


2012

LIBERTY
INTERACTIVE
CORPORATION

ANNUAL REPORT



CONTENTS

Certain statements in this Annual Report 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.; overseas expansionary efforts of QVC; our stock repurchase program and the impact of market conditions; leverage capacity at QVC and the impact of conditions in the debt markets; the recoverability of our goodwill and other long-lived assets; the impact of certain deferred tax liabilities on our deal structures; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements in our "Letter to Stockholders" and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. 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;
- the levels of online traffic to our businesses' websites and our ability to convert visitors into consumers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- 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, distributors, suppliers, vendors and joint venturers;
- general economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- advertising spending levels;
- 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;
- the regulatory and competitive environment of the industries in which we 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.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual 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. When considering such forward-looking statements, you should keep in mind any risk factors identified and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning public companies in which we have non-controlling interests that file reports and other information with the SEC in accordance with the Securities Exchange Act of 1934. Information contained in this Annual Report concerning those companies has been derived from the reports and other information filed by them with the SEC. If you would like further information about these companies, the reports and other information they file with the SEC can be accessed on the Internet website maintained by the SEC at www.sec.gov. Those reports and other information are not incorporated by reference in this Annual Report.

LIBERTY
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LETTER TO OUR STOCKHOLDERS

Dear Fellow Stockholders:

It was another transformational year for Liberty Interactive Corporation. In August, we completed our recapitalization into two tracking stocks: Liberty Interactive and Liberty Ventures. Our digital commerce businesses (QVC and eCommerce) along with our 36% stake in HSN are attributed to the Liberty Interactive Group. Our newest subsidiary, TripAdvisor, our stakes in Expedia, Tree, Interval Leisure Group and all of our exchangeable bonds are attributed to the Liberty Ventures Group. As you know, the tracking stock structure is one with which we are familiar and allows us to better align assets and liabilities with investor interest while maintaining maximum flexibility. The recapitalization has been well received by the market and our investors, and we are pleased with the performance of our stocks since the recapitalization.

Where We Excel

We believe we are:

- Stockholder centric – We think like owners and are focused on long-term gains rather than short-term results. The compensation structure of our management team is closely tied to the long-term performance of our stock. In fact, the executive leadership team has a significant portion of its respective net worth tied to Liberty Interactive;
- Forward-looking – We take advantage of the benefits and minimize the risks associated with the digital transition in the industries in which we invest;
- Empowering our managers by focusing on our strengths – We invest in strong teams, provide them with strategic input, capital and capital allocation recommendations and then empower them to run the businesses;
- Nimble – We structure our team to allow us to move quickly when opportunities arise, and we can be creative in our deal structures; and
- Financially sophisticated – We have experience in mergers, divestitures, investing, capital deployment, credit analysis and setting capital structures.

The Economic Climate

Unfortunately, not much has changed regarding the macroeconomic situation since last year. U.S. unemployment has moderately declined and recent retail indicators are stronger, but the pace of recovery is still quite slow. There is some additional clarity post-election on the tax situation, however, the government remains gridlocked. The prospects for the improvement of government functionality remain unlikely in the short term. We will have to wait and see how negative pressures from the expiration of the payroll tax holiday and the sequestration affect the economy. The Euro Zone continues to struggle as the UK faces a triple dip recession, political leadership in Italy is uncertain, and the German government is reducing spending in an effort to balance its budget. In Asia, Japan is still struggling to emerge from decades of deflation, the yen is moving against us, and China is seeing growth slow. However, in markets where our businesses are in an early stage (Italy and China), the macro economy is less of a factor. As always, our business managers will continue to focus on factors under their control and seek out opportunities.

What We Did Well

We are very pleased with the value created by recapitalizing into the tracking stock structure. Combined stockholder returns of the two tracking stocks are up 33% from their issuance through March 28, 2013, with Liberty Interactive up 22% and Liberty Ventures up 68%, respectively, over the same period. One of the main drivers of Liberty Ventures' stock price is the performance of the underlying public assets attributed to Liberty Ventures. In December, we obtained voting control of TripAdvisor through our purchase of additional shares from an individual stockholder. We look forward to working with TripAdvisor's management and board members to add value where we can.

From February 1, 2012 through January 31, 2013 we repurchased $815 million in Liberty Interactive shares, a significant acceleration since restarting our share repurchases in Q3 2011. Our new tracking stock structure allows for more efficient buybacks and if we were to adjust past repurchase prices for Liberty Ventures, these repurchases would be shown to be very accretive.

We believe the current debt markets present an enormous opportunity and we took advantage of that at QVC early in 2013. QVC raised $300 million in 30-year bonds at 5.95% and $750 million in 10-year bonds at 4.375%. The proceeds were used to redeem 2017 and 2019 bonds with interest rates over 7% and pay down QVC's bank credit facility. QVC also extended and decreased the cost of its revolving credit facility. This resulted in QVC's weighted average cost of capital decreasing from 4.7% to 4.2% and the weighted average term of its debt increasing from 5.1 to 8.2 years.

In April 2013, Liberty Interactive issued $850 million in new 30-year exchangeable debentures with an interest rate of 0.75%. These debentures are exchangeable into a basket of Time Warner and Time Warner Cable shares. We used the proceeds of these debentures and cash proceeds from the sales of Time Warner and AOL stock to pay off debentures due in 2023 that carried an interest rate of 3.125%. Again we were able to extend the term of our debt and reduce materially the cost of the debt, and we did this in a cash and tax neutral manner.

What We Could Have Done Better

Early in 2012, TripAdvisor and Expedia stock prices were strong and we decided to sell some high basis shares in each. We accomplished this by a straight sale of our shares in TripAdvisor in May and a forward sale of our shares in Expedia that closed in October. In hindsight, we sold these shares at relatively low prices.

2012 presented unique challenges for each of our eCommerce companies. Provide Commerce hired a new CEO and as part of the transition we incurred some recruiting and retention costs. Bodybuilding.com had a legal settlement that was expensed in 2012. Backcountry.com has been hindered by multiple warm winter seasons, resulting in the industry holding too much inventory which ultimately negatively affected gross margins. And finally at Celebrate Interactive, we've seen a more aggressive environment with pop-up retail stores taking advantage of the relative glut of available retail space as well as stronger online competitors. All the management teams are focused and driving hard to improve their businesses. We hope we are on the right path for 2013, but there is work to be done.

Reflecting on the LINTA stock price and value in 2012, we would have liked to utilize more capital in LINTA share repurchases. Additionally, due to the recapitalization into tracking stocks we were out of the market for a significant period of time.

Stock Performance

Liberty Interactive posted gains of 16% from the beginning of 2012 through the creation of the Liberty Ventures tracking stock on August 10, 2012, and it returned an additional 12% for the rest of 2012. As mentioned earlier, Liberty Ventures was extremely well received by the market and its share price increased 51% from August 10, 2012 until December 31, 2012. Stockholders at the beginning of 2012 that remained invested in both Liberty Interactive Group and their pro rata shares of Liberty Ventures Group issued (i.e., 1 share of Liberty Ventures for every 20 shares of Liberty Interactive owned, excluding the rights offering) earned a return of 42% for the full year 2012. The stocks significantly outperformed market indices and various peer groups in 2012: the S&P Retail Index increased 5% (up 7% with dividends); the S&P 500 was up 13% (up 16% with dividends).

The 2013 trend remains positive as well. As of March 28, 2013, Liberty Interactive was up 9% for 2013, and Liberty Ventures was up 12%.

LIBERTY INTERACTIVE GROUP

QVC

QVC continues to be a leader in digital commerce, offering its customers and viewers a compelling, immersive, multi-screen shopping experience. QVC experienced explosive growth in mobile orders in 2012 with mobile comprising 22% of all eCommerce orders, up from 13% in 2011, a growth rate in orders of 99%. According to Internet Retailer, QVC was the second largest mobile commerce multi-category retailer in 2012, behind only Amazon. Additionally, QVC tied for second place (with Apple), in ForeSee's customer service holiday edition, which ranked companies by consumer satisfaction for their mobile experience. QVC has integrated the mobile experience: a user can watch a live feed, "speed buy" an item, post a comment, or interact with a host. For QVC's best customers, this is a fast and convenient way to shop the show, whether they're watching live or not. Additionally, QVC's best customers are the ones that use all of its platforms, and we see mobile continuing that trend. Mobile is also a great source of new QVC customers as a high percentage of its mobile purchases are from new customers. Given the continued growth in smart phones and tablets, QVC expects mobile orders to continue their significant growth.

The QVC shopping experience is fundamentally social in nature. QVC has a strong community of hosts, designers, guests, and customers who enjoy interacting on its community forum on QVC.com, on social platforms such as Facebook and Pinterest, and on mobile applications. During "In the Kitchen with David", one of QVC's most popular programs, the show's producer, Mary, actively engages with Facebook users and reads posts live on the show. The acquisition in 2012 of substantially all of the assets of Oodle, Inc. provides a sophisticated technology platform that will help QVC capitalize on the growing consumer trend of discovering new products via social media. This will allow it to better leverage its brand essence of real relationships on its digital platforms. Moreover, this opportunity will enable QVC to grow its customer base and strengthen its brand as an innovative retailer.

On the international front, QVC entered the China market through a joint venture with China National Radio (CNR) in July, a market which has enormous potential for the QVC model. In June 2010, CNR launched a TV shopping channel and web site, CNR Mall, which is based in Beijing. At the end of 2012, CNR Mall reached 48 million homes, an increase of 16 million over the beginning of the year. QVC has already positively impacted this new venture as it implements the best practices from the QVC model, including what it sells and how it sells it, with a focus on customer service and retention. With these sorts of changes CNR Mall has already seen gross margins increase. QVC couldn't be more pleased with its relationship with CNR Mall and the prospects for the Chinese market.

QVC will continue to assess international expansion opportunities and is currently evaluating Brazil, France and Spain. You may ask yourself if this is the right course given the weak macroeconomic conditions, especially in the Euro Zone. However, we would point to the success in Italy, which QVC entered in 2010, a less than ideal time for world economies. That market has exhibited strong growth and customer characteristics. While expected breakeven for QVC Italy will be three to six months behind schedule, it will still be the second fastest market to reach that milestone in QVC history. We have strong convictions that the QVC model is repeatable and scalable in international markets, and we will continue to seek out these opportunities.

eCommerce Companies

We won't sugar coat this one, it was a tough year for our group of eCommerce companies. Revenue growth slowed and adjusted OIBDA was down for the year. This was due to numerous factors: increased spending in paid search as a percentage of revenue, a warm winter season that increased promotional activity to move seasonal inventory that in turn resulted in lower gross margins, legal settlements, employee retention costs and lower advertising revenue due to pricing and a shift to mobile applications. We are taking action to get these businesses back on track. We have new CEOs at Provide Commerce and Celebrate Interactive and are adding to the senior management teams at other companies. Our CEOs are focused on customer acquisition, customer care, value proposition and the integration of their different sites and brands. We are cautiously optimistic that this increased focus will have positive impacts in 2013.

Capital Allocation

We still believe that the market undervalues the strength of the QVC business model. QVC's consolidated adjusted OIBDA margins continue to exceed 20%, and this has been the case since 2003. Regardless of the peer group - be it retail or eCommerce companies - the efficiency and strength of QVC's operating model is clear, and a significant portion of its adjusted OIBDA converts into free cash flow. So what do we do with this cash? As you can imagine, we get this question a lot. We believe that the primary focus will be on share repurchases at the Liberty Interactive Group. However, it is important to be disciplined about our repurchases. Given the volatility in LINTA's share price we like to be opportunistic and are thinking about capital return for the long term, not the next quarter.

LIBERTY VENTURES GROUP

Accompanying the launch of Liberty Ventures Group, we completed a successful rights offering which raised $328 million. We believe that it was important to adequately capitalize the Ventures Group in the event of unforeseen capital needs or the potential acceleration of liabilities. And, in fact, in Q1 of 2013 we decided to call the 3.25% exchangeable bonds due 2031. The value of the basket of the underlying equities had increased, and since we do not own the equities, we thought it was prudent to call the bonds and paid $424 million to do so.

As previously mentioned, in December, we completed a $300 million transaction that provided us with majority voting control of TripAdvisor. As a result, Liberty Ventures now controls a strong operating asset, and we are excited about the growth prospects and unique business model of TripAdvisor. We have two board seats, including the Chairmanship, and look forward to becoming more involved in this business. With our other equity stakes, we continue to seek efficient ways to build, monetize or rationalize them.

We continue to seek investment opportunities for the cash at Liberty Ventures.

Annual Investor Meeting

This year's annual investor meeting will take place on October 10th, in New York City. The new location worked so well last year that we will hold it there again: the TimesCenter at 242 West 41st Street. We will continue to offer the Liberty experience, so please join us.

Looking Ahead

We were pleased to quickly complete our recapitalization into tracking stocks. The overwhelming response to this in the market has been positive. At the Liberty Interactive Group we will continue to focus on the operations of our digital commerce companies. QVC will continue to expand in its new markets and drive new customer and revenue growth in its more mature markets. At the eCommerce companies the emphasis will be on profitably driving revenue. At the Liberty Ventures Group we will focus on our newest subsidiary TripAdvisor and look for new opportunities to invest our capital. We will also seek to build, monetize or rationalize our other interests. We think there is significant potential across the board at Liberty Interactive Corporation, and we are excited to drive these opportunities in 2013 and beyond.

We appreciate your ongoing support.

Very truly yours,

Gregory B. Maffei
President and Chief Executive Officer

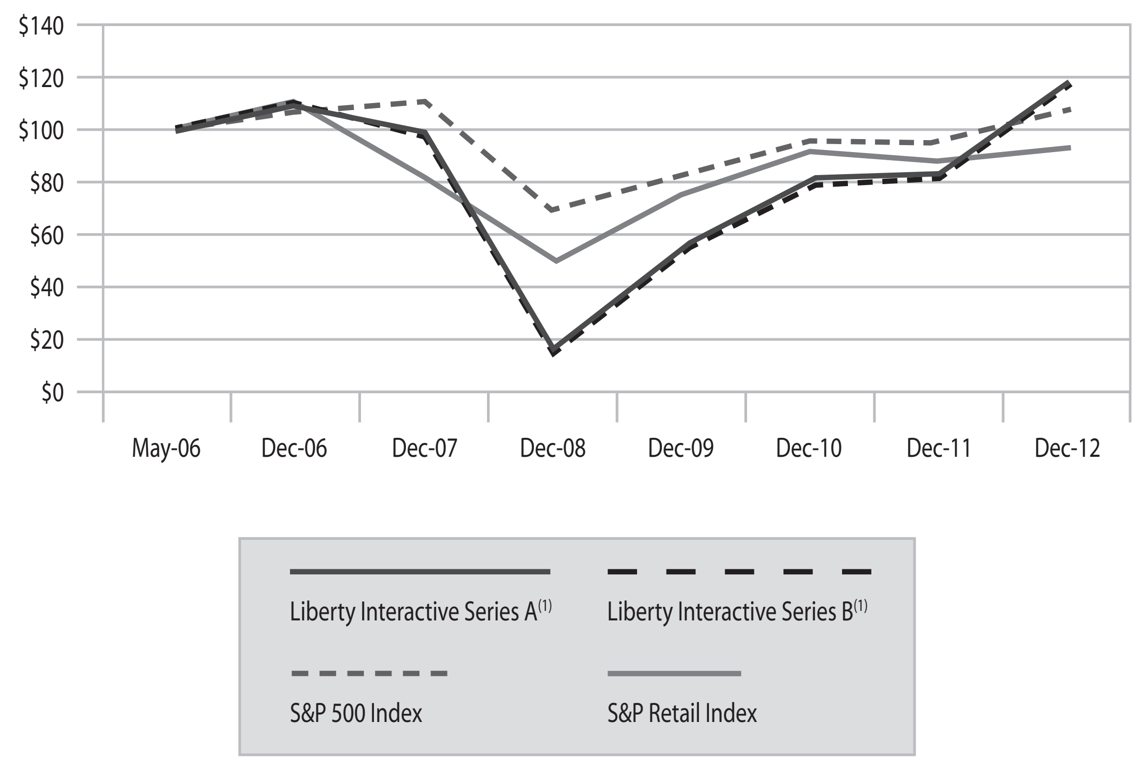
John C. Malone
Chairman of the Board

STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on the Series A and Series B Liberty Interactive common stock from May 10, 2006 through December 31, 2012, in comparison to the S&P 500 Index and the S&P Retail Index. Liberty Interactive performance includes the performance of the pro rata portion of shares of Liberty Ventures issued on August 10, 2012.

Liberty Interactive Common Stock vs. S&P 500 and Retail Indices

5/10/06 to 12/31/12



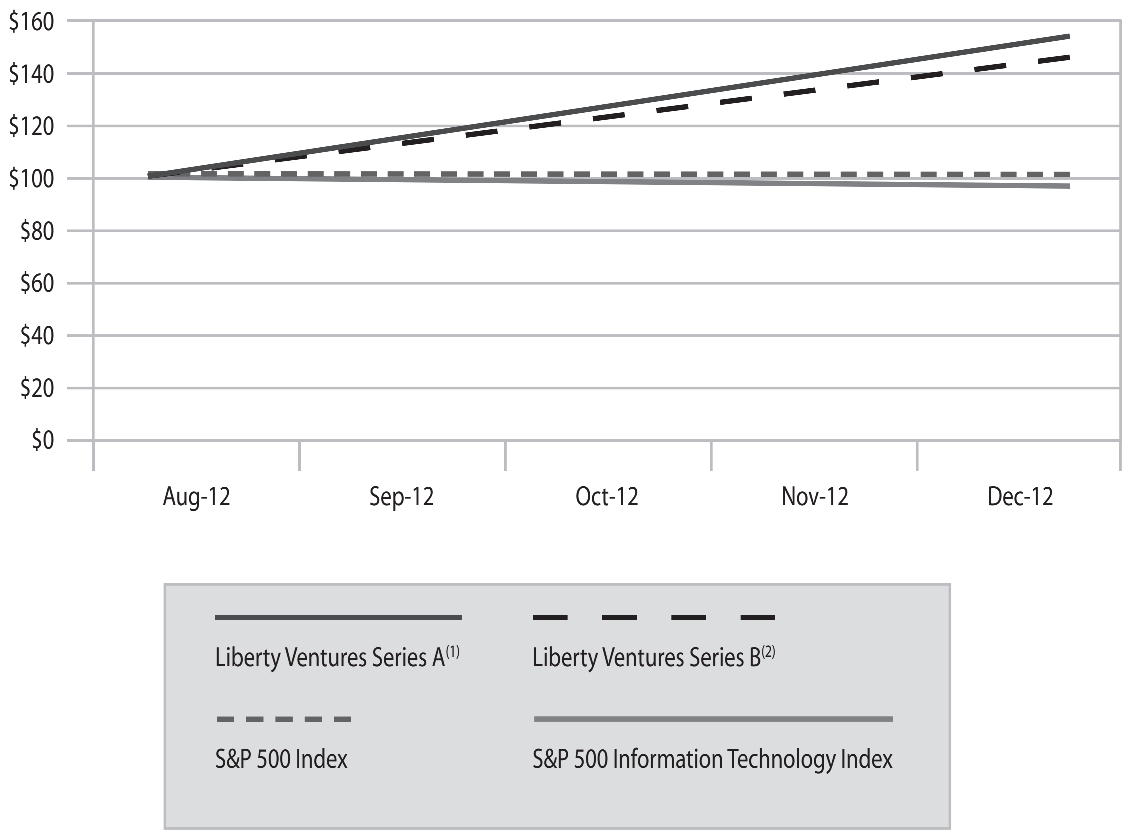
	5/10/06	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
Liberty Interactive Series A[(1)]	$100.00	$110.90	$98.10	$16.04	$55.73	$81.08	$83.37	$118.60
Liberty Interactive Series B[(1)]	$100.00	$111.76	$97.34	$15.29	$54.94	$79.54	$83.12	$117.18
S&P 500 Index	$100.00	$107.22	$111.00	$68.28	$84.30	$95.07	$95.07	$107.81
S&P Retail Index	$100.00	$110.34	$81.15	$50.41	$75.82	$91.78	$88.40	$92.60

[(1)] Liberty Interactive includes the performance of pro rata shares of Liberty Ventures

The following graph compares the percentage change in the cumulative total stockholder return on the Series A and Series B Liberty Ventures common stock from August 10, 2012 through December 31, 2012, in comparison to the S&P 500 Index and the S&P 500 Information Technology Index.

