2,662

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Cash Flows

(unaudited)

	Six months ended	
	June 30,	
	2009	2008
	amounts in millions	
Cash flows from operating activities:		
Net earnings	\$ 359	5,603
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	344	353
Stock-based compensation	63	43
Cash payments for stock-based compensation	(11)	(19)
Noncash interest expense	74	18
Share of earnings of affiliates, net	(105)	(210)
Cash receipts from returns on equity investments	28	—
Realized and unrealized losses on financial instruments, net	81	322
Gains on disposition of assets, net	(164)	(3,681)
Deferred income tax benefit	(64)	(2,101)
Other noncash charges, net	51	20
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:		
Current assets	348	(26)
Payables and other current liabilities	(158)	(122)
Net cash provided by operating activities	846	200
Cash flows from investing activities:		
Cash proceeds from dispositions	483	24
Proceeds from settlement of financial instruments	61	12
Cash received in exchange transactions	—	465
Cash paid for acquisitions, net of cash acquired	(3)	(46)
Investments in and loans to cost and equity investees	(699)	(2,517)
Capital expenditures	(97)	(92)
Net sales of short term investments	59	67
Net decrease in restricted cash	24	340
Other investing activities, net	(23)	(24)
Net cash used by investing activities	(195)	(1,771)
Cash flows from financing activities:		
Borrowings of debt	1,979	3,784
Repayments of debt	(1,735)	(1,165)
Repurchases of Liberty common stock	(3)	(252)
Other financing activities, net	(66)	(68)
Net cash provided by financing activities	175	2,299
Effect of foreign currency exchange rates on cash	(24)	13
Net increase in cash and cash equivalents	802	741
Cash and cash equivalents at beginning of period	3,135	3,135
Cash and cash equivalents at end of period	\$ 3,937	3,876

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement Of Equity

(unaudited)

Six months ended June 30, 2009

	Stockholders' Equity											Total equity
	Common stock											
	Preferred stock	Liberty Capital		Liberty Entertainment		Liberty Interactive		Additional paid-in capital	Accumulated other comprehensive earnings	Accumulated deficit	Noncontrolling interest in equity of subsidiaries	
		Series A	Series B	Series A	Series B	Series A	Series B					
amounts in millions												
Balance at January 1, 2009	\$ —	1	—	5	—	6	—	25,132	70	(5,612)	155	19,757
Net earnings	—	—	—	—	—	—	—	—	—	342	17	359
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	39	—	(10)	29
Stock compensation	—	—	—	—	—	—	—	25	—	—	—	25
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	(3)	—	—	—	(3)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(59)	(59)
Other	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Balance at June 30, 2009	\$ —	1	—	5	—	6	—	25,154	109	(5,270)	102	20,107

See accompanying notes to condensed consolidated financial statements.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

**June 30, 2009
(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, South America, Europe and Asia.

Effective January 1, 2009, Liberty adopted Statement of Financial Accounting Standards No. 160, "*Noncontrolling Interests in Consolidated Financial Statements*" ("Statement 160"). Statement 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, commonly referred to as minority interest. Among other matters, Statement 160 requires (a) the noncontrolling interest be reported within equity in the balance sheet and (b) the amount of consolidated net income attributable to the parent and to the noncontrolling interest to be clearly presented in the statement of income. Statement 160 and EITF Topic 08-6 also require that SAB 51 Gains for subsidiaries be recorded in equity and SAB 51 Gains for equity affiliates be recorded in earnings. Liberty has applied the provisions of Statement 160 prospectively, except for the presentation and disclosure requirements, which have been applied retrospectively for all periods presented.

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, 2008, as amended.

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

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

misstatements of the financial information provided by its equity affiliates that would have a material effect on Liberty's condensed consolidated financial statements.

(2) Tracking Stocks

Prior to March 3, 2008, Liberty had two tracking stocks—Liberty Interactive common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the Interactive Group and the Capital Group, respectively. On March 3, 2008, Liberty completed a reclassification (the "Reclassification") of its Liberty Capital common stock (herein referred to as "Old Liberty Capital common stock") whereby each share of Old Series A Liberty Capital common stock was reclassified into four shares of Series A Liberty Entertainment common stock and one share of new Series A Liberty Capital common stock, and each share of Old Series B Liberty Capital common stock was reclassified into four shares of Series B Liberty Entertainment common stock and one share of new Series B Liberty Capital common stock. The Liberty Entertainment common stock is intended to track and reflect the economic performance of the Entertainment Group. The Reclassification did not change the businesses, assets and liabilities attributed to the Interactive Group.

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, the Entertainment Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The assets and businesses Liberty has attributed to the Interactive Group are those engaged in video and on-line commerce, and include its subsidiaries QVC, Inc. ("QVC"), Provide Commerce, Inc. ("Provide"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding") and BuySeasons, Inc. ("BuySeasons") and its noncontrolling interest in Expedia, Inc. ("Expedia"), HSN, Inc. ("HSN"), Interval Leisure Group, Inc. ("Interval"), Ticketmaster Entertainment, Inc. ("Ticketmaster"), Tree.com, Inc. ("Lending Tree") and IAC/InterActiveCorp ("IAC"). In addition, Liberty has attributed \$2,252 million principal amount (as of June 30, 2009) of its public debt to the Interactive Group. The Interactive Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Interactive Group, including such other businesses and assets as Liberty may acquire for the Interactive Group.

Similarly, the term "Entertainment Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which Liberty has attributed to that group. The Entertainment Group focuses primarily on video programming, communications businesses and the direct-to-home satellite distribution business and includes Liberty's noncontrolling ownership interest in The DIRECTV Group, Inc. ("DIRECTV"), as well as an equity collar on 98.75 million of shares of DIRECTV common stock and \$2,016 million of borrowings (as of June 30, 2009) against the put value of such equity collar. Liberty has also attributed to the Entertainment Group its subsidiaries, Starz Entertainment, LLC ("Starz Entertainment"), CDM Fantasy Sports Corp. ("FUN Sports"), three regional sports television networks ("Liberty Sports Group") and PicksPal, Inc. and equity interests in Game Show Network, LLC ("GSN") and WildBlue Communications, Inc. In addition, Liberty has

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

attributed \$413 million of corporate cash to the Entertainment Group. The Entertainment 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 Entertainment Group, including such other businesses as Liberty may acquire for the Entertainment Group.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of Liberty's businesses, assets and liabilities other than those which have been attributed to the Interactive Group or the Entertainment Group. The assets and businesses attributed to the Capital Group include Liberty's subsidiaries: Starz Media, LLC ("Starz Media"), Atlanta National League Baseball Club, Inc. ("ANLBC"), Leisure Arts, Inc. ("Leisure Arts"), TruePosition, Inc. ("TruePosition") and WFRV and WJMN Television Station, Inc. ("WFRV TV Station"); and its interests in Sirius XM Radio Inc. ("Sirius"), Time Warner Inc., Time Warner Cable Inc. and Sprint Nextel Corporation. In addition, Liberty has attributed \$2,373 million of cash, including subsidiary cash and \$5,251 million principal amount (as of June 30, 2009) of its exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses, assets and liabilities that Liberty's board of directors may in the future determine to attribute to the Capital Group, including such other businesses and assets as Liberty may acquire for the Capital Group.

During the second quarter of 2009, each of the Entertainment Group and the Capital Group made intergroup loans to the Interactive Group in the amount of \$250 million. See note 10.

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

Split Off Transaction

During the fourth quarter of 2008, the Board of Directors of Liberty approved a plan to redeem a portion of the outstanding shares of Liberty's Entertainment Group tracking stock for all of the outstanding shares of a newly formed subsidiary of Liberty, Liberty Entertainment, Inc. ("LEI"), (the "Redemption"). The Redemption and resulting separation of LEI from Liberty are referred to as the "Split Off."

If the Redemption is completed, Liberty will redeem 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares, in each case, as of a date to be determined by the board of Liberty (the "Redemption Date"). Immediately following the Redemption Date, the holders of Liberty Entertainment common stock will own 100% of the outstanding equity of LEI. At the time of the Split Off, LEI will hold Liberty's interests in DIRECTV (and related collars and debt), Liberty Sports Group and GSN and approximately \$30 million in cash. In addition, Liberty and LEI have entered into a revolving credit facility pursuant to which Liberty will provide LEI with up to \$300 million principal amount of loans. The Split Off is conditioned on, among other matters, receipt of stockholder approval and receipt of a private letter ruling from the IRS and a tax opinion from tax counsel and is expected to occur in the second half of 2009. The Split Off will be accounted for at historical cost due to the fact that the LEI common stock is to be distributed pro rata to holders of Liberty Entertainment tracking stock.

On May 3, 2009, Liberty and LEI entered into an Agreement and Plan of Merger (the "Merger Agreement") with DIRECTV and other parties named therein, pursuant to which, after Liberty completes the Split Off, LEI and DIRECTV will combine under a new parent company (the "Merger Transaction"). The Merger Transaction is subject to certain closing conditions.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Subsequent to the Split Off, the Entertainment Group will be renamed the Starz Group and will be comprised principally of Starz Entertainment and cash.

(3) Stock-Based Compensation

The Company has granted to its directors, employees and employees of its subsidiaries options and stock appreciation rights ("SARs") to purchase shares of Liberty common stock (collectively, "Awards"). The Company accounts for stock-based compensation pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" ("Statement 123R"). 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.

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

Three months ended:	
June 30, 2009	\$35
June 30, 2008	\$27
Six months ended:	
June 30, 2009	\$63
June 30, 2008	\$43

During the six months ended June 30, 2009, Liberty granted primarily to QVC employees 6.7 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$.85.

In addition, in April 2009, Liberty completed an exchange offer pursuant to which eligible employees of QVC and BuySeasons were offered the opportunity to exchange all (but not less than all) of their outstanding stock options to purchase shares of Series A Liberty Interactive common stock ("LINTA") with an exercise price greater than \$7.00 for new options to acquire shares of LINTA. Eligible option holders tendered an aggregate of 11,311,787 shares of LINTA. In exchange, Liberty granted the tendering option holders an aggregate of 2,828,022 options to purchase shares of LINTA with an exercise price of \$3.41 per share and 2,828,022 options to purchase shares of LINTA with an exercise price of \$6.00 per share. The difference between the fair value of the options granted in the exchange offer and the fair value of the options tendered, which aggregated \$3 million, will be recognized as stock compensation expense over the vesting term of the options granted.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Liberty—Outstanding Awards

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

	Series A					
	Liberty Capital	WAEP	Liberty Interactive	WAEP	Liberty Entertainment	WAEP
	numbers of options in thousands					
Outstanding at January 1, 2009	4,031	\$ 10.83	31,361	\$ 16.48	15,978	\$ 19.77
Granted	1	\$ 5.14	12,381	\$ 4.49	504	\$ 25.86
Exercised	—		(1)	\$ 2.91	(526)	\$ 18.30
Forfeited/Cancelled/Exchanged	(16)	\$ 13.72	(12,418)	\$ 16.84	(48)	\$ 21.86
Outstanding at June 30, 2009	<u>4,016</u>	<u>\$ 10.82</u>	<u>31,323</u>	<u>\$ 11.60</u>	<u>15,908</u>	<u>\$ 20.00</u>
Exercisable at June 30, 2009	<u>2,434</u>	<u>\$ 13.27</u>	<u>11,730</u>	<u>\$ 20.65</u>	<u>9,513</u>	<u>\$ 20.56</u>

The following table provides additional information about outstanding options to purchase Liberty common stock at June 30, 2009.

	No. of outstanding options (000's)	WAEP of outstanding options	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable options (000's)	WAEP of exercisable options	Aggregate intrinsic value (000's)
Series A Capital	4,016	\$ 10.82	4.4 years	\$ 15,081	2,434	\$ 13.27	\$ 3,635
Series B Capital	1,408	\$ 15.20	1.7 years	\$ —	1,408	\$ 15.20	\$ —
Series A Interactive	31,323	\$ 11.60	5.1 years	\$ 16,923	11,730	\$ 20.65	\$ 661
Series B Interactive	7,491	\$ 23.41	1.9 years	\$ —	7,491	\$ 23.41	\$ —
Series A Entertainment	15,908	\$ 20.00	4.3 years	\$ 110,597	9,513	\$ 20.56	\$ 62,376
Series B Entertainment	5,993	\$ 21.57	1.9 years	\$ 32,999	5,993	\$ 21.57	\$ 32,999

As of June 30, 2009, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately \$78 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2 years.

(4) Earnings (Loss) Per Common Share

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Old Series A and Series B Liberty Capital Common Stock

Old Liberty Capital basic EPS for the period from January 1, 2008 to the Reclassification, was computed by dividing the net earnings attributable to the Capital Group by the weighted average outstanding shares of Old Liberty Capital common stock for the period (129 million). Fully diluted EPS for the two months in 2008 includes 1 million common stock equivalents.

Series A and Series B Liberty Capital Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the six months ended June 30, 2009 are 3 million potential common shares because their inclusion would be antidilutive.

	Liberty Capital Common Stock			
	Three months ended June 30, 2009	Six months ended June 30, 2009	Three months ended June 30, 2008	Period from March 4, 2008 to June 30, 2008
	numbers of shares in millions			
Basic EPS	96	96	126	127
Stock options	1	1	—	—
Diluted EPS	<u>97</u>	<u>97</u>	<u>126</u>	<u>127</u>

Series A and Series B Liberty Entertainment 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, 2009 are 3 million potential common shares because their inclusion would be antidilutive.

	Liberty Entertainment Common Stock			
	Three months ended June 30, 2009	Six months ended June 30, 2009	Three months ended June 30, 2008	Period from March 4, 2008 to June 30, 2008
	numbers of shares in millions			
Basic EPS	517	517	516	516
Stock options	4	3	4	3
Diluted EPS	<u>521</u>	<u>520</u>	<u>520</u>	<u>519</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Series A and Series B Liberty Interactive Common Stock

The basic and diluted EPS calculation is based on the following weighted average outstanding shares. Excluded from diluted EPS for the six months ended June 30, 2009 are 22 million potential common shares because their inclusion would be antidilutive.

	Liberty Interactive Common Stock			
	Three months ended June 30, 2009	Six months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2008
	numbers of shares in millions			
Basic EPS	594	594	594	595
Stock options	4	3	—	—
Diluted EPS	598	597	594	595

(5) Assets and Liabilities Measured at Fair Value

Liberty uses the provisions of Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("Statement 157") to account for assets and liabilities that are required to be reported at fair value. Statement 157 defines fair value, prescribes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements.

Statement 157 provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

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

<u>Description</u>	Fair Value Measurements at June 30, 2009 Using			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	amounts in millions			
Available-for-sale securities	\$ 3,510	3,213	297	—
Financial instrument assets	\$ 2,127	—	2,127	—
Financial instrument liabilities	\$ 929	617	312	—
Debt	\$ 1,739	—	1,739	—

The Company uses the Black-Scholes Model to estimate fair value for the majority of its Level 2 financial instrument assets and liabilities using observable inputs such as exchange-traded equity prices, risk-free interest rates, dividend yields and volatilities obtained from pricing services. For the Company's debt instruments reported at fair value, the Company gets quoted market prices from pricing services or from evidence of observable inputs, some of which may be obtained using third-party brokers. However, the Company does not believe such instruments are traded on "active markets," as defined in Statement 157. Accordingly, the debt instruments are reported in the foregoing table as Level 2 fair value.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Statement 157 requires the incorporation of a credit risk valuation adjustment in the Company's fair value measurements to estimate the impact of both its own nonperformance risk and the nonperformance risk of its counterparties. The Company estimates credit risk associated with its and its counterparties nonperformance primarily by using observable credit default swap rates for terms similar to those of the remaining life of the instrument, adjusted for any master netting arrangements or other factors that provide an estimate of nonperformance risk. These are Level 3 inputs. However, as the credit risk valuation adjustments were not significant, the Company continues to report its equity collars, interest rate swaps and put options as Level 2.

