
**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 **March 31, 2012**

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 INTERACTIVE 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) 875-5300**

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 (or for such shorter period that the registrant was required to file such reports) 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
(do not check if
smaller reporting company)

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 Interactive Corporation's common stock as of April 30, 2012 was:

Series A common stock	529,654,238
Series B common stock	28,984,735

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2012	December 31, 2011
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 794	847
Trade and other receivables, net	734	1,054
Inventory, net	1,124	1,071
Other current assets	112	148
Total current assets	2,764	3,120
Investments in available-for-sale securities and other cost investments (note 6)	1,343	1,168
Investments in affiliates, accounted for using the equity method, including \$214 million pledged as collateral at March 31, 2012 (note 7)	1,152	1,135
Property and equipment, at cost	2,053	2,002
Accumulated depreciation	(904)	(869)
	1,149	1,133
Intangible assets not subject to amortization (note 8):		
Goodwill	6,003	5,978
Trademarks	2,518	2,518
	8,521	8,496
Intangible assets subject to amortization, net (note 8)		
	2,138	2,209
Other assets, at cost, net of accumulated amortization	77	78
Total assets	\$ 17,144	17,339

(continued)

	March 31, 2012	December 31, 2011
	amounts in millions	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 524	599
Accrued liabilities	671	801
Current portion of debt (note 9)	1,265	1,189
Deferred income tax liabilities	851	851
Other current liabilities	175	128
Total current liabilities	3,486	3,568
Long-term debt, including \$2,623 million and \$2,443 million measured at fair value (note 9)	4,918	4,850
Deferred income tax liabilities	2,033	2,046
Other liabilities	202	248
Total liabilities	10,639	10,712
<i>Equity</i>		
Stockholders' equity (note 10):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 538,162,793 shares at March 31, 2012 and 549,361,673 shares at December 31, 2011	5	6
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 28,989,160 shares at March 31, 2012 and December 31, 2011	—	—
Additional paid-in capital	2,469	2,681
Accumulated other comprehensive earnings, net of taxes	177	152
Retained earnings	3,745	3,654
Total stockholders' equity	6,396	6,493
Noncontrolling interests in equity of subsidiaries	109	134
Total equity	6,505	6,627
Commitments and contingencies (note 11)		
Total liabilities and equity	\$ 17,144	17,339

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations

(unaudited)

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions, except per share amounts	
Net retail sales	\$ 2,314	2,159
Cost of sales (exclusive of depreciation shown separately below)	1,466	1,377
Gross Profit	848	782
Operating costs and expenses:		
Operating	208	203
Selling, general and administrative, including stock-based compensation (note 3)	239	217
Depreciation and amortization	143	149
	590	569
Operating income	258	213
Other income (expense):		
Interest expense	(106)	(114)
Share of earnings (losses) of affiliates, net (note 7)	11	20
Realized and unrealized gains (losses) on financial instruments, net (note 5)	(18)	(59)
Other, net	3	18
	(110)	(135)
Earnings (loss) from continuing operations before income taxes	148	78
Income tax (expense) benefit	(43)	(15)
Earnings (loss) from continuing operations	105	63
Earnings (loss) from discontinued operations, net of taxes (note 2)	—	336
Net earnings (loss)	105	399
Less net earnings (loss) attributable to the noncontrolling interests	14	10
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 91	389
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:		
Liberty Capital common stock	NA	293
Liberty Starz common stock	NA	52
Liberty Interactive common stock	\$ 91	44
	\$ 91	389

(Continued)

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions, except per share amounts	
Basic net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	NA	0.12
Series A and Series B Liberty Starz common stock	NA	—
Series A and Series B Liberty Interactive common stock	\$ 0.16	0.07
Diluted net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	NA	0.12
Series A and Series B Liberty Starz common stock	NA	—
Series A and Series B Liberty Interactive common stock	\$ 0.16	0.07
Basic net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	NA	3.57
Series A and Series B Liberty Starz common stock	NA	1.02
Series A and Series B Liberty Interactive common stock	\$ 0.16	0.07
Diluted net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	NA	3.49
Series A and Series B Liberty Starz common stock	NA	0.98
Series A and Series B Liberty Interactive common stock	\$ 0.16	0.07

Condensed Consolidated Statements Of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions	
Net earnings (loss)	\$ 105	399
Other comprehensive earnings (loss), net of taxes:		
Foreign currency translation adjustments	13	48
Share of other comprehensive earnings (losses) of equity affiliates	2	3
Other comprehensive earnings (loss) from discontinued operations	—	(29)
Other comprehensive earnings (loss)	15	22
Comprehensive earnings (loss)	120	421
Less comprehensive earnings (loss) attributable to the noncontrolling interests	4	7
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 116	414
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:		
Liberty Capital common stock	NA	269
Liberty Starz common stock	NA	47
Liberty Interactive common stock	\$ 116	98
	\$ 116	414

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Cash Flows

(unaudited)