Liberty Ventures Common Stock vs. S&P 500 and Information Technology Indices

8/10/12 to 12/31/12



	8/10/12	12/31/12
Liberty Ventures Series A[1]	$100.00	$150.58
Liberty Ventures Series B[2]	$100.00	$144.12
S&P 500 Index	$100.00	$101.45
S&P 500 Information Technology Index	$100.00	$96.24

(1) LVNTA began trading on 8/10/12

(2) LVNTB first priced and began trading on 8/15/12

INVESTMENT SUMMARY | **As of February 28, 2013**

Libertyinteractive.com/asset-list.aspx

Liberty Interactive Corporation operates and owns interests in a broad range of digital commerce businesses. Those interests are currently attributed to two tracking stock groups: Liberty Interactive Group and Liberty Ventures Group.

The following tables set forth some of Liberty Interactive Corporation's major assets that are held directly and indirectly through partnerships, joint ventures, common stock investments and instruments convertible into common stock. Ownership percentages in the tables are approximate and, where applicable, assume conversion to common stock by Liberty Interactive Corporation and, to the extent known by Liberty Interactive Corporation, other holders. In some cases, Liberty Interactive Corporation's interest may be subject to buy/sell procedures, repurchase rights or dilution.

LIBERTY INTERACTIVE GROUP		
ENTITY	**DESCRIPTION OF OPERATING BUSINESS**	**OWNERSHIP**
Backcountry.com, Inc.	eCommerce business that sells performance gear for backcountry adventures, including backpacking, climbing, skiing, snowboarding, trail running and adventure travel.	88%
Bodybuilding.com, LLC	eCommerce business that sells supplements, clothing, tanning supplies, accessories and other bodybuilding products; also hosts an online site where visitors can network and exchange information related to bodybuilding.	90%
Celebrate Interactive Holdings, LLC (Celebrate Interactive)	Leading catalog and online retailer of party supplies and costumes.	100%
Commerce Technologies, Inc. (CommerceHub)	Leading provider of integration and fulfillment solutions for multi-channel eCommerce merchants.	99%
Evite, Inc.	The leading online invitation and social event planning service on the web.	100%
GiftCo, Inc. (gifts.com)	Leading gift recommendation site, offering consumers great gift ideas and interactive, personalized shopping services that enable consumers to become better, more organized gift-givers.	100%

LIBERTY INTERACTIVE GROUP		
ENTITY	**DESCRIPTION OF OPERATING BUSINESS**	**OWNERSHIP**
HSN, Inc. (NASDAQ: HSNI)	A retailer and interactive lifestyle network offering an assortment of products through television home shopping programming on HSN television network and HSN.com.	36%
Liberty Interactive Advertising LLC (Liberty Advertising)	An online advertising sales organization.	100%
LMC Right Start, Inc. (Right Start)	eCommerce and traditional retailer of premium baby gear and products that offers parents a carefully selected assortment of products for their babies including travel gear, feeding products, décor and toys.	100%
Lockerz, Inc.	Aims to be the destination for generation Z where commerce, content, and community converge.	36%
MotoSport, Inc.	Leading online retailer of motorcycle, dirt bike and ATV parts and accessories.	100%
Provide Commerce, Inc.	eCommerce marketplace company providing a collection of branded websites each offering high quality products shipped directly from the supplier to the consumer and designed specifically around the way consumers shop. Comprised of Cherry Moon Farms, gifts.com, Personal Creations, ProFlowers, ProPlants, RedEnvelope and Shari's Berries.	100%
QVC, Inc.	One of the world's leading video and eCommerce retailers, offering a curated collection of brands to millions of customers around the globe each day through broadcast, Internet, and mobile sales outlets.	100%

LIBERTY VENTURES GROUP		
ENTITY	**DESCRIPTION OF OPERATING BUSINESS**	**OWNERSHIP**
AOL Inc. (NYSE: AOL)	Global web services company with a suite of brands and offerings. The company's business spans online content, products and services that it offers to consumers, publishers and advertisers.	2%
Expedia, Inc. (NASDAQ: EXPE)	Empowers business and leisure travelers with the tools and information needed to research, plan, book and experience travel. It also provides wholesale travel to offline retail travel agents. Expedia's main companies include: Expedia.com, Hotels.com, Hotwire.com and Classic Vacations.	17%[1]
Interval Leisure Group, Inc. (NASDAQ: IILG)	Provider of membership services to the vacation ownership industry.	29%
Time Warner Cable Inc. (NYSE: TWC)	Among the largest cable operators in the U.S. offering residential and commercial video, high-speed data and voice services over its broadband cable systems.	2%
Time Warner Inc. (NYSE: TWX)	Media and entertainment company whose businesses include filmed entertainment, interactive services, television networks, cable systems, music and publishing.	2%
Tree.com, Inc. (Lending Tree) (NASDAQ: TREE)	An online lending and real estate business which matches consumers with lenders and loan brokers.	25%
TripAdvisor, Inc. (NASDAQ: TRIP)	The world's largest travel site,[2] enabling travelers to plan and have the perfect trip.	22%[3]

1. Liberty Interactive Corporation owns approximately 17% of Expedia common stock representing an approximate 55% voting interest. The Chairman of Expedia currently has the authority to vote these shares.
2. Source: comScore Media Metric for TripAdvisor Sites, Worldwide, January 2013.
3. Liberty Interactive Corporation owns approximately 22% of TripAdvisor common stock representing an approximate 57% voting interest.

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Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Series A and Series B Liberty Interactive common stock (LINTA and LINTB) have been outstanding since May 2006. On August 9, 2012 Liberty completed the approved recapitalization of its common stock through the creation of the Liberty Interactive common stock (continued to trade as LINTA and LINTB) and Liberty Ventures common stock (LVNTA and LVNTB) as tracking stocks. On September 23, 2011 we completed the LMC Split-Off, which was effected by means of a redemption of all of our Liberty Capital tracking stock and Liberty Starz tracking stock for the common stock of Liberty Media. Our Series A and Series B Liberty Capital tracking stock (LCAPA and LCAPB) and our Series A and Series B Liberty Starz tracking stock (formerly Liberty Entertainment tracking stock) (LSTZA and LSTZB, formerly LMDIA and LMDIB) were outstanding between September 23, 2011 and March 4, 2008 when each share of our previous Liberty Capital tracking stock was reclassified into one share of the same series of new Liberty Capital and four shares of the same series of Liberty Entertainment. On November 19, 2009, we completed the split off (the "LEI Split-Off") of our subsidiary Liberty Entertainment, Inc. ("LEI"). The LEI Split-Off was accomplished by a redemption of 90% of the outstanding shares of Liberty Entertainment common stock in exchange for all of the outstanding shares of common stock of LEI. LEI had been attributed to the Entertainment Group. Subsequent to the LEI Split-Off, the Entertainment Group was renamed the Starz Group. Each series of our common stock trades on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2012 and 2011, for the periods they were outstanding.

	Liberty Interactive			
	Series A (LINTA)		Series B (LINTB)	
	High	Low	High	Low
2011				
First quarter	$17.49	14.77	17.41	14.91
Second quarter	$18.65	15.19	18.37	15.30
Third quarter	$17.91	12.44	17.14	12.44
Fourth quarter	$16.50	13.38	16.35	13.72
2012				
First quarter	$19.80	16.36	19.32	16.07
Second quarter	$19.27	15.93	19.10	16.15
Third quarter (through August 9, 2012)	$19.66	17.42	19.31	17.64
Third quarter (after August 9, 2012)	$19.46	17.04	18.45	17.24
Fourth quarter	$20.95	18.26	20.51	18.42

	Liberty Ventures			
	Series A (LVNTA)		Series B (LVNTB)	
	High	Low	High	Low
2012				
Third quarter (after August 9, 2012)	$52.39	40.00	50.87	42.51
Fourth quarter	$68.84	48.29	68.21	49.33

	Liberty Capital			
	Series A (LCAPA)		Series B (LCAPB)	
	High	Low	High	Low
2011				
First quarter	$75.68	61.98	75.21	62.61
Second quarter	$92.55	72.72	91.36	74.66
Third quarter (through September 23, 2011)	$87.99	62.29	85.94	63.27

	Liberty Starz			
	Series A (LSTZA)		Series B (LSTZB)	
	High	Low	High	Low
2011				
First quarter	$80.21	64.20	78.00	66.33
Second quarter	$81.36	68.78	79.99	72.62
Third quarter (through September 23, 2011)	$78.91	63.00	78.08	64.16

Holders

As of January 31, 2013, there were approximately 2,400 and 100 record holders of our Series A and Series B Liberty Interactive common stock, respectively, and approximately 1,700 and 100 record holders of our Series A and Series B Liberty Ventures common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

We have not paid any cash dividends on our common stock, and we have no present intention of so doing. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations.

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2013 Annual Meeting of stockholders.

Purchases of Equity Securities by the Issuer

Share Repurchase Programs

On several occasions our board of directors has 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 following the Split-Off, notwithstanding the fact that the Liberty Interactive common stock ceased to be a tracking stock during the period following the Split-Off and prior to the creation of our Liberty Ventures common stock in August 2012. On February 22, 2012 the board authorized the repurchase of an additional $700 million of Series A and Series B Liberty Interactive common stock. Additionally, on October 30, 2012 the board authorized the repurchase of an additional $1 billion of Series A and Series B Liberty Interactive common stock.

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

	Series A Liberty Interactive Common Stock			
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs
October 1 - 31, 2012	711,144	$18.54	711,144	$1,373 million
November 1 - 30, 2012	2,566,883	$19.38	2,566,883	$1,323 million
December 1 - 31, 2012	3,279,876	$19.33	3,279,876	$1,260 million
Total	6,557,903		6,557,903	

In addition to the shares listed in the table above, 10,227 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.

Selected Financial Data.

The following tables present selected historical information relating to our financial condition and results of operations for the past five years. The following data should be read in conjunction with our consolidated financial statements.

	December 31,				
	2012	2011	2010	2009	2008
	amounts in millions				
Summary Balance Sheet Data:					
Cash and cash equivalents	$ 2,660	847	1,353	1,955	1,903
Investments in available-for-sale securities and other cost investments	$ 1,819	1,168	1,110	1,641	1,469
Investment in affiliates	$ 851	1,135	949	831	794
Assets of discontinued operations	$ —	—	8,933	9,374	22,644
Total assets	$26,255	17,339	26,600	28,631	41,903
Long-term debt	$ 6,246	4,850	5,970	7,343	8,509
Deferred income tax liabilities, noncurrent	$ 3,209	2,046	2,709	2,946	3,305
Liabilities of discontinued operations	$ —	—	3,854	5,002	8,217
Equity	$12,051	6,627	11,442	10,238	19,757

	Years ended December 31,				
	2012	2011	2010	2009	2008
	amounts in millions, except per share amounts				
Summary Statement of Operations Data:					
Revenue	$10,054	9,616	8,932	8,305	8,079
Operating income (loss)	$ 1,108	1,133	1,108	1,041	906
Interest expense	$ (432)	(427)	(626)	(594)	(607)
Share of earnings (losses) of affiliates	$ 85	140	112	24	(953)
Realized and unrealized gains (losses) on financial instruments, net	$ (351)	84	62	(589)	493
Gains on transactions, net	$ 1,531	—	355	42	2
Other than temporary declines in fair value of investments	$ —	—	—	—	(440)
Earnings (loss) from continuing operations(1):					
Liberty Capital common stock	NA	10	28	(356)	374
Liberty Starz common stock	NA	—	—	—	—
Liberty Interactive Corporation common stock	$ 294	577	808	319	(597)
Liberty Interactive common stock	212	NA	NA	NA	NA
Liberty Ventures common stock	1,024	NA	NA	NA	NA
	$ 1,530	587	836	(37)	(223)
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share(2):					
Series A and Series B Liberty Capital common stock	NA	0.12	0.31	(3.71)	3.31
Series A and Series B Liberty Interactive Corporation common stock	$ 0.53	0.88	1.28	0.47	(1.07)
Series A and Series B Liberty Interactive common stock	$ 0.39	NA	NA	NA	NA
Series A and Series B Liberty Ventures common stock	$ 31.03	NA	NA	NA	NA
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share(2):					
Series A and Series B Liberty Capital common stock	NA	0.12	0.30	(3.71)	3.31
Series A and Series B Liberty Interactive Corporation common stock	$ 0.52	0.87	1.26	0.47	(1.07)
Series A and Series B Liberty Interactive common stock	$ 0.38	NA	NA	NA	NA
Series A and Series B Liberty Ventures common stock	$ 31.03	NA	NA	NA	NA

(1) Includes earnings from continuing operations attributable to the noncontrolling interests of $61 million, $53 million, $45 million, $39 million and $44 million for the years ended December 31, 2012, 2011, 2010, 2009 and 2008, respectively.

(2) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock for the period subsequent to March 3, 2008 through September 23, 2011. Basic and diluted EPS have been calculated for Liberty Interactive Corporation common stock for the periods from May 9, 2006 to August 9, 2012. Basic and diluted EPS have been calculated for Liberty Interactive common stock and Liberty Ventures common stock subsequent to August 9, 2012.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 consolidated financial statements and the notes thereto.

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, party supplies and invitations. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts. As of December 11, 2012 we began consolidating TripAdvisor, Inc. ("TripAdvisor") which is an online travel research company, empowering users to plan and maximize their travel experience.

Our "Corporate and Other" category includes our corporate ownership interests in 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."

On August 9, 2012, Liberty completed the approved recapitalization of its common stock through the creation of the Liberty Interactive common stock and Liberty Ventures common stock as tracking stocks. In the recapitalization, each holder of Liberty Interactive Corporation common stock remained a holder of the same amount and series of Liberty Interactive common stock and received 0.05 of a share of the corresponding series of Liberty Ventures common stock, by means of a dividend, with cash issued in lieu of fractional shares of Liberty Ventures common stock.

The term "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Ventures Group is comprised primarily of our consolidated subsidiary TripAdvisor and interests in Expedia, Inc., Interval Leisure Group, Inc., Tree.com, Inc., investments in Time Warner Inc., Time Warner Cable Inc. and AOL, Inc., as well as cash in the amount of approximately $1,961 million (at December 31, 2012). The Ventures Group also has attributed to it certain liabilities related to our Exchangeable Debentures and certain deferred tax liabilities. The Ventures Group is primarily focused on the maximization of the value of these investments and investing in new business opportunities.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Interactive Group is primarily focused on our video and e-commerce operating businesses and has attributed to it the remainder of our businesses and assets, including our operating subsidiaries QVC, Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, LLC and CommerceHub as well as our interest in HSN, Inc., including cash of approximately $699 million (at December 31, 2012), including subsidiary cash. The Interactive Group has attributed to it liabilities that reside with QVC and the other entities listed as well as our outstanding senior notes and certain deferred tax liabilities.

Discontinued Operations

Prior to the LMC 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 no group could 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 a wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto Liberty Splitco, Inc.) (the "LMC Split-Off"). At the time of the LMC Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to the Capital and Starz tracking stock groups. The LMC 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 LMC 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 LMC Split-Off, Liberty and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the LMC Split-Off and to provide for an orderly transition.

The 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 respective split-offs, have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

Strategies and Challenges

QVC. QVC's goal is to become the preeminent global multimedia shopping community for people who love to shop, and to offer a shopping experience that is as much about entertainment and enrichment as it is about buying. QVC's objective is to provide an integrated shopping experience that utilizes all forms of media including television, the internet and mobile devices. In 2013, QVC intends to employ several strategies to achieve these goals and objectives. Among these strategies are to (i) extend the breadth, relevance and exposure of the QVC brand; (ii) source products that represent unique quality and value; (iii) create engaging presentation content both in televised programming, mobile and online; (iv) leverage customer loyalty and continue multiplatform expansion and (v) create a compelling and differentiated customer experience. In addition, QVC expects to expand globally by leveraging its existing systems, infrastructure and skills in other countries around the world.

QVC's televised shopping program is already received by substantially all the multichannel television households in the U.S., Germany and the U.K. 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 QVC's television programming and growth in sales to existing customers and new customers as a result of expansion of the programming reach of QVC-Japan and QVC-Italy. 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 internet video services and (iv) general economic conditions.

The current economic downturn in the U.S. and in other regions of the world in which QVC's subsidiaries and affiliates operate could adversely affect demand for products and services since a substantial portion of QVC's revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets continue to experience disruptions, including increased volatility and diminished liquidity and credit availability. In particular, the current European debt crisis, particularly most recently in Greece, Italy, Ireland, Portugal and Spain, and related European financial restricting efforts may cause volatility in the European currencies and reduce the purchasing power of European customers. In the event that one or more countries were to replace the Euro with their legacy currency, then QVC's revenue and operating results in such countries, or Europe generally, would likely be adversely affected until stable exchange rates were established and economic confidence restored. In addition, the European crisis is contributing to instability in global credit markets. The world has recently experienced a global macroeconomic downturn, and if economic and financial market conditions in the United States or other key markets, including Europe, remain uncertain, persist, or deteriorate further, our customers may respond by suspending, delaying, or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect revenue. Accordingly, QVC's ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline further. Such weak economic conditions may also inhibit QVC's expansion into new European markets. We currently are unable to predict the extent of any of these potential adverse effects.