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

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. Liberty accounts for certain of its AFS securities pursuant to 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 AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations. Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected to apply the provisions of Statement 159 to those of its AFS securities ("Statement 159 Securities") which it considers to be non-strategic. Accordingly, changes in the fair value of Statement 159 Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$2,617 million as of June 30, 2009.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Investments in AFS securities and other cost investments are summarized as follows:

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Capital Group		
Time Warner Inc.(1)	\$ 862	1,033
Time Warner Cable Inc.(2)	272	—
Sprint Nextel Corporation ("Sprint")(3)	410	160
Motorola, Inc.(4)	344	328
Viacom, Inc.	172	145
Embarq Corporation(5)	195	157
Other AFS equity securities(6)	62	40
Other AFS debt securities	481	224
Other cost investments and related receivables	32	31
Total attributed Capital Group	<u>2,830</u>	<u>2,118</u>
Interactive Group		
IAC/InterActiveCorp ("IAC")	578	638
Other	140	101
Total attributed Interactive Group	<u>718</u>	<u>739</u>
Entertainment Group		
Other	2	2
Total attributed Entertainment Group	<u>2</u>	<u>2</u>
Consolidated Liberty	<u>\$3,550</u>	<u>2,859</u>

(1) Includes \$76 million and \$91 million of shares pledged as collateral for share borrowing arrangements at June 30, 2009 and December 31, 2008, respectively.

(2) Includes \$24 million of shares pledged as collateral for share borrowing arrangements at June 30, 2009.

(3) Includes \$80 million and \$17 million of shares pledged as collateral for share borrowing arrangements at June 30, 2009 and December 31, 2008, respectively.

(4) Includes \$344 million and \$230 million of shares pledged as collateral for share borrowing arrangements at June 30, 2009 and December 31, 2008, respectively.

(5) Includes \$35 million and \$16 million of shares pledged as collateral for share borrowing arrangements at June 30, 2009 and December 31, 2008, respectively.

(6) Includes \$58 million and \$38 million of shares pledged as collateral for share borrowing arrangements at June 30, 2009 and December 31, 2008, respectively.

During the six months ended June 30, 2009, Liberty sold certain of its AFS securities for aggregate cash proceeds of \$259 million. The aggregate pre-tax loss recognized by Liberty on such sales and included in gains (losses) on dispositions was \$2 million.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Unrealized Holdings Gains and Losses

Unrealized holding gains and losses related to investments in AFS securities are summarized below.

	June 30, 2009		December 31, 2008	
	Equity securities	Debt securities	Equity securities	Debt securities
	amounts in millions			
Gross unrealized holding gains	\$ 51	21	9	—
Gross unrealized holding losses	\$ —	—	(4)	—

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at June 30, 2009 and the carrying amount at December 31, 2008:

	June 30, 2009		December 31, 2008
	Percentage ownership	Carrying amount	Carrying amount
	dollar amounts in millions		
Entertainment Group			
DIRECTV	55%	\$ 13,225	13,085
Other	various	460	281
Interactive Group			
Expedia	24%	575	559
Other	various	241	342
Capital Group			
Sirius	40%	344	—
Other	various	218	223
		<u>\$ 15,063</u>	<u>14,490</u>

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

	Six months ended	
	2009	2008
	amounts in millions	
Entertainment Group		
DIRECTV	\$ 179	190
Other	13	8
Interactive Group		
Expedia	19	35
Other	(102)	—
Capital Group		
Sirius	4	—
Other	(8)	(23)
	<u>\$ 105</u>	<u>210</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

DIRECTV

On February 27, 2008, Liberty completed a transaction with News Corporation (the "News Corporation Exchange") in which Liberty exchanged all of its 512.6 million shares of News Corporation common stock valued at \$10,143 million on the closing date for a subsidiary of News Corporation that held an approximate 41% interest in DIRECTV, three regional sports television networks that now comprise Liberty Sports Group and \$463 million in cash. In addition, Liberty incurred \$21 million of acquisition costs. Liberty recognized a pre-tax gain of \$3,666 million in the first quarter of 2008 based on the difference between the fair value and the cost basis of the News Corporation shares exchanged.

Liberty accounted for the News Corporation Exchange as a nonmonetary exchange under APB Opinion No. 29 "Accounting for Nonmonetary Transactions." Accordingly, Liberty recorded the assets received at an amount equal to the fair value of the News Corporation common stock given up. Such amount was allocated to DIRECTV and Liberty Sports Group based on their relative fair values as follows (amounts in millions):

Cash	\$ 463
DIRECTV	10,765
Liberty Sports Group	448
Deferred tax liability	(1,512)
Total	<u>\$10,164</u>

Liberty estimated the fair values of Liberty Sports Group and DIRECTV's assets using a combination of discounted cash flows and market prices for comparable assets.

At the time of closing, the value attributed to Liberty's investment in DIRECTV exceeded Liberty's proportionate share of DIRECTV's equity by \$8,022 million. Due to additional purchases of DIRECTV stock by Liberty and stock repurchases by DIRECTV, such excess basis has increased to \$10,707 million as of June 30, 2009. Such amount has been allocated within memo accounts used for equity accounting purposes to DIRECTV's assets and liabilities. Amortization related to the intangible assets with identifiable useful lives within the memo accounts is included in Liberty's share of earnings of DIRECTV in the accompanying condensed consolidated statement of operations and aggregated \$151 million and \$85 million (net of related taxes) for the six months ended June 30, 2009 and for the four months ended June 30, 2008, respectively.

On April 3, 2008, Liberty purchased 78.3 million additional shares of DIRECTV common stock in a private transaction for cash consideration of \$1.98 billion. Liberty funded the purchase with borrowings against a newly executed equity collar on 110 million DIRECTV common shares. As of May 5, 2008, Liberty's ownership in DIRECTV was approximately 47.9%, and Liberty and DIRECTV entered into a standstill agreement. Pursuant to the standstill agreement, in the event Liberty's ownership interest goes above 47.9% due to stock repurchases by DIRECTV Liberty has agreed to vote its shares of DIRECTV which represent the excess ownership interest above 47.9% in the same proportion as all DIRECTV shareholders other than Liberty. Accordingly, although Liberty's economic ownership in DIRECTV is above 50%, Liberty continues to account for such investment using the equity method of accounting. Liberty records its share of DIRECTV's earnings based on its economic interest in DIRECTV.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

The market value of the Company's investment in DIRECTV was \$13,559 million and \$12,571 million at June 30, 2009 and December 31, 2008, respectively. Summarized unaudited financial information for DIRECTV is as follows:

DIRECTV Consolidated Balance Sheets

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Current assets	\$ 4,282	4,044
Satellites, net	2,388	2,476
Property and equipment, net	4,117	4,171
Goodwill	3,774	3,753
Intangible assets	1,014	1,172
Other assets	836	923
Total assets	<u>\$16,411</u>	<u>16,539</u>
Current liabilities	\$ 3,669	3,585
Deferred income taxes	543	524
Long-term debt	5,604	5,725
Other liabilities	1,701	1,749
Redeemable noncontrolling interest	325	325
Equity	4,569	4,631
Total liabilities and equity	<u>\$16,411</u>	<u>16,539</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

DIRECTV Consolidated Statements of Operations

	Six months ended	
	June 30,	
	2009	2008
	amounts in millions	
Revenue	\$10,119	9,398
Costs of revenue	(5,020)	(4,614)
Selling, general and administrative expenses	(2,628)	(2,245)
Depreciation and amortization	(1,345)	(1,081)
Operating income	1,126	1,458
Interest expense	(203)	(145)
Other income, net	73	55
Income tax expense	(366)	(517)
Net income	630	851
Less income attributable to noncontrolling interest	(22)	(25)
Net income attributable to The DIRECTV Group, Inc.	\$ 608	826

Expedia

The market value of the Company's investment in Expedia was \$1,046 million and \$570 million at June 30, 2009 and December 31, 2008, respectively. Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	June 30,	December 31,
	2009	2008
	amounts in millions	
Current assets	\$1,517	1,199
Property and equipment	235	248
Goodwill	3,569	3,539
Intangible assets	830	833
Other assets	55	75
Total assets	\$6,206	5,894
Current liabilities	\$2,393	1,566
Deferred income taxes	198	190
Long-term debt	895	1,545
Other liabilities	230	212
Equity	2,490	2,381
Total liabilities and equity	\$6,206	5,894

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Expedia Consolidated Statements of Operations

	Six months ended	
	June 30,	
	2009	2008
	amounts in millions	
Revenue	\$ 1,405	1,483
Cost of revenue	(292)	(322)
Gross profit	1,113	1,161
Selling, general and administrative expenses	(798)	(863)
Amortization	(18)	(37)
Restructuring charges and other	(89)	—
Operating income	208	261
Interest expense	(42)	(29)
Other income (expense)	(22)	8
Income tax expense	(62)	(95)
Net earnings	82	145
Net (earnings) loss attributable to noncontrolling interests	(2)	2
Net earnings attributable to Expedia, Inc.	\$ 80	147

Spin Off Companies from IAC

IAC completed the spin off of HSN, Interval, Ticketmaster and Lending Tree (the "IAC Spin Off Companies") on August 21, 2008. Liberty received an approximate 30% ownership interest in each of the IAC Spin Off Companies. Liberty allocated its carrying value in IAC prior to the spin off among IAC and the IAC Spin Off Companies based on their relative fair values at the time of the spin off. Liberty received no super voting shares in and has no special voting arrangements with respect to any of the IAC Spin Off Companies (other than with respect to the election of directors), and therefore, accounts for its interests using the equity method of accounting. Liberty has elected to record its share of earnings/losses for each of the IAC Spin Off Companies on a three month lag due to timeliness considerations. Liberty's share of losses of the IAC Spin Off Companies aggregated \$97 million for the six months ended June 30, 2009.

Sirius XM Radio Inc.

During the first quarter of 2009, Liberty made investments/commitments in Sirius totaling approximately \$579 million. Liberty's initial investment was the open market purchase of \$46 million principal amount of Sirius bonds for \$18 million. Such bonds are accounted for by Liberty as AFS debt securities and are marked to market each reporting period. On February 17, 2009, Liberty and Sirius entered into a senior secured loan agreement (the "Senior Loan") whereby Liberty loaned Sirius \$250 million at an interest rate of 15% and made a commitment to loan an additional \$30 million to fund qualifying expenditures by Sirius (the "Purchase Money Commitment"). In exchange for making the Senior Loan, Liberty received a \$30 million origination fee. Liberty has accounted for the origination fee as a discount to the Senior Loan and is amortizing it to interest income over the term of the Senior Loan. On March 6, 2009, Liberty (i) purchased \$100 million of a new senior loan facility of a subsidiary of Sirius ("Subsidiary Senior Loan"), (ii) purchased \$61 million of bank debt of such subsidiary directly from the lending group and (iii) committed to make a loan of \$150 million to such subsidiary in December 2009 ("Subsidiary Commitment"). In addition, Liberty received voting

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

preferred stock of Sirius (the "Sirius Preferred Stock"), which has substantially the same rights and preferences as common shareholders of Sirius, for a cash payment of \$12,500. The Sirius Preferred Stock is convertible into common stock equal to 40% of fully diluted equity.

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

Since the amount of bank debt purchased from the lending group was a transaction with an outside third party and not with Sirius directly, this investment has not been included in the allocation, but has initially been recorded at the amount invested (\$61 million).

During the second quarter of 2009, Sirius issued \$525 million of 11.25% Senior Secured Notes due 2013, of which Liberty purchased \$100 million principal amount at a purchase price of 95.093%. The \$500 million in net proceeds of the offering were used to repay all amounts outstanding under the Subsidiary Senior Loan; to replace the \$150 million Subsidiary Commitment, which was terminated upon the closing of the offering; and to refinance and repay other debt of Sirius. As such, amounts due to Liberty under the Subsidiary Senior Loan (\$100 million original funding and \$61 million third party purchase, with an aggregate principal amount of \$153 million) were repaid in full resulting in a cash payment to Liberty of \$156 million, including associated prepayment premiums. As Liberty's book basis in the debt was originally recorded at a discount, Liberty recognized a gain on the debt repayment of \$42 million. In addition, Liberty retired the discounted funding obligation under the terminated Subsidiary Commitment, which had a carrying value of \$70 million, resulting in a total gain on the Sirius refinancing of \$112 million.

During the second quarter of 2009, Liberty also purchased an additional \$62 million face amount of other Sirius bonds at an average price of 70.05%.

As of June 30, 2009, Liberty had invested aggregate cash of \$537 million and had received scheduled debt repayments and cash from the Sirius refinancing totaling \$162 million, resulting in a net cash investment of \$375 million. Such net cash investment has resulted in Liberty owning the Senior Loan, \$208 million principal amount of Sirius public bonds and the Sirius Preferred Stock. In addition, Liberty expects that it will extend the Purchase Money Commitment, subject to the identification of qualifying expenditures.

Based on Liberty's voting rights and its conclusion that the Sirius Preferred Stock is in-substance common stock in accordance with the criteria in EITF 02-14, Liberty accounts for its investment in the Sirius Preferred Stock using the equity method of accounting. Liberty has elected to record its share of earnings/losses for Sirius on a three-month lag due to timeliness considerations. As of June 30, 2009, the Sirius Preferred Stock had a market value of \$1,112 million based on the value of the common stock into which it is convertible.

Liberty's investment in Sirius has been attributed to the Capital Group.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(8) Financial Instruments

The Company's financial instruments are summarized as follows:

<u>Type of financial instrument</u>	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Equity collars(1)	\$ 2,124	2,392
Other	3	93
	<u>2,127</u>	<u>2,485</u>
Less current portion	(1,819)	(1,157)
	<u>\$ 308</u>	<u>1,328</u>
<i>Liabilities</i>		
Borrowed shares	\$ 617	392
Other	312	350
	<u>929</u>	<u>742</u>
Less current portion	(762)	(553)
	<u>\$ 167</u>	<u>189</u>

- (1) Includes \$2,022 million and \$102 million at June 30, 2009 related to the Company's Sprint and DIRECTV equity collars, respectively. The Company has made borrowings against substantially all of the future cash proceeds to be received by the Company upon expiration of these equity collars. See note 10.