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ 105	399
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Earnings) loss from discontinued operations	—	(336)
Depreciation and amortization	143	149
Stock-based compensation	17	16
Share of (earnings) losses of affiliates, net	(11)	(20)
Realized and unrealized (gains) losses on financial instruments, net	18	59
Deferred income tax expense (benefit)	(24)	(63)
Other, net	5	(10)
Changes in operating assets and liabilities		
Current and other assets	268	195
Payables and other liabilities	(191)	(281)
Net cash provided (used) by operating activities	330	108
Cash flows from investing activities:		
Investments in and loans to cost and equity investees	(45)	(5)
Capital expended for property and equipment	(68)	(41)
Net sales (purchases) of short term investments	38	(111)
Other investing activities, net	(16)	—
Net cash provided (used) by investing activities	(91)	(157)
Cash flows from financing activities:		
Borrowings of debt	245	127
Repayments of debt	(274)	(156)
Repurchases of Liberty Interactive common stock	(228)	—
Other financing activities, net	(27)	(22)
Net cash provided (used) by financing activities	(284)	(51)
Effect of foreign currency exchange rates on cash	(8)	6
Net cash provided (used) by discontinued operations:		
Cash provided (used) by operating activities	—	245
Cash provided (used) by investing activities	—	201
Cash provided (used) by financing activities	—	(94)
Change in available cash held by discontinued operations	—	(372)
Net cash provided (used) by discontinued operations	—	(20)

Net increase (decrease) in cash and cash equivalents	(53)	(114)
Cash and cash equivalents at beginning of period	847	1,353
Cash and cash equivalents at end of period	\$ 794	1,239

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement Of Equity

(unaudited)

Three months ended March 31, 2012

Stockholders' Equity

	<u>Common stock</u>							Total equity
	Preferred Stock	Liberty Interactive		Additional paid-in capital	Accumulated other comprehensive earnings	Retained Earnings	Noncontrolling interest in equity of subsidiaries	
	Series A	Series B						
	amounts in millions							
Balance at January 1, 2012	\$ —	6	—	2,681	152	3,654	134	6,627
Net earnings (loss)	—	—	—	—	—	91	14	105
Other comprehensive earnings (loss)	—	—	—	—	25	—	(10)	15
Stock compensation	—	—	—	13	—	—	—	13
Issuance of common stock upon exercise of stock options	—	—	—	2	—	—	—	2
Series A Liberty Interactive stock repurchases	—	(1)	—	(227)	—	—	—	(228)
Distribution to noncontrolling interest	—	—	—	—	—	—	(29)	(29)
Balance at March 31, 2012	\$ —	5	—	2,469	177	3,745	109	6,505

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Liberty Interactive Corporation (formerly known as 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 industries in North America, Europe and Asia.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2011.

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

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

(2) Discontinued Operations

Prior to the Split-Off (as defined below), Liberty's equity was structured into three separate tracking stocks. A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty had three tracking stocks: Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the separate businesses, assets and liabilities attributed to each group. These attributed businesses, assets and liabilities were not separate legal entities and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks did not have a direct claim to the group's stock or assets and were not represented by separate boards of directors.

On September 23, 2011, Liberty completed the split-off of a wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto known as Liberty Splitco, Inc.) (the "Split-Off"). At the time of the Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to our former Capital and Starz tracking stock groups. The Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock of Liberty in exchange for the common stock of LMC. This transaction has been accounted for at historical cost due to the pro rata nature of the distribution.

Following the Split-Off, Liberty and LMC operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Split-Off, Liberty and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the Split-Off and to provide for an orderly transition. These agreements include a Reorganization Agreement, a Services Agreement, a Facilities Sharing Agreement and a Tax Sharing Agreement.

The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and LMC and other agreements related to tax matters. Pursuant to the Services Agreement, LMC provides Liberty with certain general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty reimburses LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Liberty's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty. Under the Facilities Sharing Agreement, Liberty shares office space with LMC and related amenities at LMC's corporate headquarters. Under these various agreements, approximately \$3 million of allocated expenses were reimbursed from Liberty to LMC for the three months ended March 31, 2012.

The condensed consolidated financial statements and accompanying notes of Liberty have been prepared to reflect LMC as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of the businesses, assets and liabilities owned by LMC at the time of Split-Off (for periods prior to the Split-Off) have been excluded from the respective captions in the accompanying condensed consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such condensed consolidated financial statements.

Certain combined financial information for LMC, which is included in earnings (loss) from discontinued operations, is as follows:

Three months
ended March 31,
2011

	amounts in millions	
Revenue	\$	973
Earnings (loss) before income taxes	\$	576

The per share impact from discontinued operations is as follows:

	Three months ended March 31, 2011	
Basic earnings (losses) from discontinued operations attributable to Liberty shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	\$	3.45
Series A and Series B Liberty Starz common stock	\$	1.02
Series A and Series B Liberty Interactive common stock	\$	—
Diluted earnings (losses) from discontinued operations attributable to Liberty shareholders per common share (note 4):		
Series A and Series B Liberty Capital common stock	\$	3.37
Series A and Series B Liberty Starz common stock	\$	0.98
Series A and Series B Liberty Interactive common stock	\$	—

The businesses, assets and liabilities that were previously attributed to our former Liberty Starz and Liberty Capital tracking stock groups were owned by LMC at the time of the Split-Off and have been included in discontinued operations. Certain assets and liabilities not owned by Liberty at the time of the Split-Off were attributed to the Liberty Interactive tracking stock group in prior periods and certain assets and liabilities not owned by LMC at the time of the Split-Off were attributed to the Liberty Capital tracking stock group in prior periods. This results in Liberty Interactive common stock participating in the discontinued operations for the amount attributable to Liberty Interactive common stock for those items in periods prior to the Split-Off. Additionally, certain prior period EPS calculations for Liberty Capital common stock include continuing operations due to the attribution of certain debt and equity instruments in those periods to the Liberty Capital group that remained with Liberty after the Split-Off as a result of the change in attribution of those assets and liabilities prior to the Split-Off.