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 principal 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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Revenue			
Interactive Group			
QVC	$ 8,516	8,268	7,807
E-commerce	1,502	1,348	1,125
Corporate and other	—	—	—
Total Interactive Group	10,018	9,616	8,932
Ventures Group			
TripAdvisor	36	—	—
Corporate and other	—	—	—
Total Ventures Group	36	—	—
Consolidated Liberty	$10,054	9,616	8,932
Adjusted OIBDA			
Interactive Group			
QVC	$ 1,828	1,733	1,671
E-commerce	96	123	103
Corporate and other	(27)	(29)	(25)
Total Interactive Group	1,897	1,827	1,749
Ventures Group			
TripAdvisor	8	—	—
Corporate and other	(5)	(4)	(3)
Total Ventures Group	3	(4)	(3)
Consolidated Liberty	$ 1,900	1,823	1,746
Operating Income (Loss)			
Interactive Group			
QVC	$ 1,268	1,137	1,130
E-commerce	(81)	55	40
Corporate and other	(63)	(55)	(59)
Total Interactive Group	1,124	1,137	1,111
Ventures Group			
TripAdvisor	(5)	—	—
Corporate and other	(11)	(4)	(3)
Total Ventures Group	(16)	(4)	(3)
Consolidated Liberty	$ 1,108	1,133	1,108

Revenue. Our consolidated revenue increased 4.6% and 7.7% for the years ended December 31, 2012 and 2011, respectively, as compared to the corresponding prior year periods. The current year and prior year increases were the result of increased revenue at QVC ($248 million and $461 million, respectively) and the E-commerce companies ($154 million and $223 million, respectively). 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 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 18 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased $77 million and $77 million for the years ended December 31, 2012 and 2011, respectively, as compared to the corresponding prior year periods. 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 $91 million, $49 million and $67 million of stock compensation expense for the years ended December 31, 2012, 2011 and 2010, respectively. The increase in stock compensation during 2012 was largely the result of a one-time exchange offer for certain officers of Liberty and its subsidiaries. As described more fully in note 14, in the accompanying consolidated financial statements, the exchange offer, in the fourth quarter of 2012, resulted in approximately $21 million of incremental share based compensation. Additionally, our E-commerce companies recorded an increase in stock-based compensation for the year ended December 31, 2012. The decrease in stock compensation expense in 2011 relates primarily to our liability classified awards due to a less significant increase in our stock prices during that period as compared to the previous period and downward valuation revisions by our E-commerce companies which was offset slightly by additional grants of options which slightly increased amortization of stock compensation for the year ended December 31, 2011. As of December 31, 2012, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately $170 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 1.7 years.

Operating income. Our consolidated operating income decreased $25 million and increased $25 million for the years ended December 31, 2012 and 2011, respectively, as compared to the corresponding prior year periods. The change in operating income from 2011 to 2012 was due to the increase in stock compensation and the impairment of goodwill at certain E-commerce subsidiaries. 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.

	Years ended December 31, 2012	2011	2010
	amounts in millions		
Interest expense			
Interactive Group	$ (322)	(317)	(515)
Ventures Group	(110)	(110)	(111)
Consolidated Liberty	$ (432)	(427)	(626)
Share of earnings (losses) of affiliates			
Interactive Group	$ 28	23	8
Ventures Group	57	117	104
Consolidated Liberty	$ 85	140	112
Realized and unrealized gains (losses) on financial instruments, net			
Interactive Group	$ 51	75	117
Ventures Group	(402)	9	(55)
Consolidated Liberty	$ (351)	84	62
Gains (losses) on transactions, net			
Interactive Group	$ —	—	355
Ventures Group	1,531	—	—
Consolidated Liberty	$1,531	—	355
Other, net			
Interactive Group	$ —	15	(44)
Ventures Group	44	(6)	(3)
Consolidated Liberty	$ 44	9	(47)

Interest expense. Interest expense increased $5 million and decreased $199 million for the years ended December 31, 2012 and 2011, respectively, as compared to the corresponding prior year periods. The slight increase in interest expense for the year ended December 31, 2012 was primarily the result of a slight increase in the average debt balance outstanding during the period. The overall decrease in interest expense for the year ended December 31, 2011 related to a lower average debt balance throughout the prior year, as compared to the corresponding prior year period.

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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Interactive Group			
HSN, Inc.	$ 40	38	31
Other	(12)	(15)	(23)
Total Interactive Group	28	23	8
Ventures Group			
Expedia, Inc.	67	119	103
TripAdvisor	38	—	—
Other	(48)	(2)	1
Total Ventures Group	57	117	104
Consolidated Liberty	$ 85	140	112

During the fourth quarter of 2011, Expedia, Inc. completed the pro-rata split-off of TripAdvisor, a wholly owned subsidiary. In the fourth quarter of 2012 we settled a forward sale of 12 million shares of Expedia, Inc. common stock. Therefore, we have a 17% ownership interest in Expedia, Inc. as of December 31, 2012. During the second quarter of 2012 we disposed of approximately 8.5 million shares of TripAdvisor and then subsequently in the fourth quarter of 2012 we acquired approximately 5 million shares along with the right to control the vote of the shares of TripAdvisor's class A and B common stock. Following the transaction we own approximately 22% of the equity and 57% of the total votes of all classes of TripAdvisor common stock. As we now control TripAdvisor we ceased accounting for our investment using the equity method of accounting and consolidated TripAdvisor for the last 20 days of 2012. Share of earnings for TripAdvisor for December 31, 2012 only include our share of earnings in TripAdvisor through December 10, 2012.

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:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Non-strategic Securities	$ 470	55	202
Exchangeable senior debentures	(602)	(46)	(257)
Other derivatives	(219)	75	117
	$(351)	84	62

The changes in these accounts are due entirely to market factors and changes in the fair value of the underlying stocks or financial instruments to which these relate. The significant change in other derivatives is the forward contract entered into on 12 million Expedia, Inc. common shares.

Gains (losses) on transactions, net. The year ended December 31, 2012 gains on transactions relate to our acquisition of a controlling interest in TripAdvisor, a gain on the sale of Expedia, Inc. shares ($443 million) and a gain on the sale of TripAdvisor shares ($288 million) during the year. In December 2012, as discussed above, we acquired an additional ownership interest in TripAdvisor and the right to vote our shares of their class B common stock. The application of business combination accounting, as a result of the acquisition, for TripAdvisor required the recognition of an $800 million gain which was the difference between the fair value of our previously held interest in TripAdvisor and the carrying value of the same ownership interest. Gains in 2010 include a gain related to the sale of our GSI Commerce, Inc. shares of $105 million and a gain of $218 million related to the disposition of all of our IAC/InteractiveCorp shares.

Income taxes. Our effective tax rate for the years ended December, 2012, 2011 and 2010 was 20%, 37% and 13%, respectively. The 2012 effective tax rate is less than the U.S. federal income tax rate of 35% due primarily to the consolidation of a previously held equity method affiliate in the current period that triggered a gain for accounting purposes but not for tax purposes. The 2011 effective tax rate is greater than the U.S. federal income tax rate of 35% primarily due to the impact of state taxes. For the year ended December 31, 2010 the effective tax rate was less than the U.S. federal income tax rate of 35% due primarily to a nontaxable exchange of investments for a subsidiary that resulted in a deferred tax benefit of $112 million.

Net earnings. We had net earnings of $1,591 million, $965 million and $1,937 million for the years ended December 31, 2012, 2011 and 2010, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Liquidity and Capital Resources

As of December 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, outstanding debt facilities, debt and equity issuances, and dividend and interest receipts.

During the year, there were no changes to our or our consolidated subsidiaries debt credit ratings.

As of December 31, 2012 Liberty had a cash balance of $2,660 million with approximately $296 million held by foreign subsidiaries. Cash in foreign subsidiaries is generally accessible but certain tax consequences may reduce the net amount of cash we are able to utilize for domestic purposes. We note that QVC-Japan's cash, which is approximately half of the foreign cash balance, is further encumbered by a minority interest agreement. We believe that we currently have appropriate legal structures in place to repatriate foreign cash as tax efficiently as possible and meet the business needs of the company. Additionally, $368 million of the cash balance is from TripAdvisor which we are not be able to access as readily as other consolidated subsidiaries due to the significant minority interest in TripAdvisor. Another significant source of liquidity is our borrowing capacity under the QVC Bank Credit Facilities under which we have approximately $1 billion of available credit at December 31, 2012. Additionally, our operating businesses have provided, on average, more than $1 billion in annual operating cash flow over the prior three years. We do not anticipate any significant reductions in the $1 billion of average annual operating cash flows in future periods.

Cash Flow Information	Years ended December 31, 2012	2011	2010
	amounts in millions		
Net cash provided (used) by operating activities	$1,432	900	1,203
Net cash provided (used) by investing activities	$ 153	(437)	344
Net cash provided (used) by financing activities	$ 248	(916)	(1,814)

During the year ended December 31, 2012, Liberty's primary uses of cash were $1,512 million of debt repayments, $815 million of share repurchases and $339 million of capital expenditures. These uses of cash were funded primarily with $1,432 million of cash provided by operating activities, $2,316 million in borrowings, $1,030 million in cash from the disposition of certain investments and cash on hand.

The projected uses of Liberty cash, outside of normal operating expenses (inclusive of tax payments), are the costs to service outstanding debt, approximately $400 million for interest payments on QVC and parent debt, anticipated capital improvement spending of approximately $410 million, the repayment of certain debt obligations and the continued buyback of common stock under the approved share buyback program (subsequent to year end we made additional repurchases of approximately 3.1 million shares for $64 million through January 31, 2013) and additional investments in existing or new businesses.

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

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

In connection with agreements for the sale of assets by our company, we may retain liabilities that relate to events occurring prior to the sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification obligations may extend for a number of years. We are 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, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification obligations.

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

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations, excluding uncertain tax positions as it is undeterminable when payments will be made, is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
	amounts in millions				
Consolidated contractual obligations					
Long-term debt(1)	$ 7,824	737	1,021	853	5,213
Interest payments(2)	4,086	395	736	701	2,254
Long-term financial instruments	16	16	—	—	—
Operating lease obligations	306	46	66	53	141
Purchase orders and other obligations	1,421	1,406	15	—	—
Total	$13,653	2,600	1,838	1,607	7,608

(1) Amounts are stated at the face amount at maturity of our debt instruments and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued

at a discount or premium or (ii) have elements which are reported at fair value in our consolidated balance sheet. Amounts also include capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.

(2) Amounts (i) are based on our outstanding debt at December 31, 2012, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2012 rates and (iii) assume that our existing debt is repaid at maturity.

Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires us 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. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. All of these accounting estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with our audit committee.

Fair Value Measurements

Financial Instruments. We record a number of assets and liabilities in our consolidated balance sheet at fair value on a recurring basis, including available-for-sale ("AFS") securities, financial instruments and our exchangeable senior debentures. 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. We use quoted market prices, or Level 1 inputs, to value all our Fair Value Option AFS securities. As of December 31, 2012 and 2011, the carrying value of our Fair Value Option AFS securities was $1,716 million and $1,165 million, respectively.

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. We use quoted market prices to determine the fair value of our exchangeable senior debentures. However, these debentures are not traded on active markets as defined in GAAP, so these liabilities fall in Level 2. As of December 31, 2012, the principal amount and carrying value of our exchangeable debentures were $2,852 million and $2,930 million, respectively.

Level 3 inputs are unobservable inputs for an asset or liability. We currently have no Level 3 financial instrument assets or liabilities.

Non-Financial Instruments. Our non-financial instrument valuations are primarily comprised of our annual assessment of the recoverability of our goodwill and other nonamortizable intangibles, such as trademarks and our evaluation of the recoverability of our other long-lived assets upon certain triggering events. If the carrying value of our long-lived assets exceeds their undiscounted cash flows, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statement of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2012, the intangible assets not subject to amortization for each of our significant reportable segments was as follows:

	Goodwill	Trademarks	Total
	amounts in millions		
QVC	$5,349	2,428	7,777
TripAdvisor	3,649	1,800	5,449
E-commerce	558	96	654
	$9,556	4,324	13,880

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31. We adopted accounting guidance relating to annual assessments of recoverability of goodwill and other non-amorizable intangibles during the current and prior years and at year-end we utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. During the year ended December 31, 2012 we recorded $92 million in goodwill and other intangibles impairments for two of our E-commerce companies (Celebrate and Evite). Continued declining operating results as compared to budgeted results and certain trends required a Step 2 impairment test and a determination of fair value for these subsidiaries. Fair value for these subsidiaries, including intangible assets and goodwill, was determined using Company projections of future operating performance and applying a combination of market multiples and a discounted cash flow calculation (Level 3).

Carrying Value of Investments. We periodically evaluate our investments to determine if decreases in fair value below our cost bases are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our consolidated statement of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated statement of operations, and other than temporary declines in fair value of our equity method investments are included in share of losses of affiliates in our consolidated statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded cost and equity investments is based on the market prices of the investments at the balance sheet date. We estimate the fair value of our other cost and equity investments using a variety of methodologies, including cash flow multiples, discounted cash flow, per subscriber values, or values of comparable public or private businesses. Impairments are calculated as the difference between our carrying value and our estimate of fair value. As our assessment of the fair value of our investments and any resulting impairment losses and the timing of when to recognize such charges requires a high degree of judgment and includes significant estimates and assumptions, actual results could differ materially from our estimates and assumptions.

Our evaluation of the fair value of our investments and any resulting impairment charges are made as of the most recent balance sheet date. Changes in fair value subsequent to the balance sheet date due to the factors described above are possible. Subsequent decreases in fair value will be recognized in our consolidated statement of operations in the period in which they occur to the extent such decreases are deemed to be other than temporary. Subsequent increases in fair value will be recognized in our consolidated statement of operations only upon our ultimate disposition of the investment.

Retail Related Adjustments and Allowances. QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statement of operations. For the years ended December 31, 2012, 2011 and 2010, sales returns represented 19.4%, 19.4% and 18.9% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on among other factors, the average inventory balance for the preceding 12 months and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in our consolidated statements of operations. At December 31, 2012, QVC's inventory is $909 million, which is net of the obsolescence adjustment of $89 million. QVC's allowance for doubtful accounts is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as bad debt expense in our consolidated statements of operations. At December 31, 2012, QVC's trade accounts receivable are $1,055 million, net of the allowance for doubtful accounts of $74 million. Each of these estimates requires management judgment and may not reflect actual results.

Income Taxes. We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

Results of Operations—Businesses

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-U.S."). Internationally, QVC's program services are based in Japan ("QVC-Japan"), Germany ("QVC-Germany"), the United Kingdom ("QVC-U.K.") and Italy ("QVC-Italy"). QVC-Japan and QVC-Germany each distribute live programming 24 hours a day and QVC-U.K. 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.

On July 4, 2012, QVC entered into a joint venture with China Broadcasting Corporation, a limited liability company, owned by China National Radio ("CNR") for a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS is distributing live programming for 12 hours a day and recorded programming for 12 hours a day. This joint venture is being accounted for as an equity method investment as a component of share of earnings (losses) of affiliates in the consolidated statements of operations.

QVC's operating results were as follows:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Net revenue	$ 8,516	8,268	7,807
Cost of sales	(5,419)	(5,278)	(5,006)
Gross profit	3,097	2,990	2,801
Operating expenses	(715)	(744)	(701)
SG&A expenses (excluding stock-based compensation)	(554)	(513)	(429)
Adjusted OIBDA	1,828	1,733	1,671
Stock-based compensation	(34)	(22)	(18)
Depreciation and amortization	(526)	(574)	(523)
Operating income	$ 1,268	1,137	1,130

Net revenue was generated from the following geographical areas:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
QVC-U.S.	$5,585	5,412	5,235
QVC-Japan	1,247	1,127	1,015
QVC-Germany	956	1,068	956
QVC-U.K.	641	626	599
QVC-Italy	87	35	2
	$8,516	8,268	7,807

QVC's consolidated net revenue increased 3.0% and 5.9% for the years ended December 31, 2012 and 2011, respectively, as compared to the corresponding prior years. The 2012 increase in net revenue was primarily comprised of $205 million due to a 2.2% increase in average selling price per unit ("ASP"), $154 million due to a 1.7% increase in units sold and a $59 million increase in shipping and handling and other miscellaneous revenue. These amounts were partially offset by $92 million in unfavorable foreign currency rates in all markets and $78 million due to an increase in estimated product returns as a result of the sales increase. Returns as a percent of gross product revenue remained flat at 19.4%.

The 2011 increase in net revenue was primarily comprised of $478 million due to a 5.6% increase in ASP and a $167 million increase due to favorable foreign currency rates in all markets. These increases were partially offset by a $123 million decrease in net revenue due to an increase in estimated product returns, a $56 million decrease due to a 1% decline in units sold and a $5 million decrease due to a decline in shipping and handling revenue and other miscellaneous revenue. Returns as a percent of gross product revenue increased to 19.4% from 18.9% primarily from an increase in apparel and accessories as a percentage of the total mix of products sold.

During the years ended December 31, 2012 and 2011, the changes in revenue and expenses were affected by changes in the exchange rates for the Japanese Yen, the Euro and the U.K. Pound Sterling. 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 affected. The percentage increase in revenue for each of QVC's geographic areas in U.S. dollars and in local currency was as follows:

	Percentage increase (decrease) in net revenue			
	Year ended December 31, 2012		Year ended December 31, 2011	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US	3.2%	3.2%	3.4%	3.4%
QVC-Japan	10.6%	11.2%	11.0%	1.0%
QVC-Germany	(10.5)%	(3.5)%	11.7%	7.1%
QVC-UK	2.4%	3.3%	4.5%	1.0%

In 2012, QVC-U.S. net revenue growth was primarily due to a 3.2% increase in ASP and an increase in shipping and handling revenue, partially offset by an increase in returns associated with the sales increase and change in product mix. QVC-U.S. shipped sales increased mainly due to growth in sales of home, beauty and apparel categories that were partially offset by a decline in electronics and jewelry products. Additionally, QVC-U.S. revenue growth in the fourth quarter of 2012 was adversely impacted by the effects of Hurricane Sandy. The Hurricane did not impact QVC's operations in West Chester, Pennsylvania, U.S. QVC-Japan primarily experienced growth in home, apparel and accessories categories, with the growth for the year also reflective of the earthquake and related events experienced in March 2011 as discussed below in greater detail. QVC-Germany primarily experienced declines in health and fitness, apparel and accessories categories, partially offset by an increase in sales of beauty products. QVC-U.K.'s growth was primarily the result of increased sales in the beauty category. QVC-Italy's sales consisted primarily of cooking and dining, beauty and apparel products.

In 2011, QVC-U.S. net revenue growth was primarily due to an 8.9% increase in ASP offset by a 4.2% decrease in units sold. QVC-U.S. shipped sales increased mainly due to growth in sales of electronics, home and accessories product categories, which were offset by a decline in jewelry sales. QVC-Japan experienced growth in apparel, but was negatively affected by decreases in net revenue related to beauty and jewelry products. The increase in net revenue in QVC-Germany compared to prior year was mainly due to growth in home, jewelry and apparel. QVC-U.K.'s growth was the result of increased sales in home and apparel that was offset by softness in sales in the jewelry category. QVC-Italy sales consisted primarily of home, beauty, jewelry and apparel products. QVC-Italy's net revenue growth was also positively impacted by a 2.9% decline in returns.