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:

	<u>Six months ended</u> <u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Statement 159 Securities	\$ 645	(1,282)
Exchangeable senior debentures	(333)	388
Equity collars	(228)	223
Borrowed shares	(171)	501
Other derivatives	6	(152)
	<u>\$ (81)</u>	<u>(322)</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(9) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	<u>QVC</u>	<u>Starz Entertainment</u>	<u>Other</u>	<u>Total</u>
	amounts in millions			
Balance at January 1, 2009	\$5,363	132	1,055	6,550
Dispositions	—	—	(118)	(118)
Foreign currency translation adjustments	13	—	—	13
Other	12	—	(14)	(2)
Balance at June 30, 2009	<u>\$5,388</u>	<u>132</u>	<u>923</u>	<u>6,443</u>

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$250 million and \$258 million for the six months ended June 30, 2009 and 2008, respectively. Based on its amortizable intangible assets as of June 30, 2009, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2009	\$246
2010	\$474
2011	\$433
2012	\$390
2013	\$379

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(10) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal June 30, 2009	Carrying value	
		June 30, 2009	December 31, 2008
amounts in millions			
Capital Group			
Exchangeable senior debentures			
3.125% Exchangeable Senior Debentures due 2023	\$ 1,147	966	918
4% Exchangeable Senior Debentures due 2029	469	171	256
3.75% Exchangeable Senior Debentures due 2030	460	163	241
3.5% Exchangeable Senior Debentures due 2031	495	222	138
Liberty bank facility	750	750	750
Liberty derivative loan	1,930	1,930	625
Subsidiary debt	102	102	135
Total attributed Capital Group debt	<u>5,353</u>	<u>4,304</u>	<u>3,063</u>
Interactive Group			
Senior notes and debentures			
7.875% Senior Notes due 2009	104	104	104
7.75% Senior Notes due 2009	13	13	13
5.7% Senior Notes due 2013	803	801	801
8.5% Senior Debentures due 2029	287	285	284
8.25% Senior Debentures due 2030	504	501	501
3.25% Exchangeable Senior Debentures due 2031	541	217	138
QVC bank credit facilities	4,477	4,477	5,230
Other subsidiary debt	68	68	60
Total attributed Interactive Group debt	<u>6,797</u>	<u>6,466</u>	<u>7,131</u>
Entertainment Group			
DIRECTV Collar Loan	2,016	2,016	1,981
Subsidiary debt	50	50	52
Total attributed Entertainment Group debt	<u>2,066</u>	<u>2,066</u>	<u>2,033</u>
Total consolidated Liberty debt	<u>\$ 14,216</u>	<u>12,836</u>	<u>12,227</u>
Less current maturities		(3,312)	(868)
Total long-term debt		<u>\$ 9,524</u>	<u>11,359</u>

Exchangeable Senior Debentures

During the second quarter of 2009, Liberty used cash for the voluntary early retirement of \$750 million face amount of its Exchangeable Senior Debentures attributable to Liberty Capital. Liberty paid \$187.5 million (of which \$37.5 million was existing cash collateral) to retire \$400 million face amount of its 4% Exchangeable Senior Debentures due 2029 and \$350 million face amount of its 3³/₄% Exchangeable Senior Debentures due 2030. Liberty also terminated swap arrangements that reference the 4% and 3³/₄% Exchangeable Senior Debentures with no additional payment. Including this payment, the total cash used to retire the \$750 million face amount of Exchangeable Senior

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Debentures and swaps referencing these Exchangeable Senior Debentures was \$503 million, of which \$315 million was paid to settle swap arrangements that were settled in November 2008. In addition, in the second quarter of 2009, Liberty purchased and retired \$117 million principal amount of its 3.125% Exchangeable Senior Debentures for aggregate cash payments of \$99 million.

Liberty Derivative Loan

During the first quarter of 2009, Liberty made additional net borrowings of \$1,638 million against the present value of its Sprint derivatives. Such debt is due when the derivatives expire in 2009 and 2010 and is expected to be retired by the offset of debt left against amounts to be received by Liberty upon expiration of the derivatives. In this regard, in the second quarter of 2009, Liberty repaid \$333 million of the Sprint derivative loan with cash on hand. Subsequent to June 30, 2009, a Sprint derivative expired, and Liberty received cash proceeds of \$354 million.

QVC Bank Credit Facilities

Effective June 16, 2009, QVC amended each of its bank credit agreements (the "Amended Credit Agreements"). Concurrent with the execution of the Amended Credit Agreements, QVC retired \$750 million of loans at par and cancelled another \$19 million of unfunded commitments at no cost, with the remaining \$4.48 billion outstanding principal to mature in six tranches between June 2010 and March 2014 as follows: \$500 million due in 2010; \$702 million due in 2011; \$400 million due in 2012; \$400 million due in 2013; and \$2,475 million due in 2014.

In connection with the execution of the Amended Credit Agreements, those lenders consenting to the amendments, which hold loans in the aggregate principal amount of approximately \$4.23 billion, received certain modified loan terms, including (i) adjusted interest rate margins of 350 to 550 basis points depending on the tranche maturity, (ii) reductions in QVC's maximum leverage ratio, (iii) additional restrictions on creating additional indebtedness and (iv) mandatory prepayment in the event of certain asset sales by QVC. Loans held by the non-consenting lenders, in the aggregate principal amount of approximately \$252 million, will continue to receive an interest rate margin of up to 100 basis points with their loans maturing in 2011. All other terms of the Amended Credit Agreements will apply to these loans.

Cash used to retire the \$750 million of loans came from a combination of \$250 million in cash from QVC and \$250 million in the form of an intergroup loan from each of the Entertainment Group and the Capital Group to the Interactive Group. Such intergroup loans (i) are secured by various public stocks attributed to the Interactive Group, (ii) accrue interest quarterly at the rate of LIBOR plus 500 basis points and (iii) are due June 16, 2010.

QVC was in compliance with all of its debt covenants at June 30, 2009.

QVC Interest Rate Swap Arrangements

QVC is party to ten separate interest rate swap arrangements with an aggregate notional amount of \$2,200 million to manage the cash flow risk associated with interest payments on its variable rate debt. 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. Until December 2008, Liberty accounted 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. In December 2008, QVC elected interest terms under its credit facilities that do not effectively match the terms of the swap arrangements. As a result, the swaps no longer qualify as cash flow hedges under Statement No. 133. Accordingly, changes in the fair value of the swaps are now reflected in realized and unrealized gains or losses on financial instruments in the accompanying condensed consolidated statements of operations.

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

QVC is also party to two interest rate swap arrangements with an aggregate notional amount of \$600 million. These swap arrangements, which expire in October 2010, provide for QVC to make fixed payments at 3.07% and to receive variable payments at 3 month LIBOR. These swap arrangements do not qualify as cash flow hedges under Statement 133.

DIRECTV Collar Loan

In April 2008, Liberty entered into an equity collar (the "DIRECTV Collar") with respect to 110 million shares of DIRECTV common stock and a related credit facility (the "Collar Loan") against the present value of the put value of such collar. At the time of closing, Liberty borrowed \$1,977 million. The Collar Loan is due as the DIRECTV Collar terminates in six tranches from June 2009 through August 2012. Each tranche is repayable during a six-month period based upon a formula that factors in several variables including the market price of DIRECTV common stock. Interest accrues at an effective weighted average interest rate of 3.5% and is due and payable as each tranche matures. Borrowings are collateralized by the puts underlying the Collar Loan and 170 million shares of DIRECTV common stock owned by Liberty.

In November 2008, Liberty chose to unwind 50% of the first tranche of the DIRECTV Collar. The first tranche expires in 2009 and originally had 22.5 million DIRECTV shares underlying it. As part of this transaction, Liberty repaid the portion of the Collar Loan (\$228.4 million) associated with the shares that were unwound. Such repayment was funded with (1) proceeds from the collar unwind (\$45.5 million), (2) funds borrowed from the remaining capacity of the Collar Loan (\$181.1 million) and (3) cash on hand (\$1.8 million). As a result of this transaction, the amount of the Collar Loan due in 2009 is approximately \$258 million including accrued interest.

The DIRECTV Collar contains a provision that allows the counterparty to terminate a portion of the DIRECTV Collar if the total number of shares of DIRECTV underlying the DIRECTV Collar exceeds 20% of the outstanding public float of DIRECTV common stock. In the event the counterparty chooses to terminate a portion of the DIRECTV Collar, the repayment of the corresponding debt would be accelerated. As of June 30, 2009, the number of shares of DIRECTV common stock underlying the DIRECTV Collar represented approximately 22% of the outstanding public float of DIRECTV common stock. As of such date, the counterparty had not elected to terminate a portion of the collar.

Other Subsidiary Debt

Other subsidiary debt at June 30, 2009 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, 2009 is as follows (amounts in millions):

Fixed rate senior notes	\$816
Senior debentures	\$572

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Due to the low risk nature of the Collar Loan, Liberty believes that the carrying amount approximates fair value. Due to its variable rate nature, Liberty believes that the carrying amount of its subsidiary debt and other parent debt approximated fair value at June 30, 2009.

(11) Stockholders' Equity

As of June 30, 2009, there were 4.0 million and 1.4 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, 2009, there were 31.3 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.

As of June 30, 2009, there were 15.9 million and 6.0 million shares of Series A and Series B Liberty Entertainment 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, the Series A and Series B Liberty Interactive common stock and the Series A and Series B Liberty Entertainment common stock, there are 2.0 billion, 4.0 billion and 4.0 billion shares of Series C Liberty Capital, Series C Liberty Interactive and Series C Liberty Entertainment common stock, respectively, authorized for issuance. As of June 30, 2009, no shares of any Series C common stock were issued or outstanding.

During the six months ended June 30, 2009, the Company settled put options on Series A Liberty Capital common stock for cash payments of \$5 million. As of June 30, 2009, put options with respect to 12.6 million shares of LINTA with a weighted average put price of \$16.83 remained outstanding. Such put options expire on or before June 30, 2010.

The Company accounts for the foregoing 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 statements of operations.

(12) Transactions with Related Parties

During the six months ended June 30, 2009 and the four months ended June 30, 2008, subsidiaries of Liberty recognized aggregate revenue of \$168 million and \$97 million, respectively, from DIRECTV for distribution of their programming. In addition, subsidiaries of Liberty made aggregate payments of \$16 million and \$12 million to DIRECTV for carriage and marketing.

In the second quarter of 2009, QVC executed a five-year affiliation agreement with DIRECTV. Pursuant to such agreement, QVC will pay DIRECTV approximately \$11 million for improved channel position.

(13) Commitments and Contingencies

Film Rights

Starz Entertainment, a wholly-owned subsidiary of Liberty, provides premium video programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Starz Entertainment has entered into

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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, 2009 is reflected as a liability in the accompanying condensed consolidated balance sheet. The balance due as of June 30, 2009 is payable as follows: \$109 million in 2009, \$15 million in 2010 and \$2 million thereafter.

Starz Entertainment has also contracted to pay Programming Fees for films that have been released theatrically, but are not available for exhibition by Starz Entertainment until some future date. These amounts have not been accrued at June 30, 2009. In addition, Starz Entertainment has agreed to pay Sony a total of \$190 million in four annual installments of \$47.5 million beginning in 2011 for a contract extension. In December 2008, Starz Entertainment entered into a new agreement with Sony requiring \$120 million in three equal annual installments beginning in 2015. Starz Entertainment's estimate of amounts payable under these agreements is as follows: \$213 million in 2009; \$361 million in 2010; \$98 million in 2011; \$93 million in 2012; \$84 million in 2013 and \$212 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 2012 and all qualifying films that are released theatrically in the United States by studios owned by Sony Pictures Entertainment ("Sony") through 2016. Films are generally available to Starz Entertainment for exhibition 10-12 months after their theatrical release. The Programming Fees to be paid by Starz Entertainment are based on the quantity and the domestic theatrical exhibition receipts of qualifying films. As these films have not yet been released in theatres, Starz Entertainment is unable to estimate the amounts to be paid under these output agreements. However, such amounts are expected to be significant. In February 2009, Disney announced that it has agreed to enter into a long-term distribution arrangement with DreamWorks Studios. Under the terms of this arrangement, Disney will handle distribution and marketing for approximately six DreamWorks films each year. As a result of this arrangement, the number of qualifying films under Starz Entertainment's output agreement with Disney may be higher than it would have been otherwise.

Guarantees

Liberty guarantees Starz Entertainment's obligations under certain of its studio output agreements. At June 30, 2009, Liberty's guarantees for obligations for films released by such date aggregated \$795 million. While the guarantee amount for films not yet released is not determinable, such amount is expected to be significant. As noted above, Starz Entertainment has recognized the liability for a portion of its obligations under the output agreements. As this represents a direct commitment of Starz Entertainment, a consolidated subsidiary of Liberty, Liberty has not recorded a separate indirect liability for its guarantee of these obligations.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

accrued in the accompanying condensed consolidated financial statements with respect to these indemnification guarantees.

Sports Rights

Liberty Sports Group has entered into agreements with various professional and collegiate sports teams and leagues to purchase the rights to broadcast games through 2020. At June 30, 2009, such commitments aggregated \$1,462 million and are due as follows: \$61 million in 2009; \$135 million in 2010; \$133 million in 2011; \$122 million in 2012; \$105 million in 2013 and \$906 million thereafter.

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, 2009 aggregated \$205 million, which is payable as follows: \$41 million in 2009, \$68 million in 2010, \$56 million in 2011 and \$40 million in 2012. In addition to the foregoing amounts, certain players and coaches may earn incentive compensation under the terms of their employment contracts.

Operating Leases

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

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.

(14) Information About Liberty's Operating Segments

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

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

Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this measure is an important indicator of the operational strength and performance of its businesses,

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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

For the six months ended June 30, 2009, Liberty has identified the following businesses as its reportable segments:

- QVC—consolidated subsidiary included in the Interactive Group that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of televised shopping programs on the QVC networks and via the Internet through its domestic and international websites.
- Starz Entertainment—consolidated subsidiary included in the Entertainment Group that provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States.
- Starz Media—consolidated subsidiary included in the Capital Group that develops, acquires, produces and distributes live-action and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally.
- DIRECTV—equity affiliate attributed to the Entertainment Group that provides digital television entertainment delivered by satellite in the United States and Latin America.

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

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Performance Measures

	Six months ended June 30,			
	2009		2008	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
Interactive Group				
QVC	\$ 3,277	692	3,526	774
Corporate and other	490	61	378	37
	<u>3,767</u>	<u>753</u>	<u>3,904</u>	<u>811</u>
Entertainment Group				
Starz Entertainment	592	213	548	142
Corporate and other	144	8	121	1
	<u>736</u>	<u>221</u>	<u>669</u>	<u>143</u>
Capital Group				
Starz Media	192	22	119	(43)
Corporate and other	132	(50)	146	(56)
	<u>324</u>	<u>(28)</u>	<u>265</u>	<u>(99)</u>
Consolidated Liberty	<u>\$ 4,827</u>	<u>946</u>	<u>4,838</u>	<u>855</u>
Equity Affiliate				
DIRECTV	<u>\$10,119</u>	<u>2,471</u>	<u>9,398</u>	<u>2,539</u>

	Three months ended June 30,			
	2009		2008	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
Interactive Group				
QVC	\$ 1,684	373	1,761	387
Corporate and other	252	39	193	23
	<u>1,936</u>	<u>412</u>	<u>1,954</u>	<u>410</u>
Entertainment Group				
Starz Entertainment	296	105	275	68
Corporate and other	71	(16)	84	(6)
	<u>367</u>	<u>89</u>	<u>359</u>	<u>62</u>
Capital Group				
Starz Media	90	17	57	(19)
Corporate and other	109	(13)	117	(21)
	<u>199</u>	<u>4</u>	<u>174</u>	<u>(40)</u>
Consolidated Liberty	<u>\$ 2,502</u>	<u>505</u>	<u>2,487</u>	<u>432</u>
Equity Affiliate				
DIRECTV	<u>\$ 5,218</u>	<u>1,381</u>	<u>4,807</u>	<u>1,358</u>

LIBERTY MEDIA CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

Other Information

	June 30, 2009		
	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions		
Interactive Group			
QVC	\$13,484	2	73
Corporate and other	3,483	814	11
	<u>16,967</u>	<u>816</u>	<u>84</u>
Entertainment Group			
Starz Entertainment	1,552	—	1
Corporate and other	14,731	13,685	5
	<u>16,283</u>	<u>13,685</u>	<u>6</u>
Capital Group			
Starz Media	579	—	1
Corporate and other	9,268	562	6
	<u>9,847</u>	<u>562</u>	<u>7</u>
Inter-group eliminations	(174)	—	—
Consolidated Liberty	<u>\$42,923</u>	<u>15,063</u>	<u>97</u>
Equity Affiliate			
DIRECTV	<u>\$16,411</u>		<u>1,033</u>

The following table provides a reconciliation of segment Adjusted OIBDA to earnings before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Consolidated segment Adjusted OIBDA	\$ 505	432	946	855
Stock-based compensation	(35)	(27)	(63)	(43)
Depreciation and amortization	(166)	(176)	(344)	(353)
Interest expense	(161)	(187)	(315)	(353)
Share of earnings of affiliates	171	165	105	210
Realized and unrealized gains (losses) on financial instruments, net	163	(37)	(81)	(322)
Gains (losses) on dispositions, net	166	(1)	164	3,681
Other, net	78	41	62	98
Earnings before income taxes	<u>\$ 721</u>	<u>210</u>	<u>474</u>	<u>3,773</u>

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

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

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

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

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, as amended. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which 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, 2008, as amended.