(3) Stock-Based Compensation

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

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

Three months ended:	
March 31, 2012	\$ 17
March 31, 2011	\$ 16

In March 2012, Liberty granted to QVC employees 2.7 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$8.38 per share and vest semi-annually over the 4 year vesting period.

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 stock 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—Outstanding Awards

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

	Liberty Interactive			
	Series A (000's)	WAEP	Series B (000's)	WAEP
Outstanding at January 1, 2012	45,223	\$ 12.06	450	\$ 19.74
Granted	2,717	\$ 18.63	—	\$ —
Exercised	(2,122)	\$ 7.04	—	\$ —
Forfeited/Cancelled/Exchanged	(164)	\$ 18.09	—	\$ —
Outstanding at March 31, 2012	45,654	\$ 12.66	450	\$ 19.74
Exercisable at March 31, 2012	15,569	\$ 13.21	450	\$ 19.74

The following table provides additional information about outstanding Awards to purchase Liberty Interactive common stock at March 31, 2012.

No. of outstanding Awards (000's)	WAEP of outstanding Awards	Weighted average remaining life	Aggregate intrinsic value (000's)	No. of exercisable Awards (000's)	WAEP of exercisable Awards	Weighted average remaining life	Aggregate intrinsic value (000's)
--	----------------------------------	--	--	--	----------------------------------	--	--

Series A Liberty Interactive	45,654	\$	12.66	5.2 years	\$ 304,886	15,569	\$	13.21	2.9 years	\$ 102,806
Series B Liberty Interactive	450	\$	19.74	3.2 years	\$ —	450	\$	19.74	3.2 years	\$ —

As of March 31, 2012, the total unrecognized compensation cost related to unvested Liberty Interactive equity Awards was approximately \$117 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.3 years.

(4) Earnings (Loss) Per Common Share

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

Series A and Series B Liberty Capital Common Stock

For the three months ended March 31, 2011 the EPS calculation for basic EPS is based on 82 million weighted average outstanding shares and for diluted EPS 84 million weighted average shares outstanding. As discussed in more detail in note 2, Liberty Capital common stock was redeemed for shares in a subsidiary in the third quarter of 2011. Therefore, there is no Liberty Capital common stock outstanding at March 31, 2012.

Series A and Series B Liberty Starz Common Stock

For the three months ended March 31, 2011 the EPS calculation for basic EPS is based on 51 million weighted average outstanding shares and for diluted EPS 53 million weighted average shares outstanding. As discussed in more detail in note 2, Liberty Starz common stock was redeemed for shares in a subsidiary in the third quarter of 2011. Therefore, there is no Liberty Starz common stock outstanding at March 31, 2012.

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 three months ended March 31, 2012 are 7 million potential common shares because their inclusion would be antidilutive.

	Liberty Interactive Common Stock	
	Three months ended	Three months ended
	March 31, 2012	March 31, 2011
	numbers of shares in millions	
Basic EPS	572	598
Stock options	9	7
Diluted EPS	581	605

(5) Assets and Liabilities Measured at Fair Value

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

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

Description	Fair Value Measurements at March 31, 2012			
	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		
Short term marketable securities	8	—	8	—
Available-for-sale securities	1,339	1,339	—	—
Financial instruments	38	(11)	49	—
Debt	2,623	—	2,623	—

The majority of the Company's Level 2 financial assets and liabilities are debt instruments with quoted market prices that are not considered to be traded on "active markets," as defined in GAAP. Accordingly, the financial instruments are reported in the foregoing table as Level 2 fair value.

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	
March 31,	
2012	2011
amounts in millions	

Non-strategic Securities	\$	140	97
Exchangeable senior debentures		(182)	(187)
Other		24	31
	\$	(18)	(59)

(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 based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). In prior years, Liberty entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges were 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 elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Non-strategic Securities"). Accordingly, changes in the fair value of Non-strategic Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying condensed consolidated statements of operations.

Investments in AFS securities, the entirety of which are considered Non-strategic Securities, and other cost investments are summarized as follows:

	March 31, 2012	December 31, 2011
	amounts in millions	
Time Warner Inc.	\$ 822	787
Time Warner Cable Inc.	446	348
Other	75	33
	\$ 1,343	1,168

(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 March 31, 2012 and the carrying amount at December 31, 2011:

		March 31, 2012	December 31, 2011
Percentage ownership	Market value (level 1)	Carrying amount	Carrying amount
	dollars in millions		
Expedia, Inc. (a)	27%	\$ 1,157	\$ 616
TripAdvisor, Inc. (b)	26%	1,235	197
HSN, Inc.	34%	761	229
Other	various	N/A	110
		\$ 1,152	1,135

- (a) Liberty entered into a forward sales contract on 12 million shares of Expedia common stock in March 2012 at a per share forward price of \$34.316. The forward contract is settleable in October 2012 in stock, net-share settlement or cash, at the election of Liberty. Liberty delivered 12 million shares of Expedia as collateral under the forward contract. The carrying value of the shares, held as collateral by the counterparty, was \$214 million and the fair value was \$401 million as of March 31, 2012.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

- (b) In May 2012, Liberty sold approximately 8.5 million shares of TripAdvisor, Inc. for cash proceeds of \$338 million.