On March 11, 2011, there was a significant earthquake in Japan. As a result, QVC-Japan was off-air for 12 days and experienced an interruption of its business. The QVC-Japan facilities suffered moderate damage. QVC-Japan returned on-air and resumed operations on March 23, 2011. The earthquake and related events impacted the year-to-date December 31, 2011 results; however, QVC-Japan still experienced an increase in 2011 year-to-date sales results as compared to the prior year.

QVC's gross profit percentage was 36.4%, 36.2% and 35.9% for the three years ended December 31, 2012, 2011 and 2010, respectively. The increase in gross profit percentage in 2012 was primarily due to a favorable net shipping and handling position including warehouse productivity in the U.S.; improved leverage of warehouse costs in Japan and warehouse productivity, including the positive impact of lowers returns processing, in Germany. The increase in gross profit percentage in 2011 was primarily due to warehouse and freight efficiencies as a result of fewer packages shipped in the U.S.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expenses and production costs. Operating expenses decreased $29 million or 3.9% and increased $43 million or 6.1% for the years ended December 31, 2012 and 2011, respectively.

The decrease in 2012 was primarily due to a $23 million decrease in credit card processing fees and a $10 million effect of exchange rates. In regards to the decrease in credit card processing fees, on October 22, 2012, QVC-U.S. reached a favorable $20 million net legal settlement regarding credit card fees, which was recorded as a reduction of operating expenses in the fourth quarter of 2012. The decrease in credit card processing fees was also due to a change in U.S. legislation associated with customer debit card purchases resulting in lower fees charged to merchants. These decreases were partially offset by a $5 million increase in programming and production expenses primarily in the U.S., and to a lesser extent, Japan and Italy.

The increase in 2011 was primarily due to a $19 million effect of exchange rates, growth of $9 million related to QVC-Italy operations, an increase of $10 million in commissions expense primarily due increased fixed fee payments in the U.K. and Japan and an increase of $6 million in programming and production expenses primarily in the U.S., and to a lesser extent, Germany.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased $41 million, and as a percent of net revenue, from 6.2% to 6.5% for the year ended December 31, 2012 and increased $84 million, and as a percent of net revenue, from 5.5% to 6.2% for the year ended December 31, 2011 as a result of a variety of factors.

The increase in 2012 was primarily related to a $31 million increase in personnel expenses, a $9 million increase in marketing expenses, an $8 million increase in bad debt expense and a $6 million increase in rent expense. These increases were partially offset by a $9 million effect of exchange rates and a $7 million increase in credit card income. The increases in personnel expenses were primarily due to merit, benefits and bonus increases primarily in the U.S. and Japan. The increase in marketing expenses was primarily due to QVC-U.S. internet and social media campaigns and a renewal of marketing efforts at QVC-Japan as a result of the earthquake and related events experienced in 2011. The increase in the provision for doubtful accounts was primarily due to the increased use of the Easy-Pay installment program in the U.S. The QVC Easy-Pay Plan (known as Q Pay in Germany and the U.K.) permits customers to pay for items in two or more installments. When the QVC Easy-Pay Plan is offered by QVC and elected by the customer, the first installment is billed to the customer's credit card upon shipment. Generally, the customer's credit card is subsequently billed up to five additional monthly installments until the total purchase price of the products has been billed by QVC. The increase in rent costs was primarily due to duplicate running costs at QVC-U.K. associated with the transition to its new headquarters including a lease cancellation accrual. The increase in credit card income was primarily due to a higher average portfolio balance in the U.S.

The increase in 2011 was primarily due to U.S. net credit card operations income that decreased $33 million primarily due to the amended agreement with GE Capital Retail Bank, QVC-Italy's SG&A expenses that increased $11 million and an $11 million impact of exchange rates. The remainder of QVC's SG&A expense variance was primarily in the U.S. as the result of increased online marketing expenses of $16 million, increased outside services of $8 million and increased software maintenance expense of $3 million, offset by a decrease in bad debt expense of $11 million. The increase in outside services for the year ended December 31, 2011 was due primarily to legal services related to (i) the defense of certain alleged patent infringement matters and (ii) the prosecution and defense of certain other intellectual property claims. Further, personnel expenses increased by $9 million primarily in Japan and Germany and there was an increase of $2 million in charitable contributions related to Japan relief efforts.

Depreciation and amortization consist of the following:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Affiliate agreements	$151	152	152
Customer relationships	172	173	173
Purchase accounting related amortization	323	325	325
Property, plant and equipment	126	135	128
Software amortization	62	95	51
Channel placement amortization and related expenses	15	19	19
Total depreciation and amortization	$526	574	523

During the fourth quarter of 2011, QVC determined that certain capitalized customer relationship management ("CRM") software did not meet service-level expectations and desired functionality. As a result, QVC recorded an impairment of certain CRM assets in the amount of $47 million included in depreciation and amortization in the condensed consolidated statements of operations.

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 $154 million and $223 million for the years ended December 31, 2012 and 2011 as compared to the corresponding prior year periods, respectively. Such increases were the result of increased marketing efforts driving additional traffic, greater conversion resulting from investments in site optimization, broader inventory offerings and a lift in sales from discounted pricing of seasonal inventory.

Adjusted OIBDA for the E-commerce businesses decreased $27 million and increased $20 million for the years ended December 31, 2012 and 2011, respectively, representing 6% of revenue in 2012, as compared to 9% in 2011 and 2010. The decrease in Adjusted OIBDA for the year ended December 31, 2012 was the result of increased spending in paid search as a percentage of revenue, increased promotional activity and product discounting to move seasonal inventory, which impacted gross margins, and lower advertising revenue due to unfavorable pricing and a shift to mobile applications. Additionally, for the year ended December 31, 2012 the E-commerce companies recorded legal settlements ($6 million), additional inventory reserves ($4 million) and retention compensation of certain key personnel at one E-commerce subsidiary ($5 million).

Operating income (loss) was lower by $136 million for the year ended December 31, 2012, as compared to the prior year, due primarily to an impairment of goodwill and other intangibles at Celebrate and Evite as a result of continued declining operating results and disappointing trends during 2012. Additionally, the above discussion, pertaining to Adjusted OIBDA, contributed to the decrease in operating income (loss) results as well as increased stock compensation, due to lower compensation expense in the prior year caused by downward valuations, for the year ended December 31, 2012.

TripAdvisor, Inc. The consolidated results of TripAdvisor were not significant for the year ended December 31, 2012 but will be more significant in 2013. Our ownership interest in TripAdvisor is only 22% but Liberty's results in future periods will include the consolidated results of TripAdvisor, Inc with 78% of the TripAdvisor's net income (loss) being eliminated through the noncontrolling interest line item. TripAdvisor's revenue, Adjusted OIBDA and operating income for the last three years were as follows:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Revenue	$763	637	485
Adjusted OIBDA	$352	323	261
Operating income	$296	273	226

A portion ($204 million, $211 million and $171 million for the years ended December 31, 2012, 2011 and 2010, respectively) of TripAdvisor's revenue was related-party revenue with Expedia, Inc. (TripAdvisor's former parent), which we account for as an equity method affiliate.

Revenue growth in 2012 and 2011 was primarily the result of increased traffic and click-based advertising that was delivered to TripAdvisor partners. Adjusted OIBDA as a percentage of revenue has been decreasing over the periods presented due to investments in technology, increased spending in paid search, increased social media spending and increased spending in general and administrative costs as a result of the separate public company structure.

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 December 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			
Interactive Group				
QVC	$903	1.9%	$2,586	6.8%
Corporate and other	$ 39	3.0%	$1,032	7.7%
Ventures Group				
TripAdvisor	$412	2.3%	$ —	NA
Coporate and other	$ —	NA	$2,852	3.4%

In addition, QVC has entered into seven forward interest rate swap arrangements with an aggregate notional amount of $1,750 million and seven forward interest rate swap arrangements with an aggregate notional amount of $1,350 million. Such arrangements provided for payments that began in March 2011 and will extend to March 2013. On the notional amount of $1,750 million, QVC makes fixed payments at rates ranging from 2.98% to 3.67% and receive variable payments at 3 month LIBOR (0.31% at December 31, 2012). On the notional amounts of $1,350 million, QVC will make variable payments at 3 month LIBOR (0.31% at December 31, 2012) and receive fixed payments at rates 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, when utilized, are recorded at fair value based on option pricing models.

At December 31, 2012, the fair value of our AFS equity securities was $1,815 million. Had the market price of such securities been 10% lower at December 31, 2012, the aggregate value of such securities would have been $182 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 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.

Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty Interactive Corporation are filed under this Item, beginning on Page II-24. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

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 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 December 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.

See page II-22 for *Management's Report on Internal Control Over Financial Reporting.*

See page II-23 for *Report of Independent Registered Public Accounting Firm* for their attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Liberty Interactive Corporation's (the "Company") management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a - 15(f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2012, using the criteria in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation the Company's management believes that, as of December 31, 2012, its internal control over financial reporting is effective. The Company's assessment of internal control over financial reporting did not include the internal control of TripAdvisor, Inc., which the Company acquired in the fourth quarter of 2012. The amount of total assets and revenue of TripAdvisor, Inc. included in our consolidated financial statements as of and for the year ended December 31, 2012 was $7.4 billion and $36 million, respectively.

The Company's independent registered public accounting firm audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-23 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Interactive Corporation:

We have audited Liberty Interactive Corporation and subsidiaries (the Company) internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Liberty Interactive Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Liberty Interactive Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired TripAdvisor, Inc. during 2012, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2012, TripAdvisor, Inc.'s internal control over financial reporting associated with total assets of $7.4 billion and total revenues of $36 million included in the consolidated financial statements of Liberty Interactive Corporation and subsidiaries as of and for the year ended December 31, 2012. Our audit of internal control over financial reporting of Liberty Interactive Corporation also excluded an evaluation of internal control over financial reporting of TripAdvisor, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Interactive Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the threeyear period ended December 31, 2012, and our report dated February 27, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado
February 27, 2013

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Interactive Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Interactive Corporation and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the threeyear period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Interactive Corporation and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the threeyear period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Interactive Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 27, 2013

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011

	2012	2011
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 2,660	847
Trade and other receivables, net	1,201	1,054
Inventory, net	1,106	1,071
Other current assets	291	148
Total current assets	5,258	3,120
Investments in available-for-sale securities and other cost investments (note 7)	1,819	1,168
Investments in affiliates, accounted for using the equity method (note 8)	851	1,135
Property and equipment, at cost	2,170	2,002
Accumulated depreciation	(935)	(869)
	1,235	1,133
Intangible assets not subject to amortization (note 9):		
Goodwill	9,556	5,978
Trademarks	4,324	2,518
	13,880	8,496
Intangible assets subject to amortization, net (note 9)	3,117	2,209
Other assets, at cost, net of accumulated amortization	95	78
Total assets	$26,255	17,339

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2012 and 2011

	2012	2011
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 719	599
Accrued liabilities	918	801
Current portion of debt (note 10)	1,638	1,189
Deferred income tax liabilities (note 11)	912	851
Other current liabilities	302	128
Total current liabilities	4,489	3,568
Long-term debt, including $2,930 million and $2,443 million measured at fair value (note 10)	6,246	4,850
Deferred income tax liabilities (note 11)	3,209	2,046
Other liabilities	260	248
Total liabilities	14,204	10,712
Equity		
Stockholders' equity (note 12):		
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 516,009,627 shares at December 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 28,942,403 shares at December 31, 2012 and 28,989,160 shares at December 31, 2011	—	—
Series A Liberty Ventures common stock, $.01 par value. Authorized 200,000,000 shares; issued and outstanding 35,355,434 shares at December 31, 2012 and zero shares at December 31, 2011	—	—
Series B Liberty Ventures common stock, $.01 par value. Authorized 7,500,000 shares; issued and outstanding 1,446,916 shares at December 31, 2012 and zero shares at December 31, 2011	—	—
Additional paid-in capital	2,225	2,681
Accumulated other comprehensive earnings, net of taxes	148	152
Retained earnings	5,184	3,654
Total stockholders' equity	7,562	6,493
Noncontrolling interests in equity of subsidiaries	4,489	134
Total equity	12,051	6,627
Commitments and contingencies (note 17)		
Total liabilities and equity	$26,255	17,339

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

Years ended December 31, 2012, 2011 and 2010

	2012	2011	2010
	amounts in millions, except per share amounts		
Net retail sales	$10,054	9,616	8,932
Cost of sales (exclusive of depreciation shown separately below)	6,396	6,114	5,705
Gross profit	3,658	3,502	3,227
Operating costs and expenses:			
Operating	840	866	799
Selling, general and administrative, including stock-based compensation (note 3)	1,009	862	749
Depreciation and amortization	609	641	571
Impairment of intangible assets	92	—	—
	2,550	2,369	2,119
Operating income	1,108	1,133	1,108
Other income (expense):			
Interest expense	(432)	(427)	(626)
Share of earnings (losses) of affiliates, net (note 8)	85	140	112
Realized and unrealized gains (losses) on financial instruments, net (note 6)	(351)	84	62
Gains (losses) on transactions, net (note 1 and 8)	1,531	—	355
Other, net	44	9	(47)
	877	(194)	(144)
Earnings (loss) from continuing operations before income taxes	1,985	939	964
Income tax (expense) benefit (note 11)	(394)	(352)	(128)
Earnings (loss) from continuing operations	1,591	587	836
Earnings (loss) from discontinued operations, net of taxes (note 5)	—	378	1,101
Net earnings (loss)	1,591	965	1,937
Less net earnings (loss) attributable to the noncontrolling interests	61	53	45
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 1,530	912	1,892
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
Liberty Capital common stock	NA	211	815
Liberty Starz common stock	NA	177	206
Liberty Interactive Corporation common stock	294	524	871
Liberty Interactive common stock	212	NA	NA
Liberty Ventures common stock	1,024	NA	NA
	$ 1,530	912	1,892

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations (Continued)

Years ended December 31, 2012, 2011 and 2010

	2012	2011	2010
Basic net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	NA	0.12	0.31
Series A and Series B Liberty Starz common stock	NA	—	—
Series A and Series B Liberty Interactive Corporation common stock	$ 0.53	0.88	1.28
Series A and Series B Liberty Interactive common stock	$ 0.39	NA	NA
Series A and Series B Liberty Ventures common stock	$ 31.03	NA	NA
Diluted net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	NA	0.12	0.30
Series A and Series B Liberty Starz common stock	NA	—	—
Series A and Series B Liberty Interactive Corporation common stock	$ 0.52	0.87	1.26
Series A and Series B Liberty Interactive common stock	$ 0.38	NA	NA
Series A and Series B Liberty Ventures common stock	$ 31.03	NA	NA
Basic net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	NA	2.60	9.06
Series A and Series B Liberty Starz common stock	NA	3.47	4.12
Series A and Series B Liberty Interactive Corporation common stock	$ 0.53	0.88	1.46
Series A and Series B Liberty Interactive common stock	$ 0.39	NA	NA
Series A and Series B Liberty Ventures common stock	$ 31.03	NA	NA
Diluted net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock	NA	2.54	8.76
Series A and Series B Liberty Starz common stock	NA	3.34	3.96
Series A and Series B Liberty Interactive Corporation common stock	$ 0.52	0.87	1.44
Series A and Series B Liberty Interactive common stock	$ 0.38	NA	NA
Series A and Series B Liberty Ventures common stock	$ 31.03	NA	NA

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Comprehensive Earnings (Loss)

Years ended December 31, 2012, 2011 and 2010

	2012	2011	2010
	amounts in millions		
Net earnings (loss)	$1,591	965	1,937
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	(22)	(11)	(37)
Unrealized holding gains (losses) arising during the period	—	—	41
Recognition of previously unrealized (gains) losses on available-for-sale securities, net	—	—	(198)
Share of other comprehensive earnings (loss) of equity affiliates	—	(2)	7
Other	—	—	56
Other comprehensive earnings (loss) from discontinued operations	—	(26)	20
Other comprehensive earnings (loss)	(22)	(39)	(111)
Comprehensive earnings (loss)	1,569	926	1,826
Less comprehensive earnings (loss) attributable to the noncontrolling interests	43	57	60
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	$1,526	869	1,766
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
Liberty Capital common stock	NA	189	834
Liberty Starz common stock	NA	173	206
Liberty Interactive Corporation common stock	$ 277	507	726
Liberty Interactive common stock	222	NA	NA
Liberty Ventures common stock	1,027	NA	NA
	$1,526	869	1,766

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2012, 2011 and 2010

	2012	2011	2010
	amounts in millions (See note 4)		
Cash flows from operating activities:			
Net earnings (loss)	$ 1,591	965	1,937
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	—	(378)	(1,101)
Depreciation and amortization	609	641	571
Stock-based compensation	91	49	67
Cash payments for stock-based compensation	(12)	(3)	(20)
Excess tax benefit from stock-based compensation	(64)	(19)	(86)
Noncash interest expense	9	9	90
Share of (earnings) losses of affiliates, net	(85)	(140)	(112)
Cash receipts from returns on equity investments	45	22	21
Realized and unrealized (gains) losses on financial instruments, net	351	(84)	(62)
(Gains) losses on transactions, net	(1,531)	—	(355)
Impairment of intangible assets	92	—	—
Deferred income tax expense (benefit)	13	44	(62)
Other noncash charges (credits), net	(30)	(5)	22
Changes in operating assets and liabilities			
Current and other assets	(70)	(174)	247
Payables and other liabilities	423	(27)	46
Net cash provided (used) by operating activities	1,432	900	1,203
Cash flows from investing activities:			
Cash proceeds from dispositions	1,030	—	459
Proceeds (payments) from settlement of financial instruments, net	(258)	—	(28)
Investment in and loans to cost and equity investees	(236)	(65)	—
Cash received in exchange transaction	—	—	218
Capital expended for property and equipment	(339)	(312)	(258)
Net sales (purchases) of short term investments	(30)	(46)	—
Other investing activities, net	(14)	(14)	(47)
Net cash provided (used) by investing activities	153	(437)	344
Cash flows from financing activities:			
Borrowings of debt	2,316	383	2,974
Repayments of debt	(1,512)	(899)	(4,791)
Repurchases of Liberty Interactive common stock	(815)	(366)	—
Proceeds from rights offering	328	—	—
Taxes paid in lieu of shares issued for stock-based compensation	(128)	(5)	—
Excess tax benefit from stock-based compensation	64	19	86
Other financing activities, net	(5)	(48)	(83)
Net cash provided (used) by financing activities	248	(916)	(1,814)
Effect of foreign currency exchange rates on cash	(20)	(4)	14
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	—	304	88
Cash provided (used) by investing activities	—	(104)	7
Cash provided (used) by financing activities	—	(264)	(1,498)
Change in available cash held by discontinued operations	—	15	1,054
Net cash provided (used) by discontinued operations	—	(49)	(349)
Net increase (decrease) in cash and cash equivalents	1,813	(506)	(602)
Cash and cash equivalents at beginning of period	847	1,353	1,955
Cash and cash equivalents at end of period	$ 2,660	847	1,353