Overview

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

Our "Corporate and Other" category includes our other consolidated subsidiaries and corporate expenses. Our other consolidated subsidiaries include Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Starz Media, LLC, CDM Fantasy Sports Corp., Atlanta National League Baseball Club, Inc., Liberty Sports Holdings, LLC, Leisure Arts, Inc., TruePosition, Inc., BuySeasons, Inc. and WFRV and WJMN Television Station, Inc. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers and fruits and desserts, as well as upscale personalized gifts. Backcountry operates eleven websites offering outdoor and backcountry sports gear and clothing. Bodybuilding manages two websites related to sports nutrition, body building and fitness. Starz Media develops, acquires, produces and distributes live-action, and animated films and television productions for the theatrical, home video, television and other ancillary markets in the United States and internationally. FUN Sports operates websites that offer fantasy sports services. ANLBC owns the Atlanta Braves, a major league baseball club, as well as certain of the Atlanta Braves' minor league clubs. Liberty Sports Group is comprised of three regional sports television networks—FSN' Rocky Mountain, FSN Northwest and FSN Pittsburgh. Leisure Arts publishes and markets needlework, craft, decorating, entertaining and other lifestyle interest "how-to" books through retail and online distribution. TruePosition provides equipment and technology that deliver location-based services to wireless users. BuySeasons operates four websites that offer costumes, accessories, décor and party supplies. WFRV TV Station is a CBS broadcast affiliate that serves Green Bay, Wisconsin and Escanaba, Michigan.

In addition to the foregoing businesses, we hold an approximate 56% ownership interest in The DIRECTV Group, Inc. and a 24% ownership interest in Expedia, Inc., which we account for as equity method investments, and we continue to maintain investments and related financial instruments in public companies such as Time Warner, Time Warner Cable, IAC/InterActiveCorp and Sprint Nextel Corporation, which are accounted for at their respective fair market values and are included in corporate and other.

Tracking Stocks

Prior to March 3, 2008, we had two tracking stocks outstanding, Liberty Interactive common stock and Liberty Capital common stock. On March 3, 2008, we completed a reclassification pursuant to which our Liberty Capital common stock was reclassified into two new tracking stocks, one retaining the designation Liberty Capital common stock and the other designated Liberty Entertainment common stock. The Liberty Entertainment common stock is intended to track and reflect the separate economic performance of the Entertainment Group, which has attributed to it a portion of the businesses, assets and liabilities that were previously attributed to the Capital Group.

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, the Entertainment Group and the Capital Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

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, Backcountry, Bodybuilding and BuySeasons and our interests in Expedia, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster Entertainment, Inc., Tree.com, Inc. and IAC. In addition, we have attributed \$2,252 million principal amount (as of June 30, 2009) of our public debt to the Interactive Group. The Interactive Group will also include such other businesses that our board of directors may in the future determine to attribute to the Interactive Group, including such other businesses as we may acquire for the Interactive Group.

Similarly, the term "Entertainment Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities which we have attributed to it, including our subsidiaries Starz Entertainment, FUN Sports and Liberty Sports Group, our equity interests in DIRECTV, Game Show Network, LLC and WildBlue Communications, Inc. and approximately \$413 million of corporate cash (as of June 30, 2009). In addition, we have attributed an equity collar on 98.75 million shares of DIRECTV common stock and \$2,016 million of borrowings against the put value of such equity collar.

During the fourth quarter of 2008, our board of directors approved a plan to redeem a portion of the outstanding shares of our Entertainment Group tracking stock for all of the outstanding shares of a newly formed subsidiary of our company, Liberty Entertainment, Inc. The Redemption and resulting separation of LEI from our company are referred to as the "Split Off."

If the Redemption is completed, we will redeem 90% of the outstanding shares of each series of Liberty Entertainment common stock for 100% of the outstanding shares of the same series of LEI, with cash in lieu of fractional shares, in each case, as of a date to be determined by our board of directors. Immediately following the Redemption Date, the holders of Liberty Entertainment common

stock will own 100% of the outstanding equity of LEI. At the time of the Split Off, LEI will hold our interests in DIRECTV (and related collars and debt), Liberty Sports Group and GSN and approximately \$30 million in cash. In addition, we and LEI have entered into a revolving credit facility pursuant to which we will provide LEI with up to \$300 million principal amount of loans. The Split Off is conditioned on, among other matters, receipt of stockholder approval and receipt of a private letter ruling from the IRS and a tax opinion from tax counsel and is expected to occur in the second half of 2009.

Subsequent to the Split Off, our Entertainment Group will be renamed the Starz Group and will be comprised principally of Starz Entertainment and cash.

The term "Capital Group" also does not represent a separate legal entity, rather it represents all of our businesses, assets and liabilities which we have attributed to it. The Capital Group has attributed to it all of our businesses, assets and liabilities not attributed to the Interactive Group or the Entertainment Group, including our subsidiaries Starz Media, ANLBC, Leisure Arts, TruePosition and WFRV TV Station, and minority equity investments in Sirius XM Radio Inc., Time Warner Inc. and Sprint Nextel Corporation. In addition, we have attributed \$2,373 million of cash, including subsidiary cash, and \$5,251 million principal amount (as of June 30, 2009) of our exchangeable senior debentures and other parent debt to the Capital Group. The Capital Group will also include such other businesses that our board of directors may in the future determine to attribute to the Capital Group, including such other businesses as we may acquire for the Capital Group.

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

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 from our reportable segments categorized by tracking stock group. The "corporate and other" category for each tracking stock group consists of those assets or businesses which do not qualify as a separate reportable segment. For a more detailed discussion and analysis of the financial results of the principal reporting segments of each tracking stock group, see "Interactive Group", "Entertainment Group" and "Capital Group" below.

Consolidated Operating Results

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue				
amounts in millions				
Interactive Group				
QVC	\$1,684	1,761	3,277	3,526
Corporate and other	252	193	490	378
	<u>1,936</u>	<u>1,954</u>	<u>3,767</u>	<u>3,904</u>
Entertainment Group				
Starz Entertainment	296	275	592	548
Corporate and other	71	84	144	121
	<u>367</u>	<u>359</u>	<u>736</u>	<u>669</u>
Capital Group				
Starz Media	90	57	192	119
Corporate and other	109	117	132	146
	<u>199</u>	<u>174</u>	<u>324</u>	<u>265</u>
Consolidated Liberty	<u>\$2,502</u>	<u>2,487</u>	<u>4,827</u>	<u>4,838</u>
Adjusted OIBDA				
Interactive Group				
QVC	\$ 373	387	692	774
Corporate and other	39	23	61	37
	<u>412</u>	<u>410</u>	<u>753</u>	<u>811</u>
Entertainment Group				
Starz Entertainment	105	68	213	142
Corporate and other	(16)	(6)	8	1
	<u>89</u>	<u>62</u>	<u>221</u>	<u>143</u>
Capital Group				
Starz Media	17	(19)	22	(43)
Corporate and other	(13)	(21)	(50)	(56)
	<u>4</u>	<u>(40)</u>	<u>(28)</u>	<u>(99)</u>
Consolidated Liberty	<u>\$ 505</u>	<u>432</u>	<u>946</u>	<u>855</u>
Operating Income (Loss)				
Interactive Group				
QVC	\$ 243	253	421	503
Corporate and other	23	9	29	16
	<u>266</u>	<u>262</u>	<u>450</u>	<u>519</u>
Entertainment Group				
Starz Entertainment	92	53	187	113
Corporate and other	(35)	(18)	(26)	(16)
	<u>57</u>	<u>35</u>	<u>161</u>	<u>97</u>
Capital Group				
Starz Media	15	(22)	17	(49)
Corporate and other	(34)	(46)	(89)	(108)
	<u>(19)</u>	<u>(68)</u>	<u>(72)</u>	<u>(157)</u>
Consolidated Liberty	<u>\$ 304</u>	<u>229</u>	<u>539</u>	<u>459</u>

Revenue. Our consolidated revenue increased \$15 million or less than 1% and decreased \$11 million or less than 1% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. The three month increase is due primarily to increases for our e-commerce businesses (\$59 million), Starz Media (\$33 million, including intercompany revenue of \$10 million) and Starz Entertainment (\$22 million) partially offset by a \$77 million decrease for QVC. See Management's Discussion and Analysis for each of our tracking stock groups below for a more complete discussion of the results of operations of certain of our subsidiaries.

The six month decrease is due primarily to a \$249 million decrease for QVC offset by increases for our e-commerce businesses (\$112 million), Starz Media (\$73 million, including intercompany revenue of \$12 million), Liberty Sports Group (\$36 million) and Starz Entertainment (\$44 million). The increase for Liberty Sports Group is the result of having a full six months of revenue in 2009, as compared with four months in 2008.

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

Consolidated Adjusted OIBDA increased \$73 million or 16.9% and \$91 million or 10.6% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. The three month increase is due primarily to increases for Starz Entertainment (\$37 million), Starz Media (\$36 million) and our e-commerce businesses (\$16 million), partially offset by a \$14 million decrease for QVC. Starz Media's revenue and Adjusted OIBDA increased in 2009 primarily due to the timing of theatrical and home video revenue and related expenses associated with films released by Overture Films. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. Although there can be no assurance, the expectation when films are approved for production or acquisition is that the ultimate revenue to be earned from theatrical release, home video, video on demand and pay-per-view and television distribution, which revenue may be earned over several years, will exceed the costs associated with the film.

The six month increase in Adjusted OIBDA is due primarily to increases for Starz Entertainment (\$71 million), Starz Media (\$65 million), Liberty Sports Group (\$20 million) and our e-commerce businesses (\$18 million), partially offset by an \$82 million decrease for QVC.

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

We recorded \$63 million and \$43 million of stock compensation expense for the six months ended June 30, 2009 and 2008, respectively. The increase in stock compensation expense in 2009 relates to our liability awards and is due to an increase in our stock prices. As of June 30, 2009, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$78 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2 years.

Operating income. Our consolidated operating income increased \$75 million or 32.8% and \$80 million or 17.4% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such increases are primarily the net result of the increases for Starz Entertainment, Starz Media and our e-commerce companies, partially offset by the decreases for QVC and an increase in our corporate stock compensation.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below. The attribution of these items to our tracking stock groups assumes the Reclassification had occurred as of January 1, 2008.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Interest expense				
Interactive Group	\$ (110)	(122)	(206)	(243)
Entertainment Group	(18)	(22)	(36)	(29)
Capital Group	(33)	(43)	(73)	(81)
Consolidated Liberty	\$ (161)	(187)	(315)	(353)
Dividend and interest income				
Interactive Group	\$ 2	7	6	13
Entertainment Group	—	6	1	9
Capital Group	41	28	67	78
Consolidated Liberty	\$ 43	41	74	100
Share of earnings (losses) of affiliates				
Interactive Group	\$ 12	23	(83)	35
Entertainment Group	155	155	192	198
Capital Group	4	(13)	(4)	(23)
Consolidated Liberty	\$ 171	165	105	210
Realized and unrealized gains (losses) on financial instruments, net				
Interactive Group	\$ 25	(1)	(47)	(38)
Entertainment Group	(101)	(77)	(74)	(82)
Capital Group	239	41	40	(202)
Consolidated Liberty	\$ 163	(37)	(81)	(322)
Gains (losses) on dispositions, net				
Interactive Group	\$ (1)	—	(3)	—
Entertainment Group	54	(1)	54	3,666
Capital Group	113	—	113	15
Consolidated Liberty	\$ 166	(1)	164	3,681
Other, net				
Interactive Group	\$ 39	—	27	1
Entertainment Group	(2)	—	(37)	—
Capital Group	(2)	—	(2)	(3)
Consolidated Liberty	\$ 35	—	(12)	(2)

Interest expense. Consolidated interest expense decreased 13.9% and 10.8% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such decreases are due primarily to the 2009 and 2008 retirement of certain of our exchangeable senior debentures attributed to the Capital Group and certain of our senior notes and debentures attributed to the Interactive Group, as well as to lower rates on our variable rate debt. These decreases were partially offset by interest expense related to borrowings against our derivative positions.

Dividend and interest income. Interest income decreased in 2009 due to lower interest rates on invested cash.

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Entertainment Group				
DIRECTV	\$147	154	179	190
Other	8	1	13	8
Interactive Group				
Expedia	10	23	19	35
Other	2	—	(102)	—
Capital Group				
Sirius	4	—	4	—
Other	—	(13)	(8)	(23)
	<u>\$171</u>	<u>165</u>	<u>105</u>	<u>210</u>

As previously described, we acquired a 41% ownership interest in DIRECTV upon consummation of the News Corporation Exchange in February 2008. We subsequently purchased additional shares of DIRECTV for approximately \$1.98 billion. Such purchase, coupled with DIRECTV's stock repurchases, has increased our ownership percentage to 55% as of June 30, 2009. Due to a voting arrangement with DIRECTV that limits our ability to control DIRECTV, we continue to account for our investment using the equity method. Our share of earnings of DIRECTV for the six months ended June 30, 2009 and for the four months ended June 30, 2008 includes \$151 million and \$85 million, respectively, of amortization (net of related taxes) of identifiable intangibles included in our excess basis as described in note 7 to the accompanying condensed consolidated financial statements. Summarized results of operations information for DIRECTV derived from its historical financial statements is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Revenue	\$ 5,218	4,807	10,119	9,398
Costs of revenue	(2,559)	(2,326)	(5,020)	(4,614)
SG&A expenses	(1,278)	(1,123)	(2,628)	(2,245)
Depreciation and amortization	(679)	(557)	(1,345)	(1,081)
Operating income	702	801	1,126	1,458
Interest expense	(102)	(82)	(203)	(145)
Other income, net	60	36	73	55
Income tax expense	(242)	(287)	(366)	(517)
Net income	418	468	630	851
Less net income attributable to noncontrolling interest	(11)	(13)	(22)	(25)
Net income attributable to DIRECTV	<u>\$ 407</u>	<u>455</u>	<u>608</u>	<u>826</u>

DIRECTV achieved growth in revenue in 2009 due primarily to a larger subscriber base in 2009, partially offset by lower pay-per-view and premium movie channel revenue. In addition, average

revenue per subscriber for DIRECTV-U.S. increased less than 2% in 2009, as compared to 2008. The revenue growth was offset by higher subscriber acquisition, upgrade and retention costs, as well as higher programming costs, which resulted in lower operating income. For a more detailed discussion of DIRECTV's results of operations, please see their Quarterly Report on Form 10-Q for the six months ended June 30, 2009 as filed with the Securities and Exchange Commission (the "SEC"). We have had no part in the preparation of DIRECTV's filings with the SEC and are not incorporating by reference any such filing in this Quarterly Report on Form 10-Q.