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

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions	
Expedia (1)	\$ (2)	13
TripAdvisor, Inc. (1)	11	—
HSN, Inc.	15	13
Other	(13)	(6)
	<u>\$ 11</u>	<u>20</u>

- (1) During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, Inc., its wholly owned subsidiary. As of the TripAdvisor, Inc. split-off date, the Company had a 26% economic ownership interest in each of Expedia, Inc. and TripAdvisor, Inc. and, through ownership of class B common stock with 10 votes per share, had an approximate 58% voting interest in each respective company. Through a stockholders agreement, Liberty has given Barry Diller, Chairman and Senior Executive Officer of both companies, the right to vote all of the common stock owned by Liberty. Through a governance agreement, Liberty has the right to nominate up to 20% of the board members for each entity and currently two members on each company's 10 member board were nominated by Liberty. Through Liberty's board representation, it was determined that the Company has significant influence over each respective company and continues to apply the equity method of accounting as a result.

Expedia

Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	March 31, 2012	December 31, 2011
	amounts in millions	
Current assets	\$ 2,585	2,274
Property and equipment, net	344	320
Goodwill	2,889	2,877
Intangible assets	739	744
Other assets	261	290
Total assets	<u>\$ 6,818</u>	<u>6,505</u>
Current liabilities	\$ 3,002	2,553
Deferred income taxes	288	280
Long-term debt	1,249	1,249
Other liabilities	123	118
Noncontrolling interest	107	105
Equity	2,049	2,200
Total liabilities and equity	<u>\$ 6,818</u>	<u>6,505</u>

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Expedia Consolidated Statements of Operations

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions	
Revenue	\$ 816	728
Cost of revenue	(200)	(176)
Gross profit	616	552
Selling, general and administrative expenses	(564)	(509)
Amortization	(3)	(6)
Restructuring charges and other	—	(2)
Operating income	49	35
Interest expense	(21)	(23)
Other income (expense), net	(1)	(3)
Income tax (expense) benefit	(5)	(3)
Income from continuing operations	22	6
Earnings (loss) from discontinued operations	(24)	46
Net earnings (loss)	(2)	52
Less net earnings (loss) attributable to noncontrolling interests	(1)	—
Net earnings (loss) attributable to Expedia, Inc. shareholders	\$ (3)	52

(8) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	E-commerce	Total
	amounts in millions		
Balance at January 1, 2012	\$ 5,354	624	5,978
Foreign currency translation adjustments	10	—	10
Acquisition	16	(1)	15
Balance at March 31, 2012	\$ 5,380	623	6,003

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$108 million and \$110 million for the three month periods ended March 31, 2012 and 2011, respectively. Based on its amortizable intangible assets as of March 31, 2012, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2012	\$ 344
2013	\$ 432
2014	\$ 403
2015	\$ 361
2016	\$ 337

(9) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal	Carrying value	
	March 31, 2012	March 31, 2012	December 31, 2011
	amounts in millions		
Senior notes and debentures			

5.7% Senior Notes due 2013	309	308	308
8.5% Senior Debentures due 2029	287	285	285
8.25% Senior Debentures due 2030	504	501	501
Exchangeable Senior Debentures			
3.125% Exchangeable Senior Debentures due 2023	1,138	1,374	1,275
4% Exchangeable Senior Debentures due 2029	469	258	258
3.75% Exchangeable Senior Debentures due 2030	460	254	235
3.5% Exchangeable Senior Debentures due 2031	484	364	341
3.25% Exchangeable Senior Debentures due 2031	414	373	334
QVC 7.125% Senior Secured Notes due 2017	500	500	500
QVC 7.5% Senior Secured Notes due 2019	1,000	987	986
QVC 7.375% Senior Secured Notes due 2020	500	500	500
QVC Bank Credit Facilities	382	382	434
Other subsidiary debt	97	97	82
Total consolidated Liberty debt	<u>\$ 6,544</u>	<u>6,183</u>	<u>6,039</u>
Less current maturities		<u>(1,265)</u>	<u>(1,189)</u>
Total long-term debt		<u>\$ 4,918</u>	<u>4,850</u>

QVC Bank Credit Facilities

The QVC Bank Credit Facilities provide for a \$2 billion revolving credit facility, with a \$250 million sub-limit for standby letters of credit. Availability under the QVC Bank Credit Facilities at March 31, 2012 was \$1.6 billion. The \$382 million outstanding principal matures in September 2015.

QVC was in compliance with all of its debt covenants at March 31, 2012.

QVC Interest Rate Swap Arrangements

During the third quarter of 2009, QVC entered into seven forward interest rate swap arrangements with an aggregate notional amount of \$1.75 billion. Such arrangements provide for payments beginning in March 2011 and extending to March 2013. QVC will make fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR (0.47% at March 31, 2012). Additionally, during 2011, QVC entered into seven additional swap arrangements with an aggregate notional amount of \$1.35 billion requiring QVC to make variable payments at 3 month LIBOR 0.47% at March 31, 2012) and receive fixed payments ranging from 0.57% to 0.95%. These swap arrangements do not qualify as cash flow hedges under GAAP. Accordingly, changes in the fair value of the swaps are reflected in realized and unrealized gains or losses on financial instruments in the accompanying condensed consolidated statements of operations.

Other Subsidiary Debt

Other subsidiary debt at March 31, 2012 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 (level 2). 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 March 31, 2012 is as follows (amounts in millions):

Senior notes	\$ 323
Senior debentures	\$ 813
QVC senior secured notes	\$ 2,194

Due to the variable rate nature, Liberty believes that the carrying amount of its subsidiary debt not discussed above approximated fair value at March 31, 2012.

(10) Stockholders' Equity

As of March 31, 2012, Liberty reserved for issuance upon exercise of outstanding stock options approximately 45.7 million shares of Series A Liberty Interactive common stock and 450 thousand shares of Series B Liberty Interactive common stock.