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Consolidated Statement Of Equity
Years ended December 31, 2012, 2011 and 2010

	Stockholders' Equity													
		Common stock												
		Liberty Capital		Liberty Starz		Liberty Interactive		Liberty Ventures						
	Preferred Stock	Series A	Series B	Series A	Series B	Series A	Series B	Series A	Series B	Additional paid-in capital	Accumulated other comprehensive earnings	Retained Earnings	Noncontrolling interest in equity of subsidiaries	Total equity
	amounts in millions													
Balance at January 1, 2010	$—	1	—	—	—	6	—	—	—	8,900	352	850	129	10,238
Net earnings	—	—	—	—	—	—	—	—	—	—	—	1,892	45	1,937
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(126)	—	15	(111)
Stock compensation	—	—	—	—	—	—	—	—	—	62	—	—	—	62
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	—	—	—	86	—	—	—	86
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	34	—	—	—	34
Series A Liberty Starz stock repurchases	—	—	—	—	—	—	—	—	—	(40)	—	—	—	(40)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(714)	—	—	—	(714)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(64)	(64)
Other	—	—	—	—	—	—	—	—	—	10	—	—	4	14
Balance at December 31, 2010	—	1	—	—	—	6	—	—	—	8,338	226	2,742	129	11,442
Net earnings	—	—	—	—	—	—	—	—	—	—	—	912	53	965
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(43)	—	4	(39)
Stock compensation	—	—	—	—	—	—	—	—	—	58	—	—	—	58
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	—	—	—	(5)	—	—	—	(5)
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	—	—	—	19	—	—	—	19
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	17	—	—	—	17
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	—	—	(366)	—	—	—	(366)
Series A Liberty Capital stock repurchases	—	—	—	—	—	—	—	—	—	(213)	—	—	—	(213)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	—	(16)	—	—	(51)	(67)
Sale of noncontrolling interest, net of tax impacts	—	—	—	—	—	—	—	—	—	(100)	—	—	(6)	(106)

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Consolidated Statement Of Equity (Continued)
Years ended December 31, 2012, 2011 and 2010

	Stockholders' Equity													
		Common stock												
		Liberty Capital		Liberty Starz		Liberty Interactive		Liberty Ventures						
	Preferred Stock	Series A	Series B	Series A	Series B	Series A	Series B	Series A	Series B	Additional paid-in capital	Accumulated other comprehensive earnings	Retained Earnings	Noncontrolling interest in equity of subsidiaries	Total equity
	amounts in millions													
Distribution to stockholders for split-off of Liberty Media Corporation (note 4)	—	(1)	—	—	—	—	—	—	—	(5,110)	(31)	—	5	(5,137)
Transfer of tax attributes from Liberty Media	—	—	—	—	—	—	—	—	—	59	—	—	—	59
Balance at December 31, 2011	$—	—	—	—	—	6	—	—	—	2,681	152	3,654	134	6,627
Net earnings	—	—	—	—	—	—	—	—	—	—	—	1,530	61	1,591
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	(4)	—	(18)	(22)
Stock compensation	—	—	—	—	—	—	—	—	—	76	—	—	—	76
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	—	—	—	(128)	—	—	—	(128)
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	—	—	—	64	—	—	—	64
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	28	—	—	—	28
Series A Liberty Interactive stock repurchases	—	—	—	—	—	(1)	—	—	—	(814)	—	—	—	(815)
Series A Liberty Ventures stock issued for rights offering	—	—	—	—	—	—	—	—	—	328	—	—	—	328
Noncontrolling interest recognized with acquisition of a controlling interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	4,341	4,341
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	(29)	(29)
Other	—	—	—	—	—	—	—	—	—	(10)	—	—	—	(10)
Balance at December 31, 2012	$—	—	—	—	—	5	—	—	—	2,225	148	5,184	4,489	12,051

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

The accompanying 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.

On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor, Inc. ("TripAdvisor") (an additional 4% equity ownership interest), for $300 million, along with the right to control the vote of the shares of TripAdvisor's common stock and class B common stock we own. Following the transaction we own approximately 22% of the equity and 57% of the total votes of all classes of TripAdvisor common stock. As we now control TripAdvisor we applied the applicable purchase accounting guidance and recorded a gain on the acquisition of $800 million on our ownership interest held prior to the transaction, recognized in the gain (loss) on transactions, net line in the consolidated statements of operations. The fair value of our ownership interest previously held and the fair value of the noncontrolling interest was determined based on the trading price of TripAdvisor common shares on the last trading day prior to our transaction. Additionally, the noncontrolling interest includes the fair value of TripAdvisor's fully vested options outstanding at the date of acquisition. Following the transaction date TripAdvisor is a consolidated subsidiary with a 78% noncontrolling interest accounted for in equity and the consolidated statements of operations.

Initial purchase price allocation for TripAdvisor is as follows (amounts in millions):

Fair value of ownerhsip interest held prior to transaction	$ 1,004
Controlling interest acquired	300
Noncontrolling interest	4,341
	$ 5,645
Cash and cash equivalents	$ 411
Receivables	116
Other assets	233
Goodwill	3,649
Tradenames	1,800
Intangible assets subject to amortization	1,195
Debt	(417)
Other liabilities assumed	(151)
Deferred tax liabilities	(1,191)
	$ 5,645

The initial purchase price allocation is subject to change upon receipt of the final valuation analysis for TripAdvisor as the transaction was completed so close to December 31, 2012. The primary balances still subject to analysis are the goodwill, tradenames and other intangibles subject to amortization.

(1) Basis of Presentation (Continued)

The Pro Forma summarized unaudited balance sheets and statements of operation of Liberty were prepared utilizing the historical financial statements of TripAdvisor, giving effect to purchase accounting related adjustments made at the time of acquisition and excluding the impact of the gain, as if the transaction discussed above occurred for the Balance Sheet data as of such date and for the Statement of Operations data as if it had occurred on January 1, 2010, are as follows:

Summary Balance Sheet Data:

	December 31, 2011
	amounts in millions (unaudited)
Current assets	3,398
Investments in equity method affiliates	951
Intangibles not subject to amortization	13,945
Intangibles subject to amortization	3,404
Other assets	2,426
Total assets	24,124
Long-term debt	5,230
Other liabilities	7,211
Noncontrolling interests in equity of subsidiaries	4,479
Equity	7,204

(1) Basis of Presentation (Continued)

Summary Operations Data:

	Years ended December 31, 2012	2011	2010
	amounts in millions (unaudited)		
Revenue	$10,781	10,253	9,417
Operating income (loss)	$ 1,230	1,177	1,055
Income tax (expense) benefit	$ (415)	(359)	(107)
Net earnings (loss) from continuing operations	$ 877	623	802
Less earnings (loss) attributable to the noncontrolling interests	$ 126	81	18
Net Earnings (loss) from continuing operations attributable to Liberty shareholders:			
Liberty Capital common stock	NA	10	28
Liberty Starz common stock	NA	—	—
Liberty Interactive Corporation common stock	$ 304	532	756
Liberty Interactive common stock	$ 212	NA	NA
Liberty Ventures common stock	$ 235	NA	NA
	$ 751	542	784
Pro Forma basic net earnings (loss) attributable to Liberty shareholders per common share (note 3):			
Liberty Capital common stock	NA	0.12	0.31
Liberty Starz common stock	NA	—	—
Liberty Interactive Corporation common stock	$ 0.54	0.89	1.27
Liberty Interactive common stock	$ 0.39	NA	NA
Liberty Ventures common stock	$ 7.12	NA	NA
Pro Forma diluted net earnings (loss) attributable to Liberty shareholders per common share (note 3):			
Liberty Capital common stock	NA	0.12	0.30
Liberty Starz common stock	NA	—	—
Liberty Interactive Corporation common stock	$ 0.54	0.88	1.25
Liberty Interactive common stock	$ 0.38	NA	NA
Liberty Ventures common stock	$ 7.12	NA	NA

This Pro Forma information is not representative of Liberty's future financial position, future results of operations or future cash flows nor does it reflect what Liberty's financial position, results of operations or cash flows would have been as if the transaction had happened previously and Liberty controlled TripAdvisor during the periods presented.

(2) Tracking Stocks

On August 9, 2012 Liberty completed the approved recapitalization of its common stock through the creation of the Liberty Interactive common stock and Liberty Ventures common stock as tracking stocks. In the recapitalization, each holder of Liberty Interactive Corporation common stock remained

(2) Tracking Stocks (Continued)

a holder of the same amount and series of Liberty Interactive common stock and received 0.05 of a share of the corresponding series of Liberty Ventures common stock, by means of a dividend, with cash issued in lieu of fractional shares of Liberty Ventures common stock.

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty has two tracking stocks—Liberty Interactive common stock and Liberty Ventures common stock, which are intended to track and reflect the economic performance of the Interactive Group and Ventures Group, respectively. While the Interactive Group and the Ventures 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 "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Ventures Group is comprised primarily of our consolidated subsidiary TripAdvisor and interests in Expedia, Inc., Interval Leisure Group, Inc., Tree.com, Inc., investments in Time Warner Inc., Time Warner Cable Inc. and AOL, Inc., as well as cash in the amount of approximately $1,961 million (at December 31, 2012). The Ventures Group also has attributed to it certain liabilities related to our Exchangeable Debentures and certain deferred tax liabilities. The Ventures Group is primarily focused on the maximization of the value of these investments and investing in new business opportunities.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Interactive Group is primarily focused on our video and E-commerce operating businesses and has attributed to it the remainder of our businesses and assets, including our operating subsidiaries QVC, Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, LLC and CommerceHub as well as our interest in HSN, Inc. including cash of approximately $699 million (at December 31, 2012), including subsidiary cash. The Interactive Group has attributed to it liabilities that reside with QVC and the other entities listed as well as our outstanding senior notes and certain deferred tax liabilities.

At the time of issuance of the Liberty Ventures common stock, cash of $1,346 million was reattributed to the Ventures Group from the Interactive Group. The Interactive Group borrowed funds under QVC's credit facility just prior to the completion of the recapitalization in order for Liberty to have an appropriate amount of cash available to be attributed to each tracking stock group. The reattribution of cash between the tracking stock groups had no consolidated impact on Liberty.

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

(3) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Receivables

Receivables are reflected net of an allowance for doubtful accounts and sales returns. Such allowance aggregated $79 million and $80 million at December 31, 2012 and 2011, respectively. A summary of activity in the allowance for doubtful accounts is as follows:

	Balance beginning of year	Additions		Deductions-write-offs	Balance end of year
		Charged to expense	Acquisitions		
	amounts in millions				
2012	$80	75	5	(81)	79
2011	$67	68	—	(55)	80
2010	$81	79	—	(93)	67

Inventory

Inventory, consisting primarily of products held for sale, is stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method. Inventory is stated net of inventory obsolescence reserves of $97 million and $93 million for the years ended December 31, 2012 and 2011, respectively.

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. U.S. generally accepted accounting principles ("GAAP") permit entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges are reflected in Liberty's statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty has elected the fair value option for those of its AFS securities which it considers to be non-strategic ("Fair Value Option Securities"). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statement of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated $1,716 million and $1,165 million as of December 31, 2012 and 2011, respectively.

Other investments in which the Company's ownership interest is less than 20% and that are not considered marketable securities are carried at cost.

(3) Summary of Significant Accounting Policies (Continued)

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag. The Company's share of net earnings or loss of affiliates also includes any other than temporary declines in fair value recognized during the period.

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee, are recognized in the statement of operations through the other, net line item.

The Company continually reviews its equity investments and its AFS securities which are not Fair Value Option Securities to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the carrying value of the security is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves considerable management judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for AFS securities which are not Fair Value Option Securities would be included in the consolidated statements of operations as other than temporary declines in fair values of investments. Writedowns for equity method investments would be included in share of earnings (losses) of affiliates.

Derivative Instruments and Hedging Activities

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments

(3) Summary of Significant Accounting Policies (Continued)

related to certain of its variable rate debt. None of the Company's derivatives are currently designated as hedges.

The fair value of the Company's equity collars and other similar derivative instruments were estimated using the Black-Scholes model. The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtains volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate is obtained at the inception of the derivative instrument and updated each reporting period in which equity collars are outstanding, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Management judgment was required in estimating the Black-Scholes variables.

Property and Equipment

Property and equipment consisted of the following:

	December 31, 2012	December 31, 2011
	amounts in millions	
Land	$ 100	105
Buildings and improvements	909	844
Support equipment	948	897
Projects in progress	213	156
Total property and equipment	$2,170	2,002

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 3 to 20 years for support equipment and 8 to 40 years for buildings and improvements.

Intangible Assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually. Equity method goodwill is also not amortized, but is evaluated for impairment upon certain triggering events.

The Company performs at least annually an impairment analysis of goodwill and other intangibles. The Company adopted the accounting guidance, in the prior and current year, relating to the annual assessments of recoverability of goodwill and other intangibles and utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. The accounting guidance adopted was issued to simplify how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to

(3) Summary of Significant Accounting Policies (Continued)

perform the two-step goodwill impairment test. In evaluating goodwill on a qualitative basis the Company reviewed the business performance of each reporting unit and evaluated other relevant factors as identified in the relevant accounting guidance to determine whether it was more likely than not that an indicated impairment existed for any of our reporting units. The Company considered whether there was any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considered fair value determinations for certain reporting units that had been made at various points throughout the current year and prior year for other purposes.

If a step one test is considered necessary based on the qualitative factors, the Company compares the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Liberty's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. For those reporting units whose carrying value exceeds the fair value, a second test is required to measure the impairment loss (the "Step 2 Test"). In the Step 2 Test, the fair value (Level 3) of the reporting unit is allocated to all of the assets and liabilities of the reporting unit with any residual value being allocated to goodwill. The difference between such allocated amount and the carrying value of the goodwill is recorded as an impairment charge.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangibles) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. The Company generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of assets. Accordingly, actual results could vary significantly from such estimates. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Noncontrolling Interests

The Company reports noncontrolling interests of subsidiaries within equity in the balance sheet and the amount of consolidated net income attributable to the parent and to the noncontrolling interest is presented in the statement of operations. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity.

(3) Summary of Significant Accounting Policies (Continued)

Foreign Currency Translation

The functional currency of the Company is the United States ("U.S.") dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in 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 the accompanying consolidated statements of operations and comprehensive earnings (loss) as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

Revenue Recognition

Revenue is recognized at the time of delivery to customers. An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns for the years ended December 31, 2012, 2011 and 2010 aggregated $2,041 million, $1,966 million and $1,792 million, respectively. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.

Cost of Sales

Cost of sales primarily includes actual product cost, provision for obsolete inventory, buying allowances received from suppliers, shipping and handling costs and warehouse costs.

Advertising Costs

Advertising costs generally are expensed as incurred. Advertising expense aggregated $271 million, $242 million and $197 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Stock-Based Compensation

As more fully described in note 13, the Company has granted to its directors, employees and employees of its subsidiaries options, restricted stock and stock appreciation rights ("SARs") to purchase shares of Liberty Interactive and/or Liberty Ventures common stock ("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.

(3) Summary of Significant Accounting Policies (Continued)

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

Years ended:	
December 31, 2012	$91
December 31, 2011	$49
December 31, 2010	$67

As of December 31, 2012, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately $170 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.7 years.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

Earnings (Loss) Attributable to Liberty Interactive Corporation Stockholders and Earnings (Loss) Per Common Share

Net earnings attributable to Liberty Interactive Corporation stockholders are comprised of the following:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Earnings (loss) from continuing operations	$1,530	534	788
Earnings (loss) from discontinued operations	—	378	1,104
	$1,530	912	1,892

(3) Summary of Significant Accounting Policies (Continued)

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

The basic and diluted EPS calculation is based on the following weighted average shares outstanding ("WASO"). As discussed in more detail in note 5, Liberty Capital common stock was redeemed for shares in a subsidiary in the third quarter of 2011. Therefore, the amounts presented below are through the LMC Split-Off date.

	Year ended December 31, 2011	Year ended December 31, 2010
	numbers of shares in millions	
Basic WASO	81	90
Stock options	2	3
Diluted WASO	83	93

Series A and Series B Liberty Starz Common Stock

The basic and diluted EPS calculation is based on the following weighted average shares outstanding. As discussed in more detail in note 5, Liberty Starz common stock was redeemed for shares in a subsidiary in the third quarter of 2011. Therefore, the amounts presented below for December 31, 2011 are through the LMC Split-Off date.

	Year ended December 31, 2011	Year ended December 31, 2010
	number of shares in millions	
Basic WASO	51	50
Stock options	2	2
Diluted WASO	53	52

Series A and Series B Liberty Interactive Corporation Common Stock

The basic and diluted EPS calculation for Liberty Interactive Corporation prior to the recapitalization is based on the following weighted average outstanding shares. Excluded from diluted

(3) Summary of Significant Accounting Policies (Continued)

EPS, for the period prior to the recapitalization, are 6 million potential common shares because their inclusion would be antidilutive.

	January 1, 2012 through August 9, 2012	Year ended December 31, 2011	Year ended December 31, 2010
	number of shares in millions		
Basic WASO	559	595	596
Stock options	9	7	9
Diluted WASO	568	602	605

Series A and Series B Liberty Interactive Common Stock

Liberty completed a recapitalization on August 9, 2012, whereby each holder of current Liberty Interactive Corporation common stock became a holder of the same number of Liberty Interactive common stock. EPS for the period from the recapitalization through December 31, 2012, are based on the following weighted average outstanding shares. Excluded from diluted EPS for the year ended December 31, 2012 are 3 million potential common shares because their inclusion would be antidilutive.

	Year ended December 31, 2012
	number of shares in millions
Basic WASO	541
Stock options	10
Diluted WASO	551

Series A and Series B Liberty Ventures Common Stock

Liberty completed a recapitalization on August 9, 2012, whereby each holder of then-existing Liberty Interactive common stock received 0.05 of a share of the corresponding series of Liberty Ventures common stock, by means of a dividend, with cash paid in lieu of fractional shares of Liberty Ventures common stock. Additionally, as part of the recapitalization Liberty distributed subscription rights, which were priced at a discount to the market value, to all holders of Liberty Ventures common stock, see further discussion in note 11. The rights offering, because of the discount, is considered a stock dividend which requires retroactive treatment for prior periods for the weighted average shares outstanding. EPS for the period from the recapitalization through December 31, 2012, are based on the following weighted average outstanding shares. Excluded from diluted EPS for the year ended

(3) Summary of Significant Accounting Policies (Continued)

December 31, 2012 are 1 million potential common shares because their inclusion would be antidilutive.

	Year ended December 31, 2012
	number of shares in millions
Basic WASO	33
Stock options	—
Diluted WASO	33

Reclasses and adjustments

Certain prior period amounts have been reclassified for comparability with the current year presentation. Additionally, the Company added cash flow statement line items (Excess tax benefit from stock-based compensation and Taxes paid in lieu of shares issued for stock-based compensation) to reflect certain tax impacts from option exercises for the current and prior year periods presented.