Our "other" share of losses attributed to the Interactive Group for the six months ended June 30, 2009 include \$44 million for Ticketmaster and \$47 million for HSN. As we record our share of losses for these affiliates on a three month lag, the losses reflected in our first quarter 2009 results include our share of goodwill impairment charges recorded by Ticketmaster and HSN in the fourth quarter of 2008 that are in excess of other than temporary impairment charges that we recorded on these investments in the fourth quarter of 2008.

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Statement 159 Securities	\$ 635	139	645	(1,282)
Exchangeable senior debentures(1)	(98)	51	(333)	388
Equity collars(1)	(178)	(335)	(228)	223
Borrowed shares(1)	(176)	69	(171)	501
Other derivatives	(20)	39	6	(152)
	<u>\$ 163</u>	<u>(37)</u>	<u>(81)</u>	<u>(322)</u>

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

Gains (losses) on dispositions. Gains on dispositions in 2009 include \$52 million attributed to the Entertainment Group related to our contribution of FUN Technologies to GSN and \$112 million attributed to the Capital Group related to the repayment of notes receivable by Sirius. Gains on dispositions in 2008 include \$3,666 million related to the News Corporation Exchange.

Income taxes. Our effective tax rate in 2009 is 24.3% and is less than the U.S. federal income tax rate of 35% due to a benefit related to our excess tax basis over book basis for FUN Technologies, which we contributed to GSN in the second quarter of 2009. In 2008, we had pre-tax income of \$3,773 million and an income tax benefit of \$1,830 million. The News Corporation Exchange completed in 2008 qualifies as an IRC Section 355 transaction, and therefore does not trigger federal or state income tax obligations. In addition, upon consummation of this exchange transaction, deferred tax liabilities previously recorded for the difference between our book and tax bases in our News Corporation investment in the amount of \$1,791 million were reversed with an offset to income tax benefit.

Net earnings. Our net earnings were \$359 million and \$5,603 million for the six months ended June 30, 2009 and 2008, respectively, and were the result of the above-described fluctuations in our revenue and expenses.

Material Changes in Financial Condition

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

As of June 30, 2009, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and A1/P1 rated commercial paper.

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.

Standard & Poor's Ratings Services and Moody's Investors Services have each notified us that upon completion of our proposed Split Off of LEI, they expect to lower their rating on our corporate credit. In the event we need to obtain external debt financing, such downgrades could hurt our ability to obtain financing and could increase the cost of any financing we are able to obtain.

Interactive Group. During the six months ended June 30, 2009, the Interactive Group's primary uses of cash were \$760 million of debt repayments and \$84 million of capital expenditures. These uses of cash were funded with \$500 million of intergroup borrowings, \$519 million of cash provided by operating activities, which is net of \$138 million of intercompany tax payments to the Capital Group, and \$70 million of cash proceeds from the sale of shares of IAC. As of June 30, 2009, the Interactive Group had a cash balance of \$946 million.

The projected uses of Interactive Group cash for the remainder of 2009 include approximately \$210 million for interest payments on QVC debt and parent debt attributed to the Interactive Group, \$130 million for capital expenditures, \$117 million to repay our public debt that matures in 2009, additional tax payments to the Capital Group and payments to settle outstanding put options on Liberty Interactive Group common stock. In addition, we may make additional repurchases of Liberty Interactive common stock and 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.

We expect that the Interactive Group will fund its 2009 cash needs with cash on hand and cash provided by operating activities. As the QVC credit facilities are fully drawn at June 30, 2009, they are no longer a source of liquidity for the Interactive Group.

Effective June 16, 2009, QVC amended each of its bank credit agreements (the "Amended Credit Agreements"). Concurrent with the execution of the Amended Credit Agreements, QVC retired \$750 million of loans at par and cancelled another \$19 million of unfunded commitments at no cost, with the remaining \$4.48 billion outstanding principal to mature in six tranches between June 2010 and March 2014 as follows: \$500 million due in 2010; \$702 million due in 2011; \$400 million due in 2012; \$400 million due in 2013; and \$2,475 million due in 2014.

In connection with the execution of the Amended Credit Agreements, those lenders consenting to the amendments, which hold loans in the aggregate principal amount of approximately \$4.23 billion, received certain modified loan terms, including (i) adjusted interest rate margins of 350 to 550 basis

points depending on the tranche maturity, (ii) reductions in QVC's maximum leverage ratio, (iii) additional restrictions on creating additional indebtedness and (iv) mandatory prepayment in the event of certain asset sales by QVC. Loans held by the non-consenting lenders, in the aggregate principal amount of approximately \$252 million, will continue to receive an interest rate margin of up to 100 basis points with their loans maturing in 2011. All other terms of the Amended Credit Agreements will apply to these loans.

Cash used to retire the \$750 million of loans came from a combination of \$250 million in cash from QVC and \$250 million in the form of an intergroup loan from each of the Entertainment Group and the Capital Group to the Interactive Group. Such intergroup loans (i) are secured by various public stocks attributed to the Interactive Group, (ii) accrue interest quarterly at the rate of LIBOR plus 500 basis points and (iii) are due June 16, 2010.

QVC was in compliance with its debt covenants as of June 30, 2009.

Entertainment Group. As of June 30, 2009, the Entertainment Group had a cash balance of \$618 million. During the second quarter of 2009, the Entertainment Group used cash on hand to make a \$250 million intergroup loan to the Interactive Group.

In April 2008, we entered into an equity collar with respect to 110 million shares of DIRECTV common stock and a related credit facility against the present value of the put value of such collar. At the time of closing, we borrowed \$1,977 million and used such proceeds to purchase 78.3 million shares of DIRECTV common stock. The Collar Loan is due as the DIRECTV Collar terminates in six tranches from June 2009 through August 2012. Each tranche is repayable during a six-month period based upon a formula that factors in several variables including the market price of DIRECTV common stock. Interest accrues at an effective weighted average interest rate of 3.5% and is due and payable as each tranche matures. Borrowings are collateralized by the puts underlying the Collar Loan and 170 million shares of DIRECTV common stock owned by us.

In November 2008, we chose to unwind 50% of the first tranche of the DIRECTV Collar. The first tranche expires in 2009 and originally had 22.5 million DIRECTV shares underlying it. As part of this transaction, we repaid the portion of the Collar Loan (\$228.4 million) associated with the shares that were unwound. Such repayment was funded with (1) proceeds from the collar unwind (\$45.5 million), (2) funds borrowed from the remaining capacity of the Collar Loan (\$181.1 million) and (3) cash on hand (\$1.8 million). As a result of this transaction, the amount of the Collar Loan due in 2009 is approximately \$258 million including accrued interest.

The DIRECTV Collar contains a provision that allows the counterparty to terminate a portion of the DIRECTV Collar if the total number of shares of DIRECTV underlying the DIRECTV Collar exceeds 20% of the outstanding public float of DIRECTV common stock. In the event the counterparty chooses to terminate a portion of the DIRECTV Collar, the repayment of the corresponding debt would be accelerated. We expect that we would fund any such required repayment with available cash, proceeds from the sale of DIRECTV shares that we own, or a combination of the foregoing. As of June 30, 2009, the number of shares of DIRECTV common stock underlying the DIRECTV Collar represented approximately 22% of the outstanding public float of DIRECTV common stock. As of such date, the counterparty had not elected to terminate a portion of the collar.

The projected uses of Entertainment Group cash in 2009 include \$258 million to repay the first tranche of the Collar Loan, tax payments to the Capital Group and \$10 million for capital expenditures. In addition, we may make additional investments in existing or new businesses and attribute such investments to the Entertainment Group. However, we do not have any significant commitments to make new investments at this time. We expect that we will be able to use a combination of cash on hand and cash from operations to fund Entertainment Group cash needs in 2009.

In addition, the second tranche of the Collar Loan in the amount of \$366 million is scheduled to mature in the first half of 2010. If the Entertainment Group does not have sufficient cash to fund such maturity, we may obtain the necessary funds through sales of DIRECTV shares, borrowings against unencumbered DIRECTV shares, inter-group loans or a combination of the foregoing.

If the Split Off is completed as currently contemplated, LEI would become a separate public company, and our Entertainment Group would be renamed the Starz Group and would be comprised principally of our interest in Starz Entertainment and cash.

Capital Group. During the second quarter of 2009, we used cash for the voluntary early retirement of \$750 million face amount of our Exchangeable Senior Debentures attributable to Liberty Capital. We paid \$187.5 million (of which \$37.5 million was existing cash collateral) to retire \$400 million face amount of our 4% Exchangeable Senior Debentures due 2029 and \$350 million face amount of our 3³/₄% Exchangeable Senior Debentures due 2030. We also terminated swap arrangements that reference the 4% and 3³/₄% Exchangeable Senior Debentures with no additional payment. Including this payment, the total cash used to retire the \$750 million face amount of Exchangeable Senior Debentures and swaps referencing these Exchangeable Senior Debentures was \$503 million, of which \$315 million was paid to settle swap arrangements that were settled in November 2008. We also purchased and retired \$117 million principal amount of our 3.125% Exchangeable Senior Debentures for aggregate cash payments of \$99 million. Other uses of cash by the Capital Group during the six months ended June 30, 2009 were \$375 million net cash to purchase debt and equity instruments of Sirius (as more fully described in note 7 to the accompanying condensed consolidated financial statements) and the \$250 million intergroup loan to the Interactive Group.

In addition, we had net borrowings of \$1,305 million against certain of our derivative positions attributed to the Capital Group, bringing our total borrowings against such derivatives to \$1,930 million as of June 30, 2009. We expect that as these derivatives terminate in 2009 and 2010, the proceeds due to us upon termination will be substantially offset by our borrowings.

In April 2007, we borrowed \$750 million of bank financing with an interest rate of LIBOR plus an applicable margin. We are investing such proceeds in a portfolio of selected debt instruments of companies in the telecommunications, media and technology sectors that we believe have favorable risk/return profiles. Due to the investment restrictions contained in the agreements related to these borrowings, the remaining cash balance of \$505 million as of June 30, 2009 is included in other assets in our condensed consolidated balance sheet.

The projected uses of Capital Group cash for the second half of 2009 include approximately \$60 million for interest payments and approximately \$35 million by Starz Media for the acquisition and production of films and television productions. We may also make additional investments in existing or new businesses and attribute such investments to the Capital Group. In addition, we expect to generate taxable income and make related federal tax payments.

We expect that the Capital Group's investing and financing activities will be funded with a combination of cash on hand, borrowings under Overture Films' credit facility, tax payments from the Interactive Group and the Entertainment Group and dispositions of non-strategic assets. At June 30, 2009, the Capital Group's sources of liquidity include \$2,373 million in cash and \$1,700 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.

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

Interactive Group

The Interactive Group consists of our subsidiaries QVC, Provide, Backcountry, Bodybuilding and BuySeasons, our interests in IAC/InterActiveCorp, Expedia, HSN, Interval, Ticketmaster, Tree.com and GSI Commerce, Inc. and \$2,252 million principal amount (as of June 30, 2009) of our publicly-traded debt.

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

Results of Operations

	<u>Three months</u> <u>ended June 30,</u>		<u>Six months</u> <u>ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	amounts in millions			
Revenue				
QVC	\$1,684	1,761	3,277	3,526
E-commerce businesses	252	193	490	378
Corporate and other	—	—	—	—
	<u>\$1,936</u>	<u>1,954</u>	<u>3,767</u>	<u>3,904</u>
Adjusted OIBDA				
QVC	\$ 373	387	692	774
E-commerce businesses	42	27	67	49
Corporate and other	(3)	(4)	(6)	(12)
	<u>\$ 412</u>	<u>410</u>	<u>753</u>	<u>811</u>
Operating Income (Loss)				
QVC	\$ 243	253	421	503
E-commerce businesses	29	13	41	27
Corporate and other	(6)	(4)	(12)	(11)
	<u>\$ 266</u>	<u>262</u>	<u>450</u>	<u>519</u>

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. In the United States, QVC's live programming is aired through its nationally televised shopping network 24 hours a day ("QVC-US"). Internationally, QVC's program services are 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:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Net revenue	\$ 1,684	1,761	3,277	3,526
Cost of sales	(1,063)	(1,108)	(2,096)	(2,228)
Gross profit	621	653	1,181	1,298
Operating expenses	(160)	(170)	(318)	(339)
SG&A expenses (excluding stock-based compensation)	(88)	(96)	(171)	(185)
Adjusted OIBDA	373	387	692	774
Stock-based compensation	(3)	(5)	(7)	(10)
Depreciation and amortization	(127)	(129)	(264)	(261)
Operating income	\$ 243	253	421	503

Net revenue is generated in the following geographical areas:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
QVC-US	\$1,157	1,181	2,210	2,357
QVC-UK	129	163	246	335
QVC-Germany	196	224	419	473
QVC-Japan	202	193	402	361
	\$1,684	1,761	3,277	3,526

QVC's net revenue decreased 4.4% and 7.1% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. The three month decrease is comprised of \$74 million due to a 4.1% decrease in the number of units shipped, \$50 million due to unfavorable foreign currency rates and \$8 million due to a marginally lower average sales price per unit ("ASP"). These decreases were partially offset by an increase of \$55 million due primarily to a decrease in estimated product returns and an increase in shipping and handling revenue. Returns as a percent of gross product revenue decreased from 20.4% to 18.4% and reflect a shift in the mix from jewelry to home products and accessories, which typically have lower return rates. Included in the foregoing variances is a \$21 million decrease in revenue related to an immaterial, one-time adjustment to modify QVC's revenue recognition policy to an FOB destination model, which is more appropriate given its history of providing replacements for goods damaged in transit. Such revenue adjustment resulted in an \$8 million reduction in Adjusted OIBDA after adjustments to related expenses.

The six month decrease in revenue is comprised of \$282 million due to a 7.8% decrease in the number of units shipped and \$107 million due to unfavorable foreign currency rates. These decreases were partially offset by a net increase of \$140 million due primarily to \$88 million related to a decrease in estimated product returns and \$66 million due to a 2.5% increase in the ASP. Returns as a percent of gross product revenue decreased from 20.1% to 18.7% for the six month period and reflect a shift in the mix from jewelry to home products and accessories.

During the three and six months ended June 30, 2009, the changes in revenue and expenses were impacted by changes in the exchange rates for the UK pound sterling, the euro and the Japanese yen. In the event the U.S. dollar strengthens against these foreign currencies in the future, QVC's revenue

and operating cash flow will be negatively impacted. The percentage increase (decrease) in revenue for each of QVC's geographic areas in dollars and in local currency is as follows:

	Percentage increase (decrease) in net revenue			
	Three months ended		Six months ended	
	June 30, 2009		June 30, 2009	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US	(2.0)%	(2.0)%	(6.2)%	(6.2)%
QVC-UK	(20.9)%	1.3%	(26.6)%	(2.3)%
QVC-Germany	(12.5)%	.7%	(11.4)%	1.9%
QVC-Japan	4.7%	(2.6)%	11.4%	1.3%

QVC's revenue continues to be negatively impacted in 2009 by a slow retail environment. In the U.S., weaknesses experienced in the jewelry and apparel categories were somewhat offset by growth in the home category due to higher sales of electronics. QVC-UK showed year-over-year growth in net revenue in local currency in the second quarter of 2009 compared to a year-over-year decline in net revenue in local currency in the first quarter of 2009. Such second quarter increase is due primarily to an increase in sales of apparel products. QVC-Germany's net revenue in local currency increased during the three and six months ended June 30, 2009, as compared to the corresponding prior year period, due to efforts to grow the beauty business. Accessories, which include beauty products, increased from 17% to 28% of the total product sales mix for the six months ended June 30, 2009. QVC-Japan reported a decrease in net revenue in local currency in the second quarter of 2009, as compared to the second quarter of 2008, while showing growth of 1% for the six months ended June 30, 2009. The second quarter decrease is primarily due to worsening economic conditions in Japan. For both periods, QVC-Japan reported growth in accessories, apparel and jewelry sales and declines in sales of home, health and beauty products.