In addition to the Series A and Series B Liberty Interactive common stock there are 4 billion shares of Series C Liberty Interactive common stock authorized for issuance. As of March 31, 2012, no shares of any Series C Liberty Interactive common stock were issued or outstanding.

Liberty Interactive's board of directors has approved the recapitalization of its common stock through the creation of a new tracking stock to be designated the Liberty Ventures common stock. In the recapitalization, each holder of Liberty Interactive common stock will receive 0.05 of a share of the corresponding series of Liberty Ventures common stock, with cash issued in lieu of fractional shares of Liberty Ventures common stock. In addition, holders of Liberty Interactive common stock will also receive 1/3 of a subscription right to purchase one share of Series A Liberty Ventures common stock for each share of Liberty Ventures tracking stock they receive in the recapitalization. The proposed recapitalization is intended to be tax-free to stockholders and its completion will be subject to various conditions, including the affirmative vote of a majority of the aggregate voting power of the shares of Liberty Interactive common stock outstanding and entitled to vote at a stockholder meeting to be called for such purpose, voting together as a single class, and the receipt of a tax opinion from counsel. Subject to the satisfaction of the conditions to closing, the recapitalization is currently expected to close in the second or third quarter of 2012.

(11) Commitments and Contingencies

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.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(12) 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 industries. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual pre-tax earnings or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's annual 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 unique website visitors, conversion rates and active customers, as appropriate.

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

For the three months ended March 31, 2012, Liberty has identified the following consolidated subsidiaries and equity method affiliates as its reportable segments:

- QVC—consolidated subsidiary that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications.
- Expedia, Inc.—an equity method affiliate in which we hold a 27% ownership interest (see note 7) that operates an easily accessible global travel marketplace, allowing customers to research, plan and book travel products and services from travel suppliers and allowing these travel suppliers to efficiently reach and provide their products and services to Expedia customers.

Additionally, for presentation purposes Liberty is providing financial information of the E-commerce businesses on an aggregated basis. The consolidated businesses do not contribute significantly to the overall operations of Liberty on an individual basis; however, Liberty believes that on an aggregated basis they provide relevant information for users of these financial statements. While these businesses may not meet the aggregation criteria under relevant accounting literature Liberty believes the information is relevant and helpful for a more complete understanding of the consolidated results.

- E-commerce—the aggregation of certain consolidated subsidiaries that market and sell a wide variety of consumer products via the Internet. Categories of consumer products include perishable and personal gift offerings (Provide Commerce, Inc.), active lifestyle gear and clothing (Backcountry.com, Inc.), fitness and health goods (Bodybuilding.com, LLC) and celebration offerings from invitations to costumes (Celebrate Interactive Holdings, Inc.).

Liberty's operating 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 accounting policies.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Performance Measures

	Three months ended			
	March 31,			
	2012		2011	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
amounts in millions				
QVC	\$ 1,932	390	1,835	363
E-commerce	382	34	324	29
Expedia, Inc.	816	103	728	84
Corporate and other	—	(6)	—	(14)
Total	\$ 3,130	521	2,887	462
Eliminate equity method affiliates	(816)	(103)	(728)	(84)
Consolidated	\$ 2,314	418	2,159	378

Other Information

	March 31, 2012		
	Total assets	Investments in affiliates	
		Capital expenditures	
amounts in millions			
QVC	\$ 13,268	—	45
E-commerce	1,452	11	23
Expedia, Inc.	6,818	—	46
Corporate and other	2,424	1,141	—
Total	23,962	1,152	114
Eliminate equity method affiliates	(6,818)	—	(46)
Consolidated	\$ 17,144	1,152	68

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

	Three months ended March 31,	
	2012	2011
	amounts in millions	
Consolidated segment Adjusted OIBDA	\$ 418	378
Stock-based compensation	(17)	(16)
Depreciation and amortization	(143)	(149)
Interest expense	(106)	(114)
Share of earnings (loss) of affiliates, net	11	20
Realized and unrealized gains (losses) on financial instruments, net	(18)	(59)
Other, net	3	18
Earnings (loss) from continuing operations before income taxes	\$ 148	78

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 at QVC, Inc.; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; 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 additional connections to consumers as technologies progress and shift consumer shopping behaviors;
- 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;
- 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 channels;
- 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 1 of our Annual Report on Form 10-K for the year ended December 31, 2011. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2011.

Overview

We own controlling and non-controlling interests in a broad range of video and on-line commerce companies. Our largest business, which is also our principal reportable segment, is QVC, Inc. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications. Additionally, we own entire or majority interests in consolidated subsidiaries which operate on-line commerce businesses in a broad range of retail categories. The more significant of these include Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, LLC and Provide Commerce, Inc. Backcountry operates websites offering sports gear and clothing for outdoor and active individuals in a variety of categories. Bodybuilding manages websites related to sports nutrition, body building and fitness. Celebrate operates websites that offer costumes, accessories, décor and party supplies. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts.

Our "Corporate and Other" category includes our corporate ownership interests in other unconsolidated businesses and corporate expenses. We hold ownership interests in Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc. and Tree.com, 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 Inc., Time Warner Cable Inc. and AOL, Inc., which are accounted for at their respective fair market values and are included in "Corporate and Other."

Discontinued Operations

Prior to the Split-Off (as defined below), Liberty's equity was structured into three separate tracking stocks. Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty had three tracking stocks: Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the separate businesses, assets and liabilities attributed to each group. These attributed businesses, assets and liabilities were not separate legal entities and therefore could not own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks did not have direct claim to the group's stock or assets and were not represented by separate boards of directors.