Estimates

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) recurring and non-recurring fair value measurements, (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 consolidated financial statements.

(4) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	$ 362	3	6
Intangibles not subject to amortization	5,494	10	23
Intangibles subject to amortization	1,235	3	10
Net liabilities assumed	(587)	(3)	(1)
Deferred tax assets (liabilities)	(1,199)	1	(5)
Other	12	—	—
Fair value of previously held ownership interest	(1,004)	—	—
Noncontrolling interest	(4,341)	—	—
Cash paid for acquisitions, net of cash (acquired)	$ (28)	14	33
Available-for-sale securities exchanged for consolidated subsidiaries	$ —	—	368
Cash paid for interest	$ 411	426	529
Cash paid for income taxes	$ 151	370	301

(5) Discontinued Operations

Split-Off of Liberty Media Corporation

Prior to the LMC 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 no group could 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 a wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto known as Liberty Splitco, Inc.) (the "LMC Split-Off"). At the time of the LMC Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to the Capital and Starz tracking stock groups. The LMC 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 LMC 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 LMC

(5) Discontinued Operations (Continued)

Split-Off, Liberty and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the LMC 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. Liberty is party to on-going discussions with the IRS under the Compliance Assurance Process audit program. The IRS may propose adjustments that relate to tax attributes allocated to and income allocable to LMC in the LMC Split-Off. Any potential outcome associated with any proposed adjustments would be covered by the Tax Sharing Agreement and are not expected to have any impact on Liberty's financial position. Pursuant to the Services Agreement, LMC will provide Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty will reimburse 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 will share office space with LMC and related amenities at LMC's corporate headquarters. Under theses various agreements approximately $12 million and $2 million of these allocated expenses were reimbursable from Liberty to LMC for the years ended December 31, 2012 and 2011 (since the LMC Split-Off date), respectively.

The 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 LMC Split-Off (for periods prior to the LMC Split-Off) have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

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

	Years ended December 31,	
	2011	2010
	amounts in millions	
Revenue	$2,008	2,050
Earnings (loss) before income taxes	$ 628	594

(5) Discontinued Operations (Continued)

Earnings per share impact of discontinued operations

The combined impact from discontinued operations, discussed above, is as follows:

	Years ended December 31, 2011	Years ended December 31, 2010
Basic earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):		
Series A and Series B Liberty Capital common stock	$2.48	8.74
Series A and Series B Liberty Starz common stock	$3.47	4.12
Series A and Series B Liberty Interactive common stock	$ —	0.19
Diluted earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):		
Series A and Series B Liberty Capital common stock	$2.42	8.46
Series A and Series B Liberty Starz common stock	$3.34	3.96
Series A and Series B Liberty Interactive common stock	$ —	0.18

Certain assets and liabilities not owned by Liberty Interactive at the time of the LMC Split-Off were attributed to the Liberty Interactive tracking stock in prior periods and certain assets and liabilities not owned by LMC at the time of the LMC Split-Off were attributed to the Liberty Capital tracking stock in prior periods. These assets and liabilities, and their resulting impacts on the attributed statement of operations, were either included or excluded from discontinued operations based on which entity owned the assets at time of the LMC Split-Off. This results in Liberty Interactive common stock participating in the discontinued operations for the amount attributable to Liberty Interactive common stock for those assets and liabilities it did not own at the time of the LMC Split-Off, in periods prior to the LMC 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 LMC Split-Off as a result of the change in attribution of those assets and liabilities prior to the LMC Split-Off.

(6) 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 does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

(6) Assets and Liabilities Measured at Fair Value (Continued)

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

	December 31, 2012			December 31, 2011		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	$2,316	2,305	11	694	694	—
Available-for-sale securities	$1,815	1,668	147	1,165	1,165	—
Debt	$2,930	—	2,930	2,443	—	2,443

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 debt instruments are reported in the foregoing table as Level 2 fair value.

During the year ended December 31, 2012 we recorded $92 million in goodwill and other intangibles impairments for two of our E-commerce companies (Celebrate and Evite). Continued declining operating results as compared to budgeted results and certain trends required a Step 2 impairment test and a determination of fair value for these subsidiaries. Fair value for these subsidiaries, including the related intangibles and goodwill, were determined using the respective Company's projections of future operating performance and applying a combination of market multiples (market approach) and discounted cash flow (income approach) calculations (Level 3).

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:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Non-strategic Securities	$ 470	55	202
Exchangeable senior debentures	(602)	(46)	(257)
Other financial instruments	(219)	75	117
	$(351)	84	62

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

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value generally based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair

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

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 ("Fair Value Option Securities"). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statements of operations.

Investments in AFS securities, the entirety of which are considered Fair Value Option Securities excluding the TripAdvisor AFS securities, and other cost investments are summarized as follows:

	December 31, 2012	December 31, 2011
	amounts in millions	
Interactive Group		
Other cost investments	$ 4	3
Total attributed Interactive Group	$ 4	3
Ventures Group		
Time Warner Inc.	$1,042	787
Time Warner Cable Inc.	531	348
AOL, Inc.	59	30
Other AFS investments	84	—
TripAdvisor AFS Securities	99	—
Total attributed Ventures Group	1,815	1,165
Consolidated Liberty	$1,819	1,168

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

	December 31, 2012			December 31, 2011
	Percentage ownership	Market value	Carrying amount	Carrying amount
			dollars in millions	
Interactive Group				
HSN	37%	$1,102	$ 242	217
Other	various	N/A	$ 62	13
Total Interactive Group			$ 304	230
Ventures Group				
Expedia(1)(2)(3)	17%	$1,389	$ 431	621
TripAdvisor(1)(4)	N/A	N/A	N/A	184
Other	various	N/A	116	100
Total Ventures Group			547	905
Consolidated Liberty			$ 851	1,135

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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Interactive Group			
HSN	$ 40	38	31
Other	(12)	(15)	(23)
Total Interactive Group	28	23	8
Ventures Group			
Expedia, Inc.(1)(2)(3)	67	119	103
TripAdvisor(1)(4)	38	—	—
Other	(48)	(2)	1
Total Ventures Group	57	117	104
Consolidated Liberty	$ 85	140	112

(1) During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, a wholly owned subsidiary. Therefore, the Company had a 26% ownership interest in each of Expedia, Inc. and TripAdvisor as of December 31, 2011.

(2) 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 was

(8) Investments in Affiliates Accounted for Using the Equity Method (Continued)

settled in October 2012 for total cash proceeds of $412 million and the 12 million shares of Expedia common stock, previously held as collateral, were released to the counterparty. In the fourth quarter when the forward contract settled, the difference between the fair value of the Expedia shares and the carrying value of the shares ($443 million) was recognized in the gain (loss) on transactions, net line item in the statement of operations.

(3) During the years ended December 31, 2012 and 2011, Expedia, Inc. paid dividends aggregating $23 million and $19 million, respectively, which were recorded as reductions to the investment balance.

(4) In May 2012, Liberty sold approximately 8.5 million shares of TripAdvisor for cash proceeds of $338 million. The sale resulted in a $288 million gain recorded in gain (losses) on transactions, net, based on the average cost, in the statement of operations. On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor (an additional 4% equity ownership interest), for $300 million, and obtained voting control of TripAdvisor, see note 1 for additional details of the fourth quarter transaction with TripAdvisor.

Expedia

Summarized unaudited financial information for Expedia is as follows:

Expedia Consolidated Balance Sheets

	December 31, 2012	December 31, 2011
	amounts in millions	
Current assets	$2,615	2,275
Property and equipment, net	409	320
Goodwill	3,016	2,877
Intangible assets	821	744
Other assets	224	289
Total assets	$7,085	6,505
Current liabilities	$2,982	2,553
Deferred income taxes	324	280
Long-term debt	1,249	1,249
Other liabilities	141	118
Noncontrolling interest	109	105
Equity	2,280	2,200
Total liabilities and equity	$7,085	6,505

(8) Investments in Affiliates Accounted for Using the Equity Method (Continued)

Expedia Consolidated Statements of Operations

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Revenue	$ 4,030	3,449	3,034
Cost of revenue	(899)	(761)	(685)
Gross profit	3,131	2,688	2,349
Selling, general and administrative expenses	(2,551)	(2,186)	(1,825)
Amortization	(32)	(22)	(23)
Restructuring charges and other	(116)	—	—
Operating income	432	480	501
Interest expense	(88)	(91)	(66)
Other income (expense), net	6	13	(10)
Income tax (expense) benefit	(47)	(76)	(120)
Income (loss) from continuing operations	303	326	305
Discontinued operations, net of tax	(23)	148	120
Net earnings (loss)	280	474	425
Less net earnings (loss) attributable to noncontrolling interests	—	(2)	(4)
Net earnings (loss) attributable to Expedia, Inc.	$ 280	472	421

(9) Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	E-commerce	TripAdvisor	Total
	amounts in millions			
Balance at January 1, 2011	$5,363	620	—	5,983
Acquisitions		4	—	4
Foreign currency translation adjustments	(9)	—	—	(9)
Balance at December 31, 2011	$5,354	624	—	5,978
Foreign currency translation adjustments	(26)	—	—	(26)
Acquisitions	21	19	3,649	3,689
Impairments	—	(82)	—	(82)
Other	—	(3)	—	(3)
Balance at December 31, 2012	$5,349	558	3,649	9,556

(9) Goodwill and Other Intangible Assets (Continued)

Goodwill recognized from acquisitions primarily relate to assembled workforces, website community and other intangible assets that do not qualify for separate recognition. As of December 31, 2012 accumulated impairment losses for the E-commerce companies was $138 million.

As presented in the accompanying consolidated balance sheet trademarks is the other significant indefinite lived intangible asset. During the year ended December 31, 2012, Liberty acquired a controlling interest in TripAdvisor, see note 1 for additional details on the acquisition, which through the application of purchase accounting increased the trademarks balance by $1,800 million.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2012			December 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Television distribution rights	$2,326	(1,554)	772	2,305	(1,391)	914
Customer relationships	3,608	(1,747)	1,861	2,618	(1,535)	1,083
Other	943	(459)	484	600	(388)	212
Total	$6,877	(3,760)	3,117	5,523	(3,314)	2,209

Additions to intangible assets subject to amortization were the result of the acquistion of TripAdvisor, see note 1 for additional details on the acquisition. The weighted average life of these amortizable intangible assets acquired is approximately 9 years. However, amortization is expected to match the usage of the related asset and will be on an accelerated basis as demonstrated in table below.

Amortization expense for intangible assets with finite useful lives was $462 million, $490 million and $426 million for the years ended December 31, 2012, 2011 and 2010, respectively. Based on its amortizable intangible assets as of December 31, 2012, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2013	$760
2014	$682
2015	$587
2016	$472
2017	$357

(10) Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2012	Carrying value December 31, 2012	Carrying value December 31, 2011
	amounts in millions		
Interactive Group			
Senior notes and debentures			
5.7% Senior Notes due 2013	$ 241	240	308
8.5% Senior Debentures due 2029	287	285	285
8.25% Senior Debentures due 2030	504	501	501
QVC 7.125% Senior Secured Notes due 2017	500	500	500
QVC 7.5% Senior Secured Notes due 2019	1,000	988	986
QVC 7.375% Senior Secured Notes due 2020	500	500	500
QVC 5.125% Senior Secured Notes due 2022	500	500	—
QVC Bank Credit Facilities	903	903	434
Other subsidiary debt	125	125	82
Total Interactive Group	$4,560	4,542	3,596
Ventures Group			
Exchangeable Senior Debentures			
3.125% Exchangeable Senior Debentures due 2023	$1,138	1,639	1,275
4% Exchangeable Senior Debentures due 2029	469	311	258
3.75% Exchangeable Senior Debentures due 2030	460	297	235
3.5% Exchangeable Senior Debentures due 2031	371	292	341
3.25% Exchangeable Senior Debentures due 2031	414	391	334
TripAdvisor Debt Facilities	412	412	—
Total Ventures Group	$3,264	3,342	2,443
Total consolidated Liberty debt	$7,824	7,884	6,039
Less current maturities		(1,638)	(1,189)
Total long-term debt		$ 6,246	4,850

Exchangeable Senior Debentures

Each $1,000 debenture of Liberty's 3.125% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 19.1360 shares of Time Warner Inc. common stock, 4.8033 shares of Time Warner Cable Inc. common stock and 1.7396 shares of AOL Inc. common stock. Liberty may, at its election, pay the exchange value in cash, Time Warner, Time Warner Cable and AOL common stock, shares of Liberty common stock or a combination thereof. On or after April 5, 2013, Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest. On March 30, 2013 or March 30, 2018, each holder may cause Liberty to purchase its exchangeable debentures at par, and Liberty, at its election, may pay the purchase price in shares of Time Warner, Time Warner Cable and AOL common stock, cash, Liberty common stock, or any combination thereof.

(10) Debt (Continued)

Each $1,000 debenture of Liberty's 4% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 11.4743 shares of Sprint common stock and .7860 shares of Century Link, Inc. ("Century Link") common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and Century Link common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest.

Each $1,000 debenture of Liberty's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and .5746 shares of Century Link common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and Century Link common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

Each $1,000 debenture of Liberty's 3.5% Exchangeable Senior Debentures (the "Motorola Exchangeables") was exchangeable at the holder's option for the value of 5.2598 shares of Motorola Solutions, Inc. and 4.6024 shares of Motorola Mobility Holdings, Inc., as a result of Motorola Inc.'s separation of Motorola Mobility Holdings, Inc. ("MMI") in a 1 for 8 stock distribution, and the subsequent 1 for 7 reverse stock split of Motorola, Inc. (which has been renamed Motorola Solutions, Inc. ("MSI")), effective January 4, 2011. MMI was acquired on May 22, 2012 for $40 per share in cash. Pursuant to the indenture, the cash paid to shareholders in the MMI acquisition was to be paid to the holders of the Motorola Exchangeables as an extraordinary distribution. Liberty made a cash payment of $184.096 per debenture in the second quarter of 2012 for a total payment of $111 million. The remaining exchange value is payable, at Liberty's option, in cash or MSI stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of a cash distribution made by Liberty in 2007, the cash disbursement discussed above and various principal payments made to holders of the Motorola Exchangeables, the adjusted principal amount of each $1,000 debenture is $619, as of December 31, 2012.

Each $1,000 debenture of Liberty's 3.25% Exchangeable Senior Debentures (the "Viacom Exchangeables") is exchangeable at the holder's option for the value of 9.2833 shares of Viacom Class B common stock and 9.2833 shares of CBS Corporation ("CBS") Class B common stock. Such exchange value is payable at Liberty's option in cash, Viacom and CBS stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest. Subsequent to December 31, 2012 the Company announced the redemption in full of all of its outstanding 3.25% Senior Exchangeable Debentures due 2031.

In connection with the redemption, Liberty has elected to terminate the right of debenture holders to exchange their debentures for the exchange market value of the reference shares attributable to the debentures. No further exchanges will be permitted. The redemption price for each outstanding debenture will be paid in cash, and will equal the sum of (1) the greater of (a) the adjusted principal amount of a debenture as of the Redemption Date (expected to be $1,000) and (b) 100% of the current market value of the reference shares attributable to a debenture (as determined pursuant to the indenture), (2) any accrued and unpaid interest on such debenture to the Redemption Date and (3) any final period distribution on such debenture.

(10) Debt (Continued)

Liberty has sold, split-off or otherwise disposed of all of its shares of Motorola, Viacom, CBS, Sprint and Century Link common stock which underlie the respective Exchangeable Senior Debentures. Because such exchangeable debentures are exchangeable at the option of the holder at any time and Liberty can no longer use owned shares to redeem the debentures, Liberty has classified for financial reporting purposes the portion of the debentures that could be redeemed for cash as a current liability. Such amount aggregated $1,291 million at December 31, 2012. Although such amount has been classified as a current liability for financial reporting purposes, the Company believes the probability that the holders of such instruments will exchange a significant principal amount of the debentures prior to maturity is remote.

Interest on the Company's exchangeable debentures is payable semi-annually based on the date of issuance. At maturity, all of the Company's exchangeable debentures are payable in cash.

Senior Notes and Debentures

Interest on the Senior Notes and Senior Debentures are payable semi-annually based on the date of issuance.

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of $6 million and $6 million at December 31, 2012 and 2011, respectively. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

QVC Senior Secured Notes

In July 2012, QVC issued $500 million principal amount of 5.125% Senior Secured Notes due 2022 at par. The net proceeds from the issuance of these instruments were used to reduce the outstanding principal under the QVC Bank Credit Facilities and for general corporate purposes.

During prior years, QVC issued $500 million principal amount of 7.125% Senior Secured Notes due 2017 at par, $500 million principal amount of 7.375% Senior Secured Notes due 2020 at par and QVC issued $1,000 million principal amount of QVC 7.50% Senior Secured Notes due 2019 at an issue price of 98.278% of par.

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. QVC may elect that the loans extended under the revolving credit agreement bear interest at a rate per annum equal to the ABR Rate or LIBOR, as each is defined in the credit agreement, plus a margin of 0.50% to 3.00% depending on various factors, including leverage ratio. The facility is a multi-currency facility and there is no prepayment penalty. Availability under the QVC Bank Credit Facilities at December 31, 2012 was $1.1 billion. The $903 million outstanding principal matures in September 2015.

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

(10) Debt (Continued)

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 provided for payments that began in March 2011 and extend to March 2013. QVC makes fixed payments at rates ranging from 2.98% to 3.67% and receives variable payments at 3 month LIBOR (0.31% at December 31, 2012). During the year ended December 31, 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 (0.31% at December 31, 2012) and receive fixed payments at rates 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 consolidated statements of operations.

TripAdvisor Debt Facilities

TripAdvisor has in place a Credit Agreement, which provides $600 million of borrowing including the Term Loan Facility, or Term Loan, in an aggregate principal amount of $400 million with a term of five years due December 2016; and the Revolving Credit Facility in an aggregate principal amount of $200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016.

The Term Loan and any loans under the Revolving Credit Facility bear interest by reference to a base rate or a Eurocurrency rate, in either case plus an applicable margin based on TripAdvisor's leverage ratio. TripAdvisor is required to pay a quarterly commitment fee, on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The Term Loan and loans under the Revolving Credit Facility currently bear interest at LIBOR plus 175 basis points, or the Eurocurrency Spread, or the alternate base rate ("ABR") plus 75 basis points, and undrawn amounts are currently subject to a commitment fee of 30 basis points.

As of December 31, 2012 TripAdvisor is using a one-month interest period Eurocurrency Spread which is approximately 2% per annum. Interest is currently payable on a monthly basis while TripAdvisor is borrowing under the one-month interest rate period. The current interest rates are based on current assumptions, leverage and LIBOR rates and do not take into account that rates will reset periodically.

The Term Loan principal will be repayable in quarterly installments on the last day of each calendar quarter equal to 1.25% of the original principal amount, with $20 million paid during the year ended December 31, 2012. Principal payments will be equal to 2.5% of the original principal amount in each year thereafter, with the balance due on the final maturity date.