The QVC service is already received by substantially all of the cable television and direct broadcast satellite homes in the U.S. and Germany. In addition, the rate of growth in households is expected to diminish in the UK and Japan. Therefore, future sales growth will primarily depend on additions of new customers from homes already receiving the QVC service and growth in sales to existing customers. QVC's future sales may also be affected by (i) the willingness of cable and satellite distributors to continue carrying QVC's programming service, (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult as distributors convert analog customers to digital, (iii) changes in television viewing habits because of personal video recorders, video-on-demand and IP television and (iv) general economic conditions.

QVC's gross profit percentage decreased 20 basis points and 77 basis points during the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such decreases are primarily due to lower initial product margins for jewelry, home and apparel products.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses decreased 5.9% and 6.2% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such decreases were primarily due to the decreases in sales. As a percentage of net revenue, operating expenses were fairly consistent in 2009 and 2008.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses decreased 8.3% and 7.6% during the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such decreases are primarily due to lower personnel expenses, partially offset by higher bad debt expense. Personnel expenses decreased primarily related to a reduction in workforce administered in the fourth quarter of 2008. The higher bad debt expense relates to an increase in

write-offs and reserves related to QVC's installment receivables and private label credit card. Such increases in bad debt are due to an increase in customer use of the installment payment plan offered by QVC and to the recessionary economic conditions.

E-commerce businesses. Our e-commerce businesses are comprised of Provide, Backcountry, Bodybuilding and BuySeasons. Revenue for this group increased \$59 million or 30.6% and \$112 million or 29.6% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period, as each company reported an increase in revenue. Approximately \$26 million and \$48 million of the increases in revenue are due to small acquisitions made by our e-commerce businesses in 2008. In addition, the e-commerce businesses generated organic revenue growth of 17.1% and 16.9% for the three and six month periods, respectively. Included in organic growth for the six month period is \$13 million from commissions earned when customers sign up for third-party on-line discount services. Adjusted OIBDA for the e-commerce businesses increased 36.7% for the six month period in 2009 and represented 13.7% of revenue in 2009, as compared to 13.0% in 2008.

Entertainment Group

The Entertainment Group is comprised of our subsidiaries Starz Entertainment, Liberty Sports Group and FUN Sports, as well as equity interests in DIRECTV, GSN and WildBlue Communications, approximately \$413 million of corporate cash, an equity collar on 98.75 million shares of DIRECTV common stock and \$2,016 million of borrowings against the put value of such collar.

The following discussion and analysis provides information concerning the attributed results of operations of the Entertainment Group and is presented as though the Reclassification had been completed on January 1, 2008. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Revenue				
Starz Entertainment	\$296	275	592	548
Corporate and other	71	84	144	121
	<u>\$367</u>	<u>359</u>	<u>736</u>	<u>669</u>
Adjusted OIBDA				
Starz Entertainment	\$105	68	213	142
Corporate and other	(16)	(6)	8	1
	<u>\$ 89</u>	<u>62</u>	<u>221</u>	<u>143</u>
Operating Income (Loss)				
Starz Entertainment	\$ 92	53	187	113
Corporate and other	(35)	(18)	(26)	(16)
	<u>\$ 57</u>	<u>35</u>	<u>161</u>	<u>97</u>

Revenue. The Entertainment Group's revenue increased \$8 million or 2.2% and \$67 million or 10.0% for the three and six months ended June 30, 2009, respectively, as compared to the

corresponding prior year period. The decrease in corporate and other revenue for the three months ended June 30, 2009 is due to our deconsolidation of FUN Technologies, Inc, which we contributed to GSN in April 2009. The increase in corporate and other revenue for the six months ended June 30, 2009 is due to our acquisition of Liberty Sports Group in March 2008, partially offset by the deconsolidation of FUN Technologies.

Adjusted OIBDA. The Entertainment Group's Adjusted OIBDA increased \$27 million or 43.5% and \$78 million or 54.5% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. The changes in corporate and other Adjusted OIBDA for the three and six months ended June 30, 2009 are primarily due to expenses related to our proposed split off of LEI. The six month increase in Adjusted OIBDA also reflects our ownership of Liberty Sports Group for the full six months in 2009.

Operating income. Operating income for the Entertainment Group increased \$22 million or 62.9% and \$64 million or 66.0% for the three and six months ended June 30, 2009, respectively. The higher operating loss for corporate and other for the three and six months ended June 30, 2009 is primarily due to higher stock compensation expense (\$21 million increase for the six month period) and expenses related to our proposed split off of LEI (\$9 million for the 2009 six month period). The six month variance in operating loss also reflects our ownership of Liberty Sports Group for the full six months in 2009 (\$19 million increase in operating income).

Starz Entertainment. Starz Entertainment provides premium programming distributed by cable operators, direct-to-home satellite providers, telephone companies, other distributors and the Internet throughout the United States. Substantially all of Starz Entertainment's revenue is derived from the delivery of movies 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 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. The affiliation agreements expire in 2009 through 2013. During the six months ended June 30, 2009, 57.5% of Starz Entertainment's revenue was generated by its three largest customers, Comcast, DIRECTV and Dish Network, each of which individually generated more than 10% of Starz Entertainment's revenue for such period. During the second quarter of 2009, Starz Entertainment entered into new or extended multi-year affiliation agreements with DIRECTV and Dish Network.

Starz Entertainment's operating results are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Revenue	\$ 296	275	592	548
Operating expenses	(157)	(165)	(318)	(332)
SG&A expenses	(34)	(42)	(61)	(74)
Adjusted OIBDA	105	68	213	142
Stock-based compensation	(8)	(10)	(17)	(20)
Depreciation and amortization	(5)	(5)	(9)	(9)
Operating income	\$ 92	53	187	113

Starz Entertainment's revenue increased 7.6% and 8.0% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. The three month increase is comprised of \$16 million due to a higher effective rate for Starz Entertainment's services and \$5 million due to growth in the weighted average number of subscriptions. The six month increase in revenue is comprised of \$24 million related to a higher effective rate and \$20 million related to growth in subscriptions. The Starz movie service and Encore and the Encore thematic multiplex channels ("EMP") movie service are the primary drivers of Starz Entertainment's revenue. Starz average subscriptions increased 5.3% and 6.4% for the three and six months ended June 30, 2009, respectively; and EMP average subscriptions increased 1.1% and 1.8% in 2009. Approximately 37% of Starz Entertainment's revenue in 2009 was earned under its fixed-rate affiliation agreements.

Starz Entertainment's operating expenses decreased 4.8% and 4.2% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such decreases are due primarily to a reduction in license fees, which comprised approximately 93% of operating expenses. The three month decrease in license fees is due to a decrease 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 (\$7 million) and a lower effective rate (\$4 million) partially offset by the amortization of production costs for original series (\$3 million). The six month decrease in license fees is due to a decrease in the percentage of first-run movie exhibitions (\$24 million), partially offset by the amortization of production costs for original series (\$6 million) and a higher effective rate (\$2 million)

Starz Entertainment's SG&A expenses decreased 19.0% and 17.6% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Such decreases are due primarily to lower sales and marketing expenses and lower personnel costs.

Starz Entertainment has outstanding phantom stock appreciation rights held by its former chief executive officer. Starz Entertainment also has a long-term incentive plan for certain members of its current management team. Compensation relating to the PSARs and the long-term incentive plan has been recorded based upon the estimated fair value of Starz Entertainment. The amount of expense associated with the PSARs and the long-term incentive plan is generally based on the change in the fair value of Starz Entertainment.

Capital Group

The Capital Group is comprised of our subsidiaries and assets not attributed to the Interactive Group or the Entertainment Group, including controlling interests in Starz Media, ANLBC, TruePosition, Leisure Arts and WFRV TV Station, as well as minority investments in Sirius, Time Warner Inc., Time Warner Cable Inc., Sprint Nextel Corporation and other public and private companies. In addition, we have attributed \$5,251 million principal amount (as of June 30, 2009) of our exchangeable senior debentures and other parent debt to the Capital Group.

The following discussion and analysis provides information concerning the attributed results of operations of the Capital Group. The following discussion is presented as though the Reclassification had been completed on January 1, 2008. This discussion should be read in conjunction with (1) our condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (2) the Unaudited Attributed Financial Information for Tracking Stock Groups filed as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

Results of Operations

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	amounts in millions			
Revenue				
Starz Media	\$ 90	57	192	119
Corporate and other	109	117	132	146
	<u>\$199</u>	<u>174</u>	<u>324</u>	<u>265</u>
Adjusted OIBDA				
Starz Media	\$ 17	(19)	22	(43)
Corporate and other	(13)	(21)	(50)	(56)
	<u>\$ 4</u>	<u>(40)</u>	<u>(28)</u>	<u>(99)</u>
Operating Income (Loss)				
Starz Media	\$ 15	(22)	17	(49)
Corporate and other	(34)	(46)	(89)	(108)
	<u>\$ (19)</u>	<u>(68)</u>	<u>(72)</u>	<u>(157)</u>

Revenue. The Capital Group's combined revenue increased 14.4% and 22.3% for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. The three month increase in revenue is due primarily to a \$25 million increase in television revenue related to the exhibition of Starz Media's movies and television shows by television networks, including \$10 million earned from the exhibition of movies by Starz Entertainment. The elimination of such intercompany revenue is included in the Capital Group's Corporate and Other revenue. The six month increase in Starz Media's revenue is due primarily to a \$36 million increase in home video revenue, as well as the aforementioned increase in television revenue. The increase in home video revenue is almost entirely due to home video sales of movies released theatrically by Overture Films in 2008. Included in Capital Group's corporate and other revenue are payments from CNBC related to a revenue sharing agreement between our company and CNBC. The agreement has no termination date, and payments aggregated \$12 million for each of the six month periods ended June 30, 2009 and 2008.

Adjusted OIBDA. The Capital Group's Adjusted OIBDA improved \$44 million and \$71 million for the three and six months ended June 30, 2009, respectively, as compared to the corresponding prior year period. Starz Media's Adjusted OIBDA improved \$36 million and \$65 million for the three and six months ended June 30, 2009 primarily due to the timing of theatrical and home video revenue and related expenses associated with films released by Overture Films in the first and fourth quarters of 2008 and the first quarter of 2009. Theatrical print costs and advertising expenses related to the release of a film are recognized at the time the advertisements are run and generally exceed the theatrical revenue earned from the film. In addition, amortization of film production costs begins when revenue recognition begins. Although there can be no assurance, the expectation when films are approved for production or acquisition is that the ultimate revenue to be earned from theatrical release, home video and pay-per-view and premium television distribution, which revenue may be earned over several years, will exceed the costs associated with the film. We currently expect Starz Media to continue incurring Adjusted OIBDA losses and operating losses for the next one to two years.

Operating loss. The Capital Group's operating loss decreased in 2009 due to the aforementioned timing of films released by Overture in the theatrical and home video markets.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of June 30, 2009, and considering the effects of our interest rate swap agreements, our debt is comprised of the following amounts.

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
	dollar amounts in millions			
Interactive Group	\$1,697	9.2%	\$5,100	5.6%
Capital Group	\$2,780	1.0%	\$2,573	3.5%
Entertainment Group	\$ —	N/A	\$2,066	3.5%

Each of our tracking stock groups is 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 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.

At June 30, 2009, the fair value of our AFS equity securities attributed to the Capital Group was \$2,317 million. Had the market price of such securities been 10% lower at June 30, 2009, the aggregate value of such securities would have been \$232 million lower. Such decrease would be partially offset by an increase in the value of our AFS Derivatives. Our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the stock price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

The Interactive Group is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies

other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, the Interactive Group may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations.

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 largely offset by the effects of interest rate movements on the underlying debt facilities. With regard to equity collars, we monitor historical market trends relative to values currently present in the market. We believe that any unrealized losses incurred with regard to equity collars and swaps would be offset by the effects of fair value changes on the underlying assets. These measures allow our management to evaluate the success of our 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.

In addition, to the extent we borrow against a derivative instrument, we have a right of offset with respect to our borrowings and amounts due from the counterparty under the derivative, thereby reducing our counterparty credit risk.

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.

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, 2009 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2009 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

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 I, Item 3 of our Annual Report on Form 10-K filed on February 27, 2009, as amended on April 29, 2009. Except as described in the following paragraph, there have been no material developments in such legal proceedings during the six months ended June 30, 2009.

Following the public announcement of the execution of the merger agreement with DIRECTV, multiple purported class action complaints were filed against DIRECTV, Liberty and the DIRECTV board of directors. Four stockholder class action complaints were brought in Delaware Chancery Court from May 12, 2009 to May 19, 2009, all of which were subsequently consolidated on May 22, 2009. One stockholder class action complaint was brought in California State Court on May 29, 2009. The Delaware and California actions are purported class actions on behalf of the public stockholders of DIRECTV. The consolidated Delaware complaint and the California complaint alleges, among other things, that the members of the DIRECTV board of directors breached their fiduciary duties in approving the merger agreement. DIRECTV, the DIRECTV board of directors and Liberty intend to defend vigorously against these allegations.

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

(c) Purchases of Equity Securities by the Issuer

During the three months ended June 30, 2009, 7,922 shares of Series A Liberty Capital common stock, 19,718 shares of Series A Liberty Interactive common stock and 27,457 shares of Series A Liberty Entertainment common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock.

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's annual meeting of stockholders held on June 25, 2009, the following matters were voted on and approved by the stockholders of the Company:

	<u>Votes for</u>	<u>Votes against</u>	<u>Abstentions</u>
1. Approval of the Redesignation Proposal to amend and restate Liberty's charter to change the name of (i) the "Entertainment Group" to the "Starz Group" and (ii) the "Liberty Entertainment common stock" to the "Liberty Starz common stock;" and make other related changes.	1,468,564,748	1,768,486	525,984

There were 138,274,574 broker non-votes with respect to this proposal.

2. Approval of the Reverse Split Proposal to authorize the amendment of Liberty's charter to effect a reverse stock split of (i) the outstanding shares of each series of Liberty Capital common stock at a ratio of one-for-three and (ii) the outstanding shares of each series of Liberty Interactive common stock at a ratio of one-for-five.	1,586,150,012	22,655,821	327,959
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There were no broker non-votes with respect to this proposal.

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

	<u>Votes for</u>	<u>Votes withheld</u>
Donne F. Fisher	1,398,726,673	343,706,118
Gregory B. Maffei	1,548,123,032	194,309,759
M. LaVoy Robison	1,398,637,571	343,795,220

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: Robert R. Bennett, Paul A. Gould, Evan D. Malone, John C. Malone, David E. Rapley and Larry 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.

	<u>Votes for</u>	<u>Votes against</u>	<u>Abstentions</u>
4. Ratification of KPMG LLP as the Company's independent auditors for the fiscal year ended December 31, 2009	1,601,178,808	7,741,211	213,773

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

For proposals 1, 2 and 4, proxies representing 133,298,999 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):

- 2.1 Agreement and Plan of Merger, dated as of May 3, 2009, by and among Liberty Media Corporation, Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, DTVG One, Inc. and DTVG Two, Inc. (incorporated by reference to Exhibit 10.1 to The DIRECTV Group, Inc. Current Report on Form 8-K (File No. 001-31945) filed on May 4, 2009 (the "DTVG 8-K")).
- 2.2 Amendment No. 1 to Agreement and Plan of Merger, dated as of July 29, 2009, by and among Liberty Media Corporation, Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, DTVG One, Inc. and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-33982) filed on July 30, 2009 (the "July 8-K")).
- 10.1 Voting, Standstill, Non-Competition and Non-Solicitation Agreement, dated as of May 3, 2009, by and among Liberty Media Corporation, DIRECTV, The DIRECTV Group, Inc., Liberty Entertainment, Inc., Greenlady Corporation and Greenlady II, LLC (incorporated by reference to Exhibit 10.2 to the DTVG 8-K).
- 10.2 Voting and Right of First Refusal Agreement, dated as of May 3, 2009, by and among Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, Dr. John C. Malone, Mrs. Leslie Malone, The Tracy L. Neal Trust A and The Evan D. Malone Trust A (incorporated by reference to Exhibit 10.3 to the DTVG 8-K).
- 10.3 Amendment No. 1 to Voting and Right of First Refusal Agreement, dated as of July 29, 2009, by and among Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, Dr. John C. Malone, Mrs. Leslie Malone, The Tracy L. Neal Trust A and The Evan D. Malone Trust A (incorporated by reference to Exhibit 99.1 to the July 8-K).