On September 23, 2011, Liberty completed the split-off of its wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto known as Liberty Splitco, Inc.) (the "Split-Off"). At the time of the Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to our former Capital and Starz tracking stock groups. The Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock of Liberty for all of the common stock of LMC. This transaction has been accounted for at historical cost due to the pro rata nature of the distribution.

Following the Split-Off, Liberty and LMC operate as separate, publicly traded companies and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Split-Off, Liberty and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the Split-Off and to provide for an orderly transition.

The condensed consolidated financial statements of Liberty have been prepared to reflect LMC as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of LMC (for periods prior to the Split-Off) have been excluded from the respective captions in the accompanying condensed consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such condensed financial statements.

Results of Operations—Consolidated

General. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our reportable segment and our E-commerce businesses. The "corporate and other" category consists of those assets or businesses which we do not disclose separately. For a more detailed discussion and analysis of the financial results of the principal reporting segment, see "Results of Operations—Businesses" below.

Operating Results

	Three months ended	
	March 31,	
	2012	2011
	amounts in millions	
<i>Revenue</i>		
QVC	\$ 1,932	1,835
E-commerce	382	324
Corporate and other	—	—
Consolidated	<u>\$ 2,314</u>	<u>2,159</u>
<i>Adjusted OIBDA</i>		
QVC	\$ 390	363
E-commerce	34	29
Corporate and other	(6)	(14)
Consolidated	<u>\$ 418</u>	<u>378</u>
<i>Operating Income (Loss)</i>		
QVC	\$ 258	225
E-commerce	15	8
Corporate and other	(15)	(20)
Consolidated	<u>\$ 258</u>	<u>213</u>

Revenue. Our consolidated revenue increased 7.2% or \$155 million for the three months ended March 31, 2012 as compared to the corresponding prior year period. The three month increase was primarily due to increased revenue at QVC (\$97 million) and the E-commerce companies (\$58 million). See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 12 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased 10.6% or \$40 million for the three months ended March 31, 2012 as compared to the corresponding prior year period. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

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 \$17 million and \$16 million of stock compensation expense for the three month periods ended March 31, 2012 and 2011, respectively. The stock compensation expense was relatively flat as compared to the prior period. As of March 31, 2012, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$117 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.3 years.

Operating income. Our consolidated operating income increased 21.1% or \$45 million for the three months ended March 31, 2012 as compared to the corresponding prior year period. The three month increase was primarily due to improved results at QVC (\$33 million) and the E-commerce companies (\$7 million). See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

Other Income and Expense

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

	Three months ended March 31,	
	2012	2011
amounts in millions		
Other income (expense):		
Interest expense	(106)	(114)
Share of earnings (losses) of affiliates	11	20
Realized and unrealized gains (losses) on financial instruments, net	(18)	(59)
Other, net	3	18
Consolidated	<u>\$ (110)</u>	<u>(135)</u>

Interest expense. Interest expense decreased 7% or \$8 million as compared to the corresponding prior year period. The overall decrease in interest expense related to a lower average debt balance for the three months ended March 31, 2012, as compared to the corresponding prior year periods.

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

	Three months ended March 31,	
	2012	2011
amounts in millions		
Expedia, Inc.	\$ (2)	13
TripAdvisor, Inc.	11	—
HSN, Inc.	15	13
Other	(13)	(6)
	<u>\$ 11</u>	<u>20</u>

During the fourth quarter of 2011, Expedia, Inc. completed the pro-rata split-off of TripAdvisor, Inc., its wholly owned subsidiary. Therefore, the Company held a 26% ownership interest in each of Expedia, Inc. and TripAdvisor, Inc. as of the TripAdvisor, Inc. split-off date. The most significant change in earnings for Expedia, Inc., other than the split-off of TripAdvisor, Inc., was the result of a one-time loss recognition for the three months ended March 31, 2012 associated with the retirement of certain debt in conjunction with the TripAdvisor, Inc. split-off.

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 March 31,	
	2012	2011
	amounts in millions	
Non-strategic Securities	\$ 140	97
Exchangeable senior debentures	(182)	(187)
Other derivatives	24	31
	<u>\$ (18)</u>	<u>(59)</u>

Income taxes. Our effective tax rate for the three months ended March 31, 2012 is 29% which is less than the U.S. federal income tax rate of 35% primarily due to tax credits generated by our alternative energy investments.

Net earnings. We had net earnings of \$105 million and \$399 million for the three month periods ended March 31, 2012 and 2011, respectively. Net earnings in the prior year included \$336 million of earnings from discontinued operations. The remaining change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Material Changes in Financial Condition

As of March 31, 2012 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 other highly rated financial and corporate debt instruments.

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

During the quarter there have been no significant changes to our corporate or subsidiary debt credit ratings.

As of March 31, 2012, Liberty had a cash balance of \$794 million with \$284 million held by foreign subsidiaries. We have borrowing capacity under the QVC credit facility at March 31, 2012 of \$1.6 billion. Additionally, our operating businesses have provided, on average, more than \$1 billion in annual operating cash flow over the prior three years and we do not anticipate any significant reductions in that amount in future periods.

During the three months ended March 31, 2012, Liberty's primary uses of cash were \$228 million of Liberty Interactive common stock repurchases. These repurchases were funded primarily with cash provided by operating activities and cash on hand.