In addition to the borrowings under the Credit Agreement, TripAdvisor maintains Chinese credit facilities. As of December 31, 2012 TripAdvisor had approximately $32 million of short term borrowings outstanding.

(10) Debt (Continued)

Other Subsidiary Debt

Other subsidiary debt at December 31, 2012 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Five Year Maturities

The annual principal maturities of Liberty's debt, based on stated maturity dates except for Liberty's 3.25% Exchangeable debentures, for each of the next five years is as follows (amounts in millions):

2013	$737
2014	$ 59
2015	$962
2016	$310
2017	$543

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, based on quoted prices of instruments but not considered to be active markets (level 2), of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying consolidated balance sheets is as follows (amounts in millions):

	December 31,	
	2012	2011
Senior notes	$ 244	324
Senior debentures	$ 849	780
QVC senior secured notes	$2,723	2,202

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

(11) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Current:			
Federal	$(214)	(156)	(85)
State and local	(27)	(32)	6
Foreign	(140)	(120)	(111)
	$(381)	(308)	(190)
Deferred:			
Federal	$ (31)	(42)	27
State and local	11	(6)	21
Foreign	7	4	14
	(13)	(44)	62
Income tax benefit (expense)	$(394)	(352)	(128)

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Computed expected tax benefit (expense)	$(695)	(329)	(339)
Nontaxable exchange of investments for subsidiary	—	—	112
Consolidation of previously held equity method affiliate	294	—	—
State and local income taxes, net of federal income taxes	(11)	(22)	18
Foreign taxes, net of foreign tax credits	5	(3)	48
Impairment of intangibles not deductible for tax purposes	(29)	—	—
Dividends received deductions	13	5	5
Alternative energy tax credits	48	3	—
Change in valuation allowance affecting tax expense	(8)	(15)	—
Nontaxable gains (losses) related to the Company's common stock	1	8	27
Other, net	(12)	1	1
Income tax benefit (expense)	$(394)	(352)	(128)

The tax benefit from the consolidation of a previously held equity method affiliate for the year ended December 31, 2012 is the result of the acquisition of a controlling interest in TripAdvisor in the fourth quarter of 2012. The Company recorded an $800 million dollar gain on the transaction, due to the application of purchase accounting, which was excluded from taxable income. In addition, the

(11) Income Taxes (Continued)

difference between the book basis and tax basis of TripAdvisor, as previously accounted for under the equity method, was relieved as a result of the transaction.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31, 2012	December 31, 2011
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 110	70
Foreign tax credit carryforwards	87	30
Accrued stock compensation	32	44
Other accrued liabilities	80	69
Deferred revenue	4	5
Other future deductible amounts	116	114
Deferred tax assets	429	332
Valuation allowance	(52)	(16)
Net deferred tax assets	377	316
Deferred tax liabilities:		
Investments	492	190
Intangible assets	2,751	1,661
Discount on exchangeable debentures	890	978
Deferred gain on debt retirements	321	321
Other	44	63
Deferred tax liabilities	4,498	3,213
Net deferred tax liabilities	$4,121	2,897

The Company's deferred tax assets and liabilities are reported in the accompanying consolidated balance sheets as follows:

	December 31, 2012	December 31, 2011
	amounts in millions	
Current deferred tax liabilities	$ 912	851
Long-term deferred tax liabilities	3,209	2,046
Net deferred tax liabilities	$4,121	2,897

The Company's valuation allowance increased $36 million in 2012. Of the change in valuation allowance, $8 million affected tax expense, and the remainder of the change was due to purchase accounting for certain acquisitions made during the year ended December 31, 2012.

(11) Income Taxes (Continued)

At December 31, 2012, Liberty had net operating losses (on a tax effected basis) and foreign tax credit carryforwards for income tax purposes aggregating approximately $110 million and $87 million, respectively, which, if not utilized to reduce domestic, state or foreign income tax liabilities in future periods, will expire as follows: $7 million in 2013; $30 million in 2015; $2 million in 2016; $7 million in 2017; and $151 million beyond 2020. These net operating losses and foreign tax credit carryforwards are expected to be utilized prior to expiration, except for $45 million and $7 million, respectively, which based on current projections of domestic, state and foreign income may expire unused.

A reconciliation of unrecognized tax benefits is as follows:

	Years ended December 31,	
	2012	2011
	amounts in millions	
Balance at beginning of year	$123	123
Additions based on tax positions related to the current year	12	13
Additions for tax positions of prior years	2	3
Reductions for tax positions of prior years	(4)	(5)
Acquisition of TripAdvisor	24	—
Lapse of statute and settlements	(11)	(11)
Balance at end of year	$146	123

As of December 31, 2012, the Company had recorded tax reserves of $146 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, $93 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment.

As of December 31, 2012, the Company's 2001 through 2008 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2009 through 2010 tax years. The Company's tax loss carryforwards from its 2008 through 2010 tax years are still subject to adjustment. The Company's 2011 and 2012 tax years are being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. QVC is currently under audit in the UK, Germany and Japan. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may increase within the next twelve months by up to $6 million.

As of December 31, 2012, the Company had recorded $23 million of accrued interest and penalties related to uncertain tax positions.

(12) Stockholders' Equity

Preferred Stock

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's Board of Directors. As of December 31, 2012, no shares of preferred stock were issued.

Common Stock

Series A Liberty Interactive and Liberty Ventures common stock has one vote per share, and Series B Liberty Interactive and Liberty Ventures common stock has ten votes per share. Each share of the Series B common stock is exchangeable at the option of the holder for one share of Series A common stock of the same group. The Series A and Series B common stock participate on an equal basis with respect to dividends and distributions.

As of December 31, 2012, Liberty reserved for issuance upon exercise of outstanding stock options approximately 33.8 million shares of Series A Liberty Interactive common stock and 0.4 million shares of Series B Liberty Interactive common stock. As of December 31, 2012, Liberty reserved for issuance upon exercise of outstanding stock options approximately 1.2 million shares of Series A Liberty Ventures common stock and 22 thousand shares of Series B Liberty Ventures common stock.

In addition to the Series A and Series B Liberty Interactive and Ventures common stock there are 4 billion and 200 million shares of Series C Liberty Interactive and Ventures common stock authorized for issuance, respectively. As of December 31, 2012, no shares of any Series C Liberty Interactive and Ventures common stock were issued or outstanding.

Purchases of Common Stock

During the year ended December 31, 2010 the Company repurchased 15,632,700 shares of Series A Liberty Capital common stock for aggregate cash consideration of $714 million and 835,700 shares of Series A Liberty Starz common stock for aggregate cash consideration of $40 million.

During the year ended December 31, 2011 the Company repurchased 3,146,913 shares of Series A Liberty Capital common stock for aggregate cash consideration of $213 million (through the LMC Split-Off date) and 23,864,733 shares of Series A Liberty Interactive common stock for aggregate cash consideration of $366 million.

During the year ended December 31, 2012 the Company repurchased 44,668,431 shares of Series A Liberty Interactive common stock for aggregate cash consideration of $815 million.

All of the foregoing shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

On August 9, 2012, in connection with the creation of its new Liberty Ventures tracking stock, the Company distributed subscription rights to purchase shares of Series A Liberty Ventures common stock (each, a "Series A Right"). Each whole Series A Right entitled its holder to subscribe, at a per share subscription price of $35.99, for one share of Series A Liberty Ventures common stock pursuant to a

(12) Stockholders' Equity (Continued)

basic subscription privilege, and also entitled the holder to subscribe for additional shares of Series A Liberty Ventures common stock pursuant to an oversubscription privilege. The rights offering commenced on Wednesday, September 12, 2012, and expired on Tuesday, October 9, 2012. In the fourth quarter of 2012, the Company issued approximately 9 million shares in connection with the rights offering and raised approximately $328 million of cash.

As of December 31, 2012, put options with respect to 1 million shares of Series A Liberty Interactive common stock with a weighted average put price of $18.28 remained outstanding. Such put options expire in March 2013.

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

(13) Transactions with Officers and Directors

Chief Executive Officer Compensation Arrangement

On December 17, 2009, the Compensation Committee (the "Committee") of Liberty approved a new compensation arrangement for its President and Chief Executive Officer (the "CEO"). The arrangement provides for a five year employment term beginning January 1, 2010 and ending December 31, 2014, with an annual base salary of $1.5 million, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 200% of the applicable year's annual base salary. The arrangement also provides that, in the event the CEO is terminated for "cause" or terminates his employment without "good reason," he will be entitled only to his accrued base salary and any amounts due under applicable law, and he will forfeit all rights to his unvested restricted shares and unvested options. If, however, the CEO is terminated by Liberty without cause or if he terminates his employment for good reason, the arrangement provides for him to receive $7.8 million and for his unvested restricted shares and unvested options to vest pro rata based on the portion of the term elapsed through the termination date plus 18 months and for all vested and accelerated options to remain exercisable until their respective expiration dates. Lastly, in the case of the CEO's death or his disability, the arrangement provides for a payment of $7.8 million, for his unvested restricted shares and unvested options to fully vest and for his vested and accelerated options to remain exercisable until their respective expiration dates.

Also, on December 17, 2009, in connection with the approval of his compensation arrangement, the CEO received a one-time grant of options to purchase the following shares of Liberty with exercise prices equal to the closing sale prices of the applicable series of stock on the grant date: 8,743,000 shares of Series A Liberty Interactive common stock, 760,000 shares of Series A Liberty Starz common stock and 1,353,000 shares of Series A Liberty Capital common stock. One-half of the options will vest on the fourth anniversary of the grant date with the remaining options vesting on the fifth anniversary of the grant date, in each case, subject to the CEO being employed by Liberty on the applicable vesting date. The options will have a term of 10 years.

Salary compensation related to services provided are allocated from LMC to Liberty pursuant to the Services Agreement. Any cash bonus attributable to the performance of Liberty is paid directly by

(13) Transactions with Officers and Directors (Continued)

Liberty. The stock options relating to Liberty Capital common stock and Liberty Starz common stock were assumed by LMC at the time of the LMC Split-Off.

Chief Executive Officer Investment in Subsidiary

The CEO of Liberty has a less than 1% ownership interest in Lockerz, LLC, an equity method affiliate of Liberty, at December 31, 2012.

(14) Stock-Based Compensation

Liberty—Incentive Plans

Pursuant to the Liberty Interactive Corporation 2000 Incentive Plan, as amended from time to time (the "2000 Plan"), and the Liberty Interactive Corporation 2007 Incentive Plan, as amended from time to time (the "2007 Plan") the Company has granted to certain of its employees stock options and SARs (collectively, "Awards") to purchase shares of Liberty common stock. The 2000 Plan and 2007 Plan provide for Awards to be issued in respect of a maximum of 7.8 million shares and 7.3 million shares, respectively, of Liberty common stock. No additional grants may be made pursuant to these plans. On June 24, 2010, stockholders of the Company approved the Liberty Interactive Corporation 2010 Incentive Plan, as amended from time to time (the "2010 Plan"). The 2010 Plan provides for Awards to be made in respect of a maximum of 42.9 million shares of Liberty common stock. Additionally, pursuant to the Liberty Interactive Corporation 2012 Incentive Plan (the "2012 Plan"), the Company may grant Awards to be made in respect of a maximum of 50 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards.

Pursuant to the Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan, as amended from time to time (the "2002 NDIP") and the Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan, as amended from time to time (the "2011 NDIP"), the Liberty Board of Directors has the full power and authority to grant eligible nonemployee directors stock options, SARs, stock options with tandem SARs, and restricted stock.

The 2012 Plan was approved by our board of directors. We expect the shareholders of the Company to ratify such approval at our 2013 Annual Meeting of Shareholders.

Liberty—Grants

During the year ended December 31, 2012, Liberty granted, primarily to QVC employees, 3.4 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of $8.44 per share. Liberty also granted 36 thousand options to purchase shares of Series A Liberty Ventures common stock. Such options had a weighted average grant-date fair value of $27.29 per share.

In connection with the Option Exchange (see below), Liberty granted 20.1 million and 905 thousand options to purchase shares of Series A Liberty Interactive common stock and Series A Liberty Ventures common stock, respectively. Such options had a weighted average grant-date fair value of $7.15 and $26.58 per share, respectively.

(14) Stock-Based Compensation (Continued)

During the years ended December 31, 2011 and 2010 the Company granted approximately 6.2 million and 10.6 million options to purchase shares of Series A Liberty Interactive common stock, respectively. Such options had a weighted average grant-date fair value of $7.32 and $7.11 per share, respectively.

During the fourth quarter of 2012, the Company entered into a series of transactions with certain officers of Liberty and its subsidiaries, associated with certain outstanding stock options, in order to recognize tax deductions in the current year versus future years (the "Option Exchange"). On December 4, 2012 (the "Grant Date"), pursuant to the approval of the Compensation Committee of its Board of Directors, the Company effected the acceleration of (i) each unvested in-the-money option to acquire shares of LINTA and (ii) each unvested in-the-money option to acquire shares of LVNTA, in each case, held by certain of its and its subsidiaries' officers (collectively, the "*Eligible Optionholders*"). Following this acceleration, also on the Grant Date, each Eligible Optionholder exercised, on a net settled basis, substantially all of his or her outstanding in-the-money vested and unvested options to acquire LINTA shares and LVNTA shares (the "*Eligible Options*"), and:

- with respect to each vested Eligible Option, the Company granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option, except that the exercise price for the new option is the closing price per LINTA or LVNTA share, as applicable, on The Nasdaq Global Select Market on the Grant Date;
- and with respect to each unvested Eligible Option:
  - the Eligible Optionholder sold to the Company the shares of LINTA or LVNTA, as applicable, received upon exercise of such unvested Eligible Option on the Grant Date for cash equal to the closing price per LINTA or LVNTA share, as applicable, on The Nasdaq Global Select Market on the Grant Date;
  - Each Eligible Optionholder used the proceeds of that sale to purchase from the Company, at that price, an equal number of restricted LINTA or LVNTA shares, as applicable, which have a vesting schedule identical to that of the exercised unvested Eligible Option; and
  - the Company granted the Eligible Optionholder an unvested new option, with substantially the same terms and conditions as the exercised unvested Eligible Option, except that (a) the number of shares underlying the new option is equal to the number of shares underlying such exercised unvested Eligible Option less the number of restricted shares purchased from the Company as described above and (b) the exercise price of the new option is the closing price per LINTA or LVNTA share, as applicable, on The Nasdaq Global Select Market on the Grant Date.

This Option Exchange was considered a modification under ASC 718—*Stock Compensation*, with the following impacts on compensation expense. The unamortized value of the unvested Eligible Options that were exercised, which was $55 million and $7 million for LINTA and LVNTA, respectively, will be expensed over the vesting periods of the restricted shares attributable to the exercise of those options. The grant of new vested options resulted in incremental compensation expense in the fourth quarter of 2012 of $17 million and $4 million for LINTA and LVNTA, respectively. The grant of new unvested options resulted in incremental compensation expense totaling

(14) Stock-Based Compensation (Continued)

$54 million and $10 million for LINTA and LVNTA, respectively, which will be amortized over the vesting periods of those options.

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. For grants made in 2012, 2011 and 2010, the range of expected terms was 1.3 to 9.0 years. 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.

The following table presents the range of volatilities used by Liberty in the Black-Scholes Model for the 2012, 2011 and 2010 Liberty Interactive and Liberty Ventures grants.

	Volatility
2012 grants	
Liberty Interactive options	28.2% - 47.5%
Liberty Ventures options	47.5% - 49.9%
2011 grants	
Liberty Interactive options	44.8% - 47.5%
2010 grants	
Liberty Interactive options	44.8% - 46.4%

Liberty—Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of the Awards to purchase Liberty Interactive and Liberty Ventures common stock granted to certain officers, employees and directors of the Company. In connection with the recapitalization, in August 2012, all outstanding option awards and SARs with respect to the then-existing Series A and Series B Liberty Interactive common stock (each an "original Liberty Interactive award") were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the equity awards were granted, such that a holder of an original Liberty Interactive award received (i) an adjustment to the exercise price or base price, as applicable, and number of shares relating to the original Liberty Interactive award (as so adjusted, an "adjusted Liberty Interactive award") and (ii) an equity award relating to shares of the corresponding series of Liberty Ventures common stock (a "new Liberty Ventures award"). The exercise prices and number of shares subject to the new Liberty Ventures award and the adjusted Liberty Interactive award were determined based on 1) the exercises prices and number of shares subject to the original Liberty Interactive award, 2) the distribution ratio of 0.05, 3) the pre-distribution trading price of the Liberty Interactive common stock and 4) the post-distribution trading prices of the Liberty Interactive common stock and Liberty Ventures common stock, such that substantially all of the pre-distribution intrinsic value of the original Liberty Interactive award was allocated between the new Liberty Ventures award and the adjusted Liberty Interactive award for the Company's corporate employees and directors. For employees of subsidiaries attributed to the Liberty Interactive Group, the

(14) Stock-Based Compensation (Continued)

pre-distribution intrinsic value of the original Liberty Interactive award was maintained solely within the adjusted Liberty Interactive award.

	Liberty Interactive			
	Series A	WAEP	Series B	WAEP
	Number of Options in thousands			
Outstanding at January 1, 2012	45,223	$12.06	450	$19.74
Granted	3,413	$18.85	—	$ —
Exercised	(9,853)	$ 9.64	—	$ —
Forfeited/Cancelled/Exchanged	(737)	$14.44	—	$ —
Liberty Ventures adjustment	413	$ 8.39	(18)	$17.92
Option Exchange, Exercised	(24,706)	$10.93	—	$ —
Option Exchange, Granted	20,086	$19.26	—	$ —
Outstanding at December 31, 2012	33,839	$16.92	432	$17.92
Exercisable at December 31, 2012	12,929	$15.56	432	$17.92

	Liberty Ventures			
	Series A	WAEP	Series B	WAEP
	Number of Options in thousands			
Outstanding at January 1, 2012	—	$ —	—	—
Granted	36	$58.49	—	—
Exercised	(181)	$30.91	—	—
Forfeited/Cancelled/Exchanged	(19)	$34.05	—	—
Liberty Ventures adjustment	1,588	$30.69	22	$46.69
Option Exchange, Exercised	(1,174)	$27.96	—	—
Option Exchange, Granted	905	$58.80	—	—
Outstanding at December 31, 2012	1,155	$56.26	22	$46.69
Exercisable at December 31, 2012	449	$52.91	22	$46.69

(14) Stock-Based Compensation (Continued)

The following table provides additional information about outstanding Awards to purchase Liberty common stock at December 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	33,839	$16.92	5.7 years	$97,886	12,929	$15.56	4.5 years	$57,484
Series B Liberty Interactive	432	$17.92	2.7 years	$ 225	432	$17.92	2.7 years	$ 225
Series A Liberty Ventures	1,155	$56.26	6.0 years	$13,326	449	$52.91	4.6 years	$ 6,710
Series B Liberty Ventures	22	$46.69	2.7 years	$ 58	22	$46.69	2.7 years	$ 58

As of December 31, 2012, the total unrecognized compensation cost related to unvested Liberty equity Awards was approximately $170 million, including incremental compensation under the Option Exchange. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.7 years.