10.4	Credit Agreement, dated as of October 4, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., Wachovia Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Bank of America, N.A., as syndication agents, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, Royal Bank of Scotland PLC, Fortis Bank SA/NV, New York Branch and Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001-33982) filed on June 19, 2009 (the "June 8-K")).
10.5	Credit Agreement, dated as of March 3, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., JP Morgan Chase Bank, N.A., as administrative agent, Wachovia Capital Markets, LLC as syndication agent, and JP Morgan Securities Inc. and Wachovia Capital Markets, LLC, as joint lead arrangers and joint bookrunners, Mizuho Corporate Bank, Ltd., Calyon New York Branch and Royal Bank of Scotland PLC, as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.3 to the June 8-K).
31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
31.3	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
99.1	Attributed Financial Information for Tracking Stock Groups*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Label Linkbase Document**
101.PRE	XBRL Taxonomy Presentation Linkbase Document**
101.DEF	XBRL Taxonomy Definition Document**

* Filed herewith

** Furnished herewith

SIGNATURES

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

LIBERTY MEDIA CORPORATION

Date: August 7, 2009

By: /s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive
Officer

Date: August 7, 2009

By: /s/ DAVID J.A. FLOWERS

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

Date: August 7, 2009

By: /s/ CHRISTOPHER W. SHEAN

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

EXHIBIT INDEX

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):

- 2.1 Agreement and Plan of Merger, dated as of May 3, 2009, by and among Liberty Media Corporation, Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, DTVG One, Inc. and DTVG Two, Inc. (incorporated by reference to Exhibit 10.1 to The DIRECTV Group, Inc. Current Report on Form 8-K (File No. 001-31945) filed on May 4, 2009 (the "DTVG 8-K")).
- 2.2 Amendment No. 1 to Agreement and Plan of Merger, dated as of July 29, 2009, by and among Liberty Media Corporation, Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, DTVG One, Inc. and DTVG Two, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-33982) filed on July 30, 2009 (the "July 8-K")).
- 10.1 Voting, Standstill, Non-Competition and Non-Solicitation Agreement, dated as of May 3, 2009, by and among Liberty Media Corporation, DIRECTV, The DIRECTV Group, Inc., Liberty Entertainment, Inc., Greenlady Corporation and Greenlady II, LLC (incorporated by reference to Exhibit 10.2 to the DTVG 8-K).
- 10.2 Voting and Right of First Refusal Agreement, dated as of May 3, 2009, by and among Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, Dr. John C. Malone, Mrs. Leslie Malone, The Tracy L. Neal Trust A and The Evan D. Malone Trust A (incorporated by reference to Exhibit 10.3 to the DTVG 8-K).
- 10.3 Amendment No. 1 to Voting and Right of First Refusal Agreement, dated as of July 29, 2009, by and among Liberty Entertainment, Inc., The DIRECTV Group, Inc., DIRECTV, Dr. John C. Malone, Mrs. Leslie Malone, The Tracy L. Neal Trust A and The Evan D. Malone Trust A (incorporated by reference to Exhibit 99.1 to the July 8-K).
- 10.4 Credit Agreement, dated as of October 4, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., Wachovia Bank, N.A., as administrative agent, J.P. Morgan Securities Inc. and Bank of America, N.A., as syndication agents, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint bookrunners, Royal Bank of Scotland PLC, Fortis Bank SA/NV, New York Branch and Bank of Tokyo-Mitsubishi UFJ, Ltd., as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K (File No. 001- 33982) filed on June 19, 2009 (the "June 8-K")).
- 10.5 Credit Agreement, dated as of March 3, 2006, as amended and restated as of June 16, 2009, among QVC, Inc., JP Morgan Chase Bank, N.A., as administrative agent, Wachovia Capital Markets, LLC as syndication agent, and JP Morgan Securities Inc. and Wachovia Capital Markets, LLC, as joint lead arrangers and joint bookrunners, Mizuho Corporate Bank, Ltd., Calyon New York Branch and Royal Bank of Scotland PLC, as documentation agents, and the lenders party thereto from time to time (incorporated by reference to Exhibit 99.3 to the June 8-K).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification*
- 31.3 Rule 13a-14(a)/15d-14(a) Certification*
- 32 Section 1350 Certification**
- 99.1 Attributed Financial Information for Tracking Stock Groups*
- 101.INS XBRL Instance Document**
- 101.SCH XBRL Taxonomy Extension Schema Document**
- 101.CAL XBRL Taxonomy Calculation Linkbase Document**
- 101.LAB XBRL Taxonomy Label Linkbase Document**
- 101.PRE XBRL Taxonomy Presentation Linkbase Document**
- 101.DEF XBRL Taxonomy Definition Document**

* Filed herewith

** Furnished herewith

QuickLinks

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

I, Gregory B. Maffei, certify that:

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

Date:

August 7, 2009

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
Chief Executive Officer and President

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[EXHIBIT 31.1](#)

CERTIFICATION

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

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

Date:

August 7, 2009

/s/ DAVID J.A. FLOWERS

David J.A. Flowers
Senior Vice President and Treasurer

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[EXHIBIT 31.2](#)

CERTIFICATION

I, Christopher W. Shean, certify that:

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

Date:

August 7, 2009

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Controller

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[EXHIBIT 31.3](#)

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

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

The Quarterly Report on Form 10-Q for the period ended June 30, 2009 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	<u>August 7, 2009</u>	<u>/s/ GREGORY B. MAFFEI</u> Gregory B. Maffei Chief Executive Officer and President
Dated:	<u>August 7, 2009</u>	<u>/s/ DAVID J.A. FLOWERS</u> David J.A. Flowers Senior Vice President and Treasurer (Principal Financial Officer)
Dated:	<u>August 7, 2009</u>	<u>/s/ CHRISTOPHER W. SHEAN</u> Christopher W. Shean Senior Vice President and Controller (Principal Accounting Officer)

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

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[Exhibit 32](#)

Attributed Financial Information for Tracking Stock Groups

Our Liberty Interactive common stock is intended to reflect the separate performance of our Interactive Group which is comprised of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and BuySeasons, Inc. and our interests in IAC/InterActiveCorp, Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc. Our Liberty Entertainment common stock is intended to reflect the separate performance of our Entertainment Group which includes our wholly-owned subsidiaries Starz Entertainment, LLC, FUN Sports, and Liberty Sports Group, our interest in The DIRECTV Group, Inc., as well as other minority equity interests in GSN, LLC and WildBlue Communications, 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 or the Entertainment Group.

The following tables present our assets, liabilities, revenue, expenses and cash flows as of and for the six months ended June 30, 2009 and 2008. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group, the Entertainment Group and the Capital Group, respectively. The financial information should be read in conjunction with our unaudited condensed consolidated financial statements for the six months ended June 30, 2009 included in this Quarterly Report on Form 10-Q. The attributed financial information presented in the tables has been prepared assuming the Reclassification had been completed as of January 1, 2008.

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

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Summary balance sheet data:		
Current assets	\$ 2,998	3,282
Cost investments	\$ 718	739
Equity investments	\$ 816	901
Total assets	\$16,967	17,487
Long-term debt, including current portion	\$ 6,968	7,131
Long-term deferred income tax liabilities	\$ 1,889	1,999
Attributed net assets	\$ 6,416	6,303

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>			
Summary operations data:				
Revenue	\$ 1,936	1,954	3,767	3,904
Cost of sales	(1,208)	(1,228)	(2,391)	(2,466)
Operating expenses	(175)	(181)	(347)	(361)
Selling, general and administrative expenses(1)	(152)	(147)	(297)	(283)
Depreciation and amortization	(135)	(136)	(282)	(275)
Operating income	266	262	450	519
Interest expense	(110)	(122)	(206)	(243)
Other income (expense), net	75	29	(102)	11
Income tax expense	(95)	(67)	(54)	(53)
Net earnings	136	102	88	234
Less net earnings attributable to the noncontrolling interests	8	10	17	17
Net earnings attributable to Liberty Media Corporation shareholders	\$ 128	92	71	217

- (1) Includes stock-based compensation of \$11 million and \$12 million for the three months ended June 30, 2009 and 2008, respectively; and \$21 million and \$17 million for the six months ended June 30, 2009 and 2008, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Entertainment Group

	June 30, 2009	December 31, 2008
	amounts in millions	
Summary balance sheet data:		
Current assets	\$ 1,425	1,631
Equity investments	\$ 13,685	13,366
Total assets	\$ 16,283	16,322
Long-term debt, including current portion	\$ 2,066	2,033
Long-term deferred income tax liabilities	\$ 1,742	1,735
Attributed net assets	\$ 12,415	12,180

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	amounts in millions			
Summary operations data:				
Revenue	\$ 367	359	736	669
Operating expenses	(226)	(239)	(417)	(426)
Selling, general and administrative expenses(1)	(75)	(73)	(138)	(122)
Depreciation and amortization	(9)	(12)	(20)	(24)
Operating income	57	35	161	97
Gains (losses) on dispositions, net	54	(1)	54	3,666
Share of earnings of affiliates, net	155	155	192	198
Other expense, net	(120)	(93)	(145)	(102)
Income tax benefit (expense)	3	(33)	(32)	1,707
Net earnings	<u>\$ 149</u>	<u>63</u>	<u>230</u>	<u>5,566</u>

- (1) Includes stock-based compensation of \$23 million and \$15 million for the three months ended June 30, 2009 and 2008, respectively, and \$40 million and \$22 million for the six months ended June 30, 2009 and 2008, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA

Capital Group

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Summary balance sheet data:		
Current assets	\$4,384	2,973
Cost investments	\$2,830	2,118
Total assets	\$9,847	8,361
Long-term debt, including current portion	\$4,304	3,063
Long-term deferred income tax liabilities	\$ 555	1,166
Attributed net assets	\$1,174	1,121

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>			
Summary operations data:				
Revenue	\$ 199	174	324	265
Operating expenses	(142)	(138)	(235)	(212)
Selling, general and administrative expenses(1)	(54)	(76)	(119)	(156)
Depreciation and amortization	(22)	(28)	(42)	(54)
Operating loss	(19)	(68)	(72)	(157)
Interest expense	(33)	(43)	(73)	(81)
Realized and unrealized gains (losses) on financial instruments, net	239	41	40	(202)
Other income, net	157	15	175	67
Income tax benefit (expense)	(143)	24	(29)	176
Net earnings (loss)	201	(31)	41	(197)
Less net earnings (loss) attributable to the noncontrolling interests	—	(1)	—	4
Net earnings (loss) attributable to Liberty Media Corporation shareholders	\$ 201	(30)	41	(201)

- (1) Includes stock-based compensation of \$1 million and \$0 million for the three months ended June 30, 2009 and 2008, respectively; and \$2 million and \$4 million for the six months ended June 30, 2009 and 2008, respectively

BALANCE SHEET INFORMATION
June 30, 2009
(unaudited)

	Attributed (note 1)			Inter-group eliminations	Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group		
	amounts in millions				
<i>Assets</i>					
Current assets:					
Cash and cash equivalents	\$ 946	618	2,373	—	3,937
Trade and other receivables, net	945	249	105	—	1,299
Inventory, net	942	—	—	—	942
Program rights	—	481	—	—	481
Financial instruments	1	7	1,811	—	1,819
Current deferred tax assets	101	66	—	(167)	—
Other current assets	63	4	95	(7)	155
Total current assets	2,998	1,425	4,384	(174)	8,633
Investments in available-for-sale securities and other cost investments (note 2)	718	2	2,830	—	3,550
Long-term financial instruments	—	96	212	—	308
Investments in affiliates, accounted for using the equity method (note 3)	816	13,685	562	—	15,063
Property and equipment, net	1,021	114	142	—	1,277
Goodwill	5,885	367	191	—	6,443
Trademarks	2,492	2	14	—	2,508
Intangible assets subject to amortization, net	2,959	123	204	—	3,286
Other assets, at cost, net of accumulated amortization	78	469	1,308	—	1,855
Total assets	\$ 16,967	16,283	9,847	(174)	42,923
<i>Liabilities and Equity</i>					
Current liabilities:					
Accounts payable	\$ 421	4	15	—	440
Accrued interest	60	—	32	—	92
Other accrued liabilities	543	176	96	—	815
Intergroup payable (receivable)	(19)	(84)	103	—	—
Intergroup notes (1)	502	(251)	(251)	—	—
Financial instruments	145	—	617	—	762
Current portion of debt (note 4)	682	617	2,013	—	3,312
Accrued stock compensation	15	201	5	—	221
Current deferred tax liabilities	—	—	1,662	(167)	1,495
Other current liabilities	94	4	69	(7)	160
Total current liabilities	2,443	667	4,361	(174)	7,297
Long-term debt (note 4)	5,784	1,449	2,291	—	9,524
Long-term financial instruments	158	—	9	—	167
Deferred income tax liabilities (note 6)	1,889	1,742	555	—	4,186
Other liabilities	175	10	1,457	—	1,642
Total liabilities	10,449	3,868	8,673	(174)	22,816
Equity/Attributed net assets	6,416	12,415	1,174	—	20,005
Noncontrolling interests in equity of subsidiaries	102	—	—	—	102
Total liabilities and equity	\$ 16,967	16,283	9,847	(174)	42,923

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

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 1,936	—	—	1,936
Communications and programming services	—	367	199	566
	<u>1,936</u>	<u>367</u>	<u>199</u>	<u>2,502</u>
Operating costs and expenses:				
Cost of sales	1,208	—	—	1,208
Operating	175	226	142	543
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	152	75	54	281
Depreciation and amortization	135	9	22	166
	<u>1,670</u>	<u>310</u>	<u>218</u>	<u>2,198</u>
Operating income (loss)	266	57	(19)	304
Other income (expense):				
Interest expense	(110)	(18)	(33)	(161)
Dividend and interest income	2	—	41	43
Intergroup interest income (expense)	(2)	1	1	—
Share of earnings of affiliates, net	12	155	4	171
Realized and unrealized gains (losses) on financial instruments, net	25	(101)	239	163
Gains (losses) on dispositions, net	(1)	54	113	166
Other, net	39	(2)	(2)	35
	<u>(35)</u>	<u>89</u>	<u>363</u>	<u>417</u>
Earnings before income taxes	231	146	344	721
Income tax benefit (expense) (note 6)	(95)	3	(143)	(235)
Net earnings	136	149	201	486
Less net earnings attributable to the noncontrolling interests	8	—	—	8
Net earnings attributable to Liberty Media Corporation shareholders	\$ 128	149	201	478
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	67	—	1	68
Unrealized holding gains arising during the period	12	1	10	23
Recognition of previously unrealized gains on available-for-sale securities, net	—	(1)	—	(1)
Share of other comprehensive earnings (losses) of equity affiliates	10	(5)	—	5
Other	20	—	—	20
Other comprehensive earnings (loss)	109	(5)	11	115
Comprehensive earnings	245	144	212	601
Less comprehensive earnings attributable to the noncontrolling interests	11	—	—	11
Comprehensive earnings attributable to Liberty Media Corporation shareholders	\$ 234	144	212	590