The projected uses of Liberty cash are continued capital improvement spending of approximately \$350 million for capital expenditures for the remainder of the year, the costs to service outstanding debt, approximately \$250 million for interest payments on outstanding debt, the potential buyback of common stock under the approved share buyback program (subsequent to quarter end we made additional repurchases of approximately 8.6 million shares for \$162 million through April 30, 2012) and additional investments in existing or new businesses. We also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities.

QVC was in compliance with its debt covenants as of March 31, 2012.

Results of Operations—Businesses

Operating Results by Business

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications. In the United States, QVC's live programming is distributed via its nationally televised shopping program 24 hours a day, 364 days per year ("QVC-US"). Internationally, QVC's program services are based in Japan ("QVC-Japan"), Germany ("QVC-Germany"), the United Kingdom ("QVC-UK") and Italy ("QVC-Italy"). QVC-Japan and QVC-Germany each distribute live programming 24 hours a day and QVC-UK distributes its program 24 hours a day with 17 hours of live programming. QVC-Italy launched on October 1, 2010, and is distributing programming live for 17 hours a day on satellite and public television and an additional seven hours a day of recorded programming on satellite television.

QVC's operating results were as follows:

	Three months ended March 31,	
	2012	2011
amounts in millions		
Net revenue	\$ 1,932	1,835
Cost of sales	(1,230)	(1,180)
Gross profit	702	655
Operating expenses	(179)	(175)
SG&A expenses (excluding stock-based compensation)	(133)	(117)
Adjusted OIBDA	390	363
Stock-based compensation—SG&A	(5)	(4)
Depreciation and amortization	(127)	(134)
Operating income	<u>\$ 258</u>	<u>225</u>

Net revenue was generated in the following geographical areas:

	Three months ended March 31,	
	2012	2011
amounts in millions		
QVC-US	\$ 1,240	1,192
QVC-Japan	289	233
QVC-Germany	247	268
QVC-UK	140	138
QVC-Italy	16	4
	<u>\$ 1,932</u>	<u>1,835</u>

QVC's consolidated net revenue increased 5.3% during the three months ended March 31, 2012 as compared to the corresponding prior quarter. The increase in net revenue of \$97 million was comprised of \$68 million due to a 3.2% increase in average selling price per unit ("ASP"), a \$48 million increase due to a 2% increase in units sold and an increase in shipping and handling revenue of \$16 million. These increases were offset by a \$32 million increase in estimated product returns and unfavorable foreign currency rates in all markets except Japan of \$3 million. Returns as a percent of gross product revenue increased to 19.8% from 19.5% primarily due to an increase in apparel sales as a percentage of the total mix of products sold.

During the three months ended March 31, 2012 and 2011, the changes in revenue and expenses were impacted by changes in the exchange rates for the Japanese Yen, the Euro and the UK Pound Sterling. In the event the US 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 QVC's geographic areas in US Dollars and in local currency was as follows:

	Three months ended	
	March 31, 2012	
	U.S. Dollars	Local currency
QVC-US	4.0 %	4.0 %
QVC-Japan	24.0 %	19.4 %
QVC-Germany	(7.8)%	(3.9)%
QVC-UK	1.4 %	3.5 %

QVC-US growth in net revenue of 4.0% was due primarily to a 4.0% increase in ASP and a 0.8% increase in units sold, partially offset by an increase in returns. QVC-US shipped sales increased mainly due to growth in sales of cooking and dining and apparel. QVC-Japan's growth was primarily due to QVC-Japan being off-air for twelve days as a result of the earthquake and related events experienced during the first quarter of 2011 and was driven by increased sales in home, apparel and accessories. Declines in QVC-Germany were due primarily to decreased sales in health and fitness, apparel and accessories, offset somewhat by increases in sales of beauty products. QVC-UK's growth was the result of increased sales in the beauty and apparel categories. QVC-Italy's sales consisted of primarily home, beauty and apparel products.

QVC's televised shopping program is already received by substantially all the multichannel television households in the US, Germany and the UK. QVC's future net revenue growth will primarily depend on international expansion, sales growth from e-commerce and mobile platforms, additions of new customers from households already receiving our television programming, and growth in sales to existing customers and new subscribers as a result of expansion of our programming reach. QVC's future net revenue may also be affected by (i) the willingness of multichannel television 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 was 36.3% and 35.7% for the three months ended March 31, 2012 and 2011, respectively. The increase in the gross profit percentage for the three months ended March 31, 2012 was due primarily to a product mix shift from lower margin electronics to apparel and improved leverage on our warehouse cost base.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expense and production costs. Operating expenses increased \$4 million or 2.3% for the three months ended March 31, 2012. The increase was primarily due to a \$4 million increase in commissions expense related to sales growth.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased \$16 million and as a percent of net revenue from 6.4% to 6.9% for the three months ended March 31, 2012 as a result of a variety of factors. Personnel expenses increased \$15 million due to merit and benefits increases, a higher bonus accrual, as well as a charge associated with reducing the number of order entry personnel at the Chesapeake, VA, US call center due to an increase in electronic ordering from customers. Bad debt increased by \$5 million compared to the prior year due to our Easy Pay installment program. These increases were primarily offset by higher credit card income of \$3 million due to a higher average portfolio balance.

QVC's depreciation and amortization consisted of the following:

	Three months ended	
	March 31,	
	2012	2011
Affiliate agreements	\$ 38	38
Customer relationships	43	43
Purchase accounting related amortization	81	81
Property, plant and equipment	31	35
Software amortization	12	12
Channel placement amortization	3	6
Total depreciation and amortization	<u>\$ 127</u>	<u>134</u>

E-commerce businesses. Our e-commerce businesses are comprised primarily of Provide, Backcountry, Bodybuilding and Celebrate. Revenue for the e-commerce businesses is seasonal due to certain holidays, which drive a significant portion of the e-commerce businesses' revenue. The third quarter is generally lower, as compared to the other three quarters, due to fewer holidays. Revenue increased \$58 million for the three months ended March 31, 2012 as compared to the corresponding prior year period. Each of our respective e-commerce businesses reported an increase in revenue, with the exception of one of our subsidiaries, for the three months ended March 31, 2012 as compared to the corresponding prior year periods. Such increases were the result of increased marketing efforts driving additional traffic, greater conversion resulting from investments in site optimization and broader inventory offerings. Adjusted OIBDA for the e-commerce businesses increased \$5 million for the three months ended March 31, 2012 representing 9% of revenue in 2012, as compared to 9% in 2011. Operating income was slightly higher by \$7 million as a result of the discussion above and lower stock compensation expense for the three months ended March 31, 2012 as compared to the corresponding prior year period.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of March 31, 2012, 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			
QVC	\$ 382	1.7%	\$ 2,068	7.3%
Corporate and other	\$ 29	3.0%	\$ 4,065	4.6%

In addition, QVC has entered into several interest rate swap arrangements that provide for payments beginning in March 2011 and extending to March 2013. On a notional amount of \$1.75 billion, QVC will make fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR (0.47% at March 31, 2012). On an additional notional amount of \$1.35 billion, QVC will make variable payments at 3 month LIBOR (0.47% at March 31, 2012) and receive fixed payments ranging from 0.57% to 0.95%.

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We

believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically 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 March 31, 2012, the fair value of our non-strategic AFS equity securities was \$1,339 million. Had the market price of such securities been 10% lower at March 31, 2012, the aggregate value of such securities would have been \$134 million lower. Our stock in Expedia and other equity method affiliates which are publicly traded securities are not reflected at fair value in our balance sheet. These securities are also subject to market risk that is not directly reflected in our statement of operations. Additionally, 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.

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

Item 4. Controls and Procedures.

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and 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 March 31, 2012 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 March 31, 2012 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

None.

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

Share Repurchase Programs

On several occasions our board of directors authorized a share repurchase program for our Series A and Series B Liberty Interactive common stock. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of \$1 billion of Series A and Series B Liberty Interactive common stock for a total of \$3 billion. These previous authorizations remained effective, notwithstanding the fact that our stock is no longer a tracking stock, following the Split-Off. Additionally, on February 22, 2012 the board authorized the repurchase of an additional \$700 million of Series A and Series B Liberty Interactive common stock.

A summary of the repurchase activity for the three months ended March 31, 2012 is as follows:

Period	Series A Liberty Interactive Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs
January 1 - 31, 2012	3,863,050	\$ 16.67	3,863,050	\$309 million
February 1 - 29, 2012	200,839	\$ 16.98	200,839	\$1,007 million
March 1 - 31, 2012	8,442,609	\$ 18.93	8,442,609	\$847 million
Total	<u>12,506,498</u>		<u>12,506,498</u>	

In addition to the shares listed in the table above 153,455 shares of Series A Liberty Interactive 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 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):

- 31.1 Rule 13a-14(a)/15d-14(a) Certification*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification*
- 32 Section 1350 Certification**
- 99.1 Reconciliation of Liberty Interactive Corporation Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings**
- 101.INS XBRL Instance Document**
- 101.SCH XBRL Taxonomy Extension Schema Document**
- 101.CAL XBRL Taxonomy Calculation Linkbase Document**
- 101.LAB XBRL Taxonomy Label Linkbase Document**
- 101.PRE XBRL Taxonomy Presentation Linkbase Document**
- 101.DEF XBRL Taxonomy Definition Document**

* Filed herewith

** Furnished herewith

EXHIBIT INDEX

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** Furnished herewith

QuickLinks

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Condensed Consolidated Balance Sheets \(unaudited\)](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Operations \(unaudited\)](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Comprehensive Earnings \(Loss\) \(unaudited\)](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Condensed Consolidated Statements Of Cash Flows \(unaudited\)](#)

[LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES Notes to Condensed Consolidated Financial Statements \(unaudited\)](#)

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

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

[Item 4. Controls and Procedures](#)

[LIBERTY INTERACTIVE CORPORATION](#)

[Item 1. Legal Proceedings](#)

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

[Item 6. Exhibits](#)

[SIGNATURES](#)

[EXHIBIT INDEX](#)

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Interactive 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: May 8, 2012

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Interactive 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: May 8, 2012

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Chief Financial Officer

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 Interactive 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 March 31, 2012 (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.

Date: May 8, 2012

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Date: May 8, 2012

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and 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.

Liberty Interactive Corporation
Reconciliation of Liberty Interactive Corporation ("LINT") Net Assets and
Net Earnings to Liberty Interactive LLC ("LINT LLC") Net Assets and Net Earnings

March 31, 2012

(unaudited)

amounts in millions

Liberty Interactive Corporation Net Assets	\$ 6,396
Reconciling items:	
LINT put option obligations	—
LINT LLC Net Assets	<u>\$ 6,396</u>
Liberty Interactive Corporation Net Earnings	\$ 105
Reconciling items:	
Unrealized gain on LINT put options	(2)
Liberty Interactive LLC Net Earnings	<u>\$ 103</u>