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS (LOSS) INFORMATION
Three months ended June 30, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 1,954	—	—	1,954
Communications and programming services	—	359	174	533
	<u>1,954</u>	<u>359</u>	<u>174</u>	<u>2,487</u>
Operating costs and expenses:				
Cost of sales	1,228	—	—	1,228
Operating	181	239	138	558
Selling, general and administrative, including stock-based compensation (notes 1 and 5)	147	73	76	296
Depreciation and amortization	136	12	28	176
	<u>1,692</u>	<u>324</u>	<u>242</u>	<u>2,258</u>
Operating income (loss)	262	35	(68)	229
Other income (expense):				
Interest expense	(122)	(22)	(43)	(187)
Dividend and interest income	7	6	28	41
Share of earnings (losses) of affiliates, net	23	155	(13)	165
Realized and unrealized gains (losses) on financial instruments, net	(1)	(77)	41	(37)
Losses on dispositions, net	—	(1)	—	(1)
Other, net	—	—	—	—
	<u>(93)</u>	<u>61</u>	<u>13</u>	<u>(19)</u>
Earnings (loss) before income taxes	169	96	(55)	210
Income tax benefit (expense) (note 6)	(67)	(33)	24	(76)
Net earnings (loss)	<u>102</u>	<u>63</u>	<u>(31)</u>	<u>134</u>
Less net earnings (loss) attributable to the noncontrolling interests	10	—	(1)	9
Net earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$ 92</u>	<u>63</u>	<u>(30)</u>	<u>125</u>
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(15)	—	1	(14)
Unrealized holding losses arising during the period	(74)	1	(2)	(75)
Recognition of previously unrealized gains on available-for-sale securities, net	—	—	—	—
Share of other comprehensive earnings (loss) of equity affiliates	1	(2)	—	(1)
Other	47	—	—	47
Other comprehensive loss	<u>(41)</u>	<u>(1)</u>	<u>(1)</u>	<u>(43)</u>
Comprehensive earnings (loss)	61	62	(32)	91
Less comprehensive earnings (loss) attributable to the noncontrolling interests	3	—	(1)	2
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$ 58</u>	<u>62</u>	<u>(31)</u>	<u>89</u>

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION
Six months ended June 30, 2009
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 3,767	—	—	3,767
Communications and programming services	—	736	324	1,060
	<u>3,767</u>	<u>736</u>	<u>324</u>	<u>4,827</u>
Operating costs and expenses:				
Cost of sales	2,391	—	—	2,391
Operating	347	417	235	999
Selling, general and administrative including stock-based compensation (notes 1 and 5)	297	138	119	554
Depreciation and amortization	282	20	42	344
	<u>3,317</u>	<u>575</u>	<u>396</u>	<u>4,288</u>
Operating income (loss)	450	161	(72)	539
Other income (expense):				
Interest expense	(206)	(36)	(73)	(315)
Dividend and interest income	6	1	67	74
Intergroup interest income (expense)	(2)	1	1	—
Share of earnings (losses) of affiliates, net	(83)	192	(4)	105
Realized and unrealized gains (losses) on financial instruments, net	(47)	(74)	40	(81)
Gains (losses) on dispositions, net	(3)	54	113	164
Other, net	27	(37)	(2)	(12)
	<u>(308)</u>	<u>101</u>	<u>142</u>	<u>(65)</u>
Earnings before income taxes	142	262	70	474
Income tax expense (note 6)	(54)	(32)	(29)	(115)
Net earnings	88	230	41	359
Less net earnings attributable to the noncontrolling interests	17	—	—	17
Net earnings attributable to Liberty Media Corporation shareholders	\$ 71	230	41	342
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(20)	—	1	(19)
Unrealized holding gains arising during the period	8	—	13	21
Recognition of previously unrealized losses (gains) on available-for-sale securities, net	1	(1)	—	—
Share of other comprehensive loss of equity affiliates	(5)	(5)	—	(10)
Other	37	—	—	37
Other comprehensive earnings (loss)	21	(6)	14	29
Comprehensive earnings	109	224	55	388
Less comprehensive earnings attributable to the noncontrolling interests	7	—	—	7
Comprehensive earnings attributable to Liberty Media Corporation shareholders	\$ 102	224	55	381

STATEMENT OF OPERATIONS AND COMPREHENSIVE EARNINGS INFORMATION
Six months ended June 30, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Revenue:				
Net retail sales	\$ 3,904	—	—	3,904
Communications and programming services	—	669	265	934
	<u>3,904</u>	<u>669</u>	<u>265</u>	<u>4,838</u>
Operating costs and expenses:				
Cost of sales	2,466	—	—	2,466
Operating	361	426	212	999
Selling, general and administrative including stock-based compensation (notes 1 and 5)	283	122	156	561
Depreciation and amortization	275	24	54	353
	<u>3,385</u>	<u>572</u>	<u>422</u>	<u>4,379</u>
Operating income (loss)	519	97	(157)	459
Other income (expense):				
Interest expense	(243)	(29)	(81)	(353)
Dividend and interest income	13	9	78	100
Share of earnings (losses) of affiliates, net	35	198	(23)	210
Realized and unrealized losses on financial instruments, net	(38)	(82)	(202)	(322)
Gains on dispositions, net	—	3,666	15	3,681
Other, net	1	—	(3)	(2)
	<u>(232)</u>	<u>3,762</u>	<u>(216)</u>	<u>3,314</u>
Earnings (loss) before income taxes	287	3,859	(373)	3,773
Income tax benefit (expense) (note 6)	(53)	1,707	176	1,830
Net earnings (loss)	234	5,566	(197)	5,603
Less net earnings attributable to the noncontrolling interests	17	—	4	21
Net earnings (loss) attributable to Liberty Media Corporation shareholders	\$ 217	5,566	(201)	5,582
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	82	—	(2)	80
Unrealized holding losses arising during the period	(405)	(312)	(2)	(719)
Recognition of previously unrealized gains on available-for-sale securities, net	—	(2,273)	—	(2,273)
Share of other comprehensive earnings (loss) of equity affiliates	1	(3)	—	(2)
Other	(1)	—	—	(1)
Other comprehensive loss	<u>(323)</u>	<u>(2,588)</u>	<u>(4)</u>	<u>(2,915)</u>
Comprehensive earnings (loss)	(89)	2,978	(201)	2,688
Less comprehensive earnings attributable to the noncontrolling interests	22	—	4	26
Comprehensive earnings (loss) attributable to Liberty Media Corporation shareholders	<u>\$ (111)</u>	<u>2,978</u>	<u>(205)</u>	<u>2,662</u>

STATEMENT OF CASH FLOWS INFORMATION
Six months ended June 30, 2009
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings	\$ 88	230	41	359
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	282	20	42	344
Stock-based compensation	21	40	2	63
Cash payments for stock based compensation	(9)	(2)	—	(11)
Noncash interest expense	39	35	—	74
Share of losses (earnings) of affiliates, net	83	(192)	4	(105)
Cash receipts for return on equity investments	—	28	—	28
Realized and unrealized losses (gains) on financial instruments, net	47	74	(40)	81
Losses (gains) on disposition of assets, net	3	(54)	(113)	(164)
Intergroup tax allocation	97	57	(154)	—
Intergroup tax payments	(138)	(117)	255	—
Other intergroup cash transfers, net	8	(4)	(4)	—
Deferred income tax expense (benefit)	(96)	(27)	59	(64)
Other noncash charges (credits), net	(22)	38	35	51
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	350	(36)	34	348
Payables and other current liabilities	(234)	12	64	(158)
Net cash provided by operating activities	519	102	225	846
Cash flows from investing activities:				
Cash proceeds from dispositions	72	65	346	483
Proceeds from settlement of financial instruments	—	21	40	61
Cash paid for acquisitions, net of cash acquired	(2)	—	(1)	(3)
Investments in and loans to cost and equity investees	(23)	(90)	(586)	(699)
Capital expenditures	(84)	(6)	(7)	(97)
Net sales of short term investments	—	—	59	59
Net decrease (increase) in restricted cash	(13)	1	36	24
Other investing activities, net	1	(21)	(3)	(23)
Net cash used by investing activities	(49)	(30)	(116)	(195)
Cash flows from financing activities:				
Borrowings of debt	15	—	1,964	1,979
Intergroup debt borrowings	502	(251)	(251)	—
Repayments of debt	(760)	(2)	(973)	(1,735)
Repurchases of Liberty common stock	—	—	(3)	(3)
Other financing activities, net	(97)	—	31	(66)
Net cash provided (used) by financing activities	(340)	(253)	768	175
Effect of foreign currency rates on cash	(16)	(8)	—	(24)
Net increase (decrease) in cash and cash equivalents	114	(189)	877	802
Cash and cash equivalents at beginning of period	832	807	1,496	3,135
Cash and cash equivalents at end period	\$ 946	618	2,373	3,937

STATEMENT OF CASH FLOWS INFORMATION
Six months ended June 30, 2008
(unaudited)

	Attributed (note 1)			Consolidated Liberty
	Interactive Group	Entertainment Group	Capital Group	
	amounts in millions			
Cash flows from operating activities:				
Net earnings (loss)	\$ 234	5,566	(197)	5,603
Adjustments to reconcile net earnings (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	275	24	54	353
Stock-based compensation	17	22	4	43
Cash payments for stock-based compensation	(9)	(10)	—	(19)
Share of losses (earnings) of affiliates, net	(35)	(198)	23	(210)
Realized and unrealized losses on financial instruments, net	38	82	202	322
Gains on disposition of assets, net	—	(3,666)	(15)	(3,681)
Intergroup tax allocation	109	31	(140)	—
Intergroup tax payments	(118)	(49)	167	—
Other intergroup cash transfers, net	(63)	3	60	—
Deferred income tax benefit	(109)	(1,739)	(253)	(2,101)
Other noncash charges, net	3	16	19	38
Changes in operating assets and liabilities, net of the effects of acquisitions:				
Current assets	170	(58)	(138)	(26)
Payables and other current liabilities	(247)	13	112	(122)
Net cash provided (used) by operating activities	265	37	(102)	200
Cash flows from investing activities:				
Cash proceeds from dispositions	—	8	16	24
Net proceeds from settlement of financial instruments	—	—	12	12
Cash paid for acquisitions, net of cash acquired	(40)	—	(6)	(46)
Cash received in exchange transactions	—	465	—	465
Capital expended for property and equipment	(67)	(3)	(22)	(92)
Net sales of short term investments	—	—	67	67
Investments in and loans to cost and equity investees	(340)	(1,977)	(200)	(2,517)
Net decrease in restricted cash	—	—	340	340
Other investing activities, net	(2)	(12)	(10)	(24)
Net cash provided (used) by investing activities	(449)	(1,519)	197	(1,771)
Cash flows from financing activities:				
Borrowings of debt	618	1,977	1,189	3,784
Repayments of debt	(156)	(2)	(1,007)	(1,165)
Repurchases of Liberty common stock	(75)	—	(177)	(252)
Intergroup cash transfers, net	—	450	(450)	—
Other financing activities, net	(42)	(4)	(22)	(68)
Net cash provided (used) by financing activities	345	2,421	(467)	2,299
Effect of foreign currency rates on cash	13	—	—	13
Net increase (decrease) in cash and cash equivalents	174	939	(372)	741
Cash and cash equivalents at beginning of period	557	90	2,488	3,135
Cash and cash equivalents at end period	\$ 731	\$ 1,029	2,116	3,876

Notes to Attributed Financial Information

(unaudited)

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

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

The Entertainment Group consists of our subsidiaries Starz Entertainment, LLC, FUN Technologies, Inc and Liberty Sports Group, our minority equity interests in The DIRECTV Group, Inc., GSN, LLC and WildBlue Communications, Inc. and approximately \$413 million of corporate cash and cash equivalents. Accordingly, the accompanying attributed financial information for the Entertainment Group includes these investments and the assets, liabilities, revenue, expenses and cash flows of these consolidated subsidiaries. We have also attributed an equity collar on 98.75 million shares of DIRECTV common stock and \$2,016 million of borrowings against the put value of such collar to the Entertainment Group.

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

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

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

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

Notes to Attributed Financial Information (Continued)

(unaudited)

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

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

	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
	<u>amounts in millions</u>	
Capital Group		
Time Warner Inc. ("Time Warner")(a)	\$ 862	1,033
Time Warner Cable Inc.(a)	272	—
Sprint Nextel Corporation(a)	410	160
Motorola, Inc.(a)	344	328
Viacom, Inc.	172	145
Embarq Corporation(a)	195	157
Other available-for-sale equity securities(a)	62	40
Other available-for-sale debt securities	481	224
Other cost investments and related receivables	32	31
Total attributed Capital Group	<u>2,830</u>	<u>2,118</u>
Interactive Group		
IAC/InterActiveCorp	578	638
Other	140	101
Total attributed Interactive Group	<u>718</u>	<u>739</u>
Entertainment Group		
Other	2	2
Total attributed Entertainment Group	<u>2</u>	<u>2</u>
Consolidated Liberty	<u>\$3,550</u>	<u>2,859</u>

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

Notes to Attributed Financial Information (Continued)

(unaudited)

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

	Percentage ownership	June 30, 2009		Share of earnings six months ended	
		Carrying value	Market value	June 30,	
dollar amounts in millions					
Interactive Group					
Expedia	24%	\$ 575	\$ 1,046	\$ 19	\$ 35
Entertainment Group					
DIRECTV	55%	\$ 13,225	\$ 13,559	\$ 179	\$ 190
Capital Group					
Sirius	40%	\$ 344	\$ (a)	\$ 4	\$ —

(a) As of June 30, 2009, the Sirius Preferred Stock had a market value of \$1,112 million based on the value of the common stock into which it is convertible.

Notes to Attributed Financial Information (Continued)

(unaudited)

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

	<u>June 30, 2009</u>	
	<u>Outstanding</u>	<u>Carrying</u>
	<u>principal</u>	<u>value</u>
	<u>amounts in millions</u>	
Capital Group		
3.125% Exchangeable Senior Debentures due 2023	\$ 1,147	966
4% Exchangeable Senior Debentures due 2029	469	171
3.75% Exchangeable Senior Debentures due 2030	460	163
3.5% Exchangeable Senior Debentures due 2031	495	222
Liberty bank facility	750	750
Liberty derivative loan	1,930	1,930
Subsidiary debt	102	102
Total Capital Group debt	<u>5,353</u>	<u>4,304</u>
Interactive Group		
7.875% Senior Notes due 2009	104	104
7.75% Senior Notes due 2009	13	13
5.7% Senior Notes due 2013	803	801
8.5% Senior Debentures due 2029	287	285
8.25% Senior Debentures due 2030	504	501
3.25% Exchangeable Senior Debentures due 2031	541	217
QVC bank credit facilities	4,477	4,477
Other subsidiary debt	68	68
Total Interactive Group debt	<u>6,797</u>	<u>6,466</u>
Entertainment Group		
DIRECTV Collar Loan	2,016	2,016
Subsidiary debt	50	50
Total Entertainment Group debt	<u>2,066</u>	<u>2,066</u>
Total debt	<u>\$ 14,216</u>	<u>12,836</u>

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

	<u>Six months ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
	<u>amounts in millions</u>	
Interactive Group	\$ 12	10
Entertainment Group	\$ 40	6

Notes to Attributed Financial Information (Continued)

(unaudited)

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

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

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

QuickLinks

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