Liberty—Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2012, 2011 and 2010 was $339 million, $33 million and $23 million, respectively. The aggregate intrinsic value of options exercised for the year ended December 31, 2012 includes approximately $242 million related to the intrinsic value of options exercised as a result of the Option Exchange.

Liberty—Restricted Stock

Associated with the Option Exchange the Company issued approximately 4.6 million and 0.3 million shares of unvested restricted Liberty Interactive and Liberty Ventures common stock, respectively. These shares generally vest over the next three years and as the Option Exchange was accounted for as a modification the compensation expense associated with these restricted shares was treated as incremental compensation, as discussed above, and is included in the total unrecognized compensation costs under the outstanding Awards section above. The Company had approximately 2.2 million shares and 0.1 million shares of unvested restricted Liberty Interactive and Liberty Ventures common stock, respectively, held by certain directors, officers and employees of the Company as of December 31, 2012, not issued under the Option Exchange. These unvested restricted shares of LINTA and LVNTA had a weighted average grant date fair value of $13.13 and $4.82 per share, respectively.

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2012, 2011 and 2010 was $12 million, $14 million and $10 million, respectively.

(14) Stock-Based Compensation (Continued)

TripAdvisor—Stock-based Compensation

During the year ended December 31, 2012, TripAdvisor issued 3.7 million of primarily service based stock options under their outstanding 2011 Incentive Plan with a weighted average estimated grant-date fair value per option of $20.36. As of December 31, 2012 TripAdvisor has 8.7 million options outstanding of which 3.3 million are exercisable. As of December 31, 2012, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately $60 million and will be recognized over a weighted average period of approximately 3.0 years.

Other

Certain of the Company's other subsidiaries have stock based compensation plans under which employees and non-employees are granted options or similar stock based awards. Awards made under these plans vest and become exercisable over various terms. The awards and compensation recorded, if any, under these plans is not significant to Liberty.

(15) Employee Benefit Plans

Subsidiaries of Liberty sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment in Liberty common stock, as well as other mutual funds. The Company's subsidiaries make matching contributions to their plans based on a percentage of the amount contributed by employees. Employer cash contributions to all plans aggregated $19 million, $18 million and $17 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(16) Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in Liberty's consolidated balance sheets and consolidated statements of equity reflect the aggregate of foreign currency translation adjustments, unrealized holding gains and losses on AFS securities and Liberty's share of accumulated other comprehensive earnings of affiliates.

(16) Other Comprehensive Earnings (Loss) (Continued)

The change in the components of accumulated other comprehensive earnings (loss), net of taxes ("AOCI"), is summarized as follows:

	Foreign currency translation adjustments	Unrealized holding gains (losses) on securities	Share of AOCI of equity affiliates	Other	AOCI of discontinued operations	AOCI
	amounts in millions					
Balance at January 1, 2010	$225	157	(11)	(56)	37	352
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(52)	(157)	7	56	20	(126)
Balance at December 31, 2010	173	—	(4)	—	57	226
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(15)	—	(2)	—	(26)	(43)
Distribution to stockholders for split-off of Liberty Media Corporation	—	—	—	—	(31)	(31)
Balance at December 31, 2011	158	—	(6)	—	—	152
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(4)	—	—	—	—	(4)
Balance at December 31, 2012	$154	—	(6)	—	—	148

(16) Other Comprehensive Earnings (Loss) (Continued)

The components of other comprehensive earnings (loss) are reflected in Liberty's consolidated statements of comprehensive earnings (loss) net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss).

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	amounts in millions		
Year ended December 31, 2012:			
Foreign currency translation adjustments	$ (35)	13	(22)
Other comprehensive earnings (loss)	$ (35)	13	(22)
Year ended December 31, 2011:			
Foreign currency translation adjustments	$ (18)	7	(11)
Share of other comprehensive earnings (loss) of equity affiliates	(3)	1	(2)
Other comprehensive earnings (loss) from discontinued operations	(42)	16	(26)
Other comprehensive earnings (loss)	$ (63)	24	(39)
Year ended December 31, 2010:			
Foreign currency translation adjustments	$ (60)	23	(37)
Unrealized holding gains (losses) on securities arising during period	66	(25)	41
Reclassification adjustment for holding (gains) losses realized in net earnings (loss)	(319)	121	(198)
Share of other comprehensive earnings (loss) of equity affiliates	11	(4)	7
Other	90	(34)	56
Other comprehensive earnings (loss) from discontinued operations	32	(12)	20
Other comprehensive earnings (loss)	$(180)	69	(111)

(17) Commitments and Contingencies

Operating Leases

Liberty leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to $56 million, $46 million and $38 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(17) Commitments and Contingencies (Continued)

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2012 follows (amounts in millions):

Years ending December 31:	
2013	$ 46
2014	$ 35
2015	$ 31
2016	$ 25
2017	$ 28
Thereafter	$141

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2012.

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 consolidated financial statements.

(18) 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 Adjusted OIBDA 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

(18) Information About Liberty's Operating Segments (Continued)

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 year ended December 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 and mobile transactions through its domestic and international websites.
- TripAdvisor, Inc.—an online travel research company, empowering users to plan and maximize their travel experience.

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.

(18) Information About Liberty's Operating Segments (Continued)

Performance Measures

	Years ended December 31,					
	2012		2011		2010	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Interactive Group						
QVC	$ 8,516	1,828	8,268	1,733	7,807	1,671
E-commerce	1,502	96	1,348	123	1,125	103
Corporate and other	—	(27)	—	(29)	—	(25)
Total Interactive Group	$10,018	1,897	9,616	1,827	8,932	1,749
Ventures Group						
TripAdvisor	$ 36	8	—	—	—	—
Corporate and other	$ —	(5)	—	(4)	—	(3)
Total Ventures Group	$ 36	3	—	(4)	—	(3)
Consolidated Liberty	$10,054	1,900	9,616	1,823	8,932	1,746

Other Information

	December 31, 2012			December 31, 2011		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Interactive Group						
QVC	$13,414	52	246	13,554	—	259
E-commerce	1,488	9	91	1,486	13	53
Corporate and other	213	243	1	384	217	—
Total Interactive Group	$15,115	304	338	15,424	230	312
Ventures Group						
TripAdvisor	7,377	—	1	—	—	—
Corporate and other	3,919	547	—	2,070	905	—
Total Ventures Group	11,296	547	1	2,070	905	—
Inter-group eliminations	$ (156)	—	—	(155)	—	—
Consolidated Liberty	$26,255	851	339	17,339	1,135	312

(18) Information About Liberty's Operating Segments (Continued)

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

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Consolidated segment Adjusted OIBDA	$1,900	1,823	1,746
Stock-based compensation	(91)	(49)	(67)
Depreciation and amortization	(609)	(641)	(571)
Impairment of intangible assets	(92)	—	—
Interest expense	(432)	(427)	(626)
Share of earnings (loss) of affiliates, net	85	140	112
Realized and unrealized gains (losses) on financial instruments, net	(351)	84	62
Gains (losses) on transactions, net	1,531	—	355
Other, net	44	9	(47)
Earnings (loss) from continuing operations before income taxes	$1,985	939	964

Revenue by Geographic Area

Revenue by geographic area based on the location of customers is as follows:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
United States	$ 7,009	6,670	6,298
Japan	1,251	1,133	1,019
Germany	957	1,068	956
Other foreign countries	837	745	659
	$10,054	9,616	8,932

Long-lived Assets by Geographic Area

	December 31,	
	2012	2011
	amounts in millions	
United States	$ 529	481
Japan	280	224
Germany	247	233
Other foreign countries	179	195
	$1,235	1,133

(19) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2012:				
Revenue	$2,314	2,365	2,196	3,179
Gross Profit	$ 848	877	789	1,144
Operating income	$ 258	290	189	371
Earnings from continuing operations	$ 105	249	(26)	1,263
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B Liberty Interactive Corporation common stock	$ 91	234	(31)	NA
Series A and Series B Liberty Interactive common stock	NA	NA	38	174
Series A and Series B Liberty Ventures common stock	NA	NA	(48)	1,072
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Interactive Corporation common stock	$ 0.16	0.42	(0.06)	NA
Series A and Series B Liberty Interactive common stock	NA	NA	0.07	0.32
Series A and Series B Liberty Ventures common stock	NA	NA	(1.66)	30.63
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Interactive Corporation common stock	$ 0.16	0.42	(0.06)	NA
Series A and Series B Liberty Interactive common stock	NA	NA	0.07	0.32
Series A and Series B Liberty Ventures common stock	NA	NA	(1.66)	30.63

(19) Quarterly Financial Information (Unaudited) (Continued)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in millions, except per share amounts			
2011:				
Revenue	$2,159	2,245	2,133	3,079
Gross Profit	$ 782	847	769	1,104
Operating income	$ 213	288	224	408
Earnings from continuing operations	$ 63	195	25	304
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B Liberty Capital common stock	$ 293	8	(90)	—
Series A and Series B Liberty Starz common stock	$ 52	67	58	—
Series A and Series B Liberty Interactive common stock	$ 44	182	13	285
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ 0.12	—	—	—
Series A and Series B Liberty Starz common stock	$ —	—	—	—
Series A and Series B Liberty Interactive common stock	$ 0.07	0.30	0.02	0.49
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ 0.12	—	—	—
Series A and Series B Liberty Starz common stock	$ —	—	—	—
Series A and Series B Liberty Interactive common stock	$ 0.07	0.30	0.02	0.48
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ 3.57	0.10	(1.11)	—
Series A and Series B Liberty Starz common stock	$ 1.02	1.31	1.14	—
Series A and Series B Liberty Interactive common stock	$ 0.07	0.30	0.02	0.49
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Capital common stock	$ 3.49	0.10	(1.11)	—
Series A and Series B Liberty Starz common stock	$ 0.98	1.26	1.09	—
Series A and Series B Liberty Interactive common stock	$ 0.07	0.30	0.02	0.48

Unaudited 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, Celebrate Interactive Holdings, Inc. and our interest in HSN, Inc. Our Liberty Ventures common stock is intended to reflect the separate performance of our Ventures Group which consists of all of our businesses not included in the Interactive Group including our consolidated subsidiary TripAdvisor, Inc. ("TripAdvisor"), as of December 11, 2012, and our interest in equity method investments of Expedia, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. and available-for-sale securities Time Warner, Time Warner Cable and AOL.

The following tables present our assets and liabilities as of December 31, 2012 and 2011 and revenue, expenses and cash flows for the three years ended December 31, 2012, 2011 and 2010. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group and the Ventures Group, respectively, as if those businesses and assets had been attributed to those respective groups at the beginning of each period, for comparative purposes. Therefore, the attributed earnings in the periods presented in the Unaudited Attributed Financial Information Statements are not the same as those reflected in the Liberty Interactive Corporation consolidated financial statements. The earnings attributed to the Liberty Interactive common stock and Liberty Ventures common stock for purposes of those financial statements only relate to the periods after the tracking stocks were issued. The financial information in this Exhibit should be read in conjunction with our consolidated financial statements for the year ended December 31, 2012 included in this Annual Report on Form 10-K.

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

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

	December 31, 2012	December 31, 2011
	amounts in millions	
Summary balance sheet data:		
Current assets	$ 3,141	3,275
Investments in affiliates, accounted for using the equity method	$ 304	230
Intangible assets not subject to amortization, net	$ 8,431	8,496
Total assets	$15,115	15,424
Long-term debt	$ 4,277	3,575
Long-term deferred income tax liabilities	$ 1,318	1,493
Attributed net assets	$ 7,011	8,464

	Years ended December 31, 2012	2011	2010
	amounts in millions		
Summary operations data:			
Revenue	$10,018	9,616	8,932
Cost of sales	(6,396)	(6,114)	(5,705)
Operating expenses	(833)	(866)	(799)
Selling, general and administrative expenses(1)	(977)	(858)	(746)
Impairment of intangible assets	(92)	—	—
Depreciation and amortization	(596)	(641)	(571)
Operating income (loss)	1,124	1,137	1,111
Interest expense	(322)	(317)	(515)
Share of earnings (losses) of affiliates, net	28	23	8
Realized and unrealized gains (losses) on financial instruments, net	51	75	117
Other income (expense), net	—	15	311
Income tax benefit (expense)	(352)	(353)	(160)
Earnings (loss) from continuing operations	529	580	872
Earnings (loss) from discontinued operations, net of taxes	—	378	1,101
Net earnings (loss)	529	958	1,973
Less net earnings (loss) attributable to noncontrolling interests	63	53	45
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 466	905	1,928

(1) Includes stock-based compensation of $85 million, $49 million and $67 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Ventures Group

	December 31, 2012	December 31, 2011
	amounts in millions	
Summary balance sheet data:		
Cash and cash equivalents	$1,961	—
Investments in available-for-sale securities and other cost investments	$1,815	1,165
Investments in affiliates, accounted for using the equity method	$ 547	905
Intangible assets not subject to amortization, net	$5,449	—
Long-term debt, including current portion	$3,342	2,443
Deferred tax liabilities, including current portion	$2,959	1,559
Attributed net assets (liabilities)	$ 551	(1,971)

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Summary operations data:			
Revenue	$ 36	—	—
Operating expenses	(7)	—	—
Selling, general and administrative expenses(1)	(32)	(4)	(3)
Depreciation and amortization	(13)	—	—
Operating income (loss)	(16)	(4)	(3)
Interest expense	(110)	(110)	(111)
Share of earnings (losses) of affiliates, net	57	117	104
Realized and unrealized gains (losses) on financial instruments, net	(402)	9	(55)
Gains (losses) on transactions, net	1,531	—	—
Other, net	44	(6)	(3)
Income tax benefit (expense)	(42)	1	32
Net earnings (loss)	1,062	7	(36)
Less net earnings (loss) attributable to noncontrolling interests	(2)	—	—
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$1,064	7	(36)

(1) Includes stock-based compensation of $6 million, zero and zero for the years ended December 31, 2012, 2011 and 2010, respectively.

BALANCE SHEET INFORMATION

December 31, 2012

(unaudited)

	Attributed (note 1)			
	Interactive Group	Ventures Group	Inter-group eliminations	Consolidated Liberty
	amounts in millions			
Assets				
Current assets:				
Cash and cash equivalents	$ 699	1,961	—	2,660
Trade and other receivables, net	1,095	106	—	1,201
Inventory, net	1,106	—	—	1,106
Other current assets	241	206	(156)	291
Total current assets	3,141	2,273	(156)	5,258
Investments in available-for-sale securities and other cost investments (note 2)	4	1,815	—	1,819
Investments in affiliates, accounted for using the equity method (note 3)	304	547	—	851
Property and equipment, net	1,220	15	—	1,235
Intangible assets not subject to amortization, net	8,431	5,449	—	13,880
Intangible assets subject to amortization, net	1,934	1,183	—	3,117
Other assets, at cost, net of accumulated amortization	81	14	—	95
Total assets	$15,115	11,296	(156)	26,255
Liabilities and Equity				
Current liabilities:				
Intergroup payable (receivable)	$ 70	(70)	—	—
Accounts payable	705	14	—	719
Accrued liabilities	819	99	—	918
Current portion of debt (note 4)	265	1,373	—	1,638
Deferred tax liabilities	—	1,068	(156)	912
Other current liabilities	267	35	—	302
Total current liabilities	2,126	2,519	(156)	4,489
Long-term debt (note 4)	4,277	1,969	—	6,246
Deferred income tax liabilities	1,318	1,891	—	3,209
Other liabilities	234	26	—	260
Total liabilities	7,955	6,405	(156)	14,204
Equity/Attributed net assets (liabilities)	7,011	551	—	7,562
Noncontrolling interests in equity of subsidiaries	149	4,340	—	4,489
Total liabilities and equity	$15,115	11,296	(156)	26,255

BALANCE SHEET INFORMATION

December 31, 2011

(unaudited)

	Attributed (note 1)			
	Interactive Group	Ventures Group	Inter-group eliminations	Consolidated Liberty
		amounts in millions		
Assets				
Current assets:				
Cash and cash equivalents	$ 847	—	—	847
Trade and other receivables, net	1,054	—	—	1,054
Inventory, net	1,071	—	—	1,071
Deferred tax assets	155	—	(155)	—
Other current assets	148	—	—	148
Total current assets	3,275	—	(155)	3,120
Investments in available-for-sale securities and other cost investments (note 2)	3	1,165	—	1,168
Investments in affiliates, accounted for using the equity method (note 3)	230	905	—	1,135
Property and equipment, net	1,133	—	—	1,133
Intangible assets not subject to amortization, net	8,496	—	—	8,496
Intangible assets subject to amortization, net	2,209	—	—	2,209
Other assets, at cost, net of accumulated amortization	78	—	—	78
Total assets	$15,424	2,070	(155)	17,339
Liabilities and Equity				
Current liabilities:				
Intergroup payable (receivable)	—	—	—	—
Accounts payable	$ 599	—	—	599
Accrued liabilities	762	39	—	801
Current portion of debt (note 4)	21	1,168	—	1,189
Deferred tax liabilities	—	1,006	(155)	851
Other current liabilities	128	—	—	128
Total current liabilities	1,510	2,213	(155)	3,568
Long-term debt (note 4)	3,575	1,275	—	4,850
Deferred income tax liabilities	1,493	553	—	2,046
Other liabilities	248	—	—	248
Total liabilities	6,826	4,041	(155)	10,712
Equity/Attributed net assets (liabilities)	8,464	(1,971)	—	6,493
Noncontrolling interests in equity of subsidiaries	134	—	—	134
Total liabilities and equity	$15,424	2,070	(155)	17,339

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2012

(unaudited)

	Attributed (note 1)		
	Interactive Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Revenue:			
Net retail sales	$10,018	36	10,054
Cost of sales	6,396	—	6,396
Gross Profit	3,622	36	3,658
Operating costs and expenses:			
Operating	833	7	840
Selling, general and administrative, including stock-based compensation (note 5)	977	32	1,009
Impairment of intangible assets	92	—	92
Depreciation and amortization	596	13	609
	2,498	52	2,550
Operating income (loss)	1,124	(16)	1,108
Other income (expense):			
Interest expense	(322)	(110)	(432)
Share of earnings (losses) of affiliates, net (note 3)	28	57	85
Realized and unrealized gains (losses) on financial instruments, net	51	(402)	(351)
Gains (losses) on transactions, net	—	1,531	1,531
Other, net	—	44	44
	(243)	1,120	877
Earnings (loss) before income taxes	881	1,104	1,985
Income tax benefit (expense)	(352)	(42)	(394)
Net earnings (loss)	529	1,062	1,591
Less net earnings (loss) attributable to noncontrolling interests	63	(2)	61
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 466	1,064	1,530

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2011

(unaudited)

	Attributed (note 1)		
	Interactive Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Revenue:			
Net retail sales	$9,616	—	9,616
Cost of sales	6,114	—	6,114
Gross Profit	3,502	—	3,502
Operating costs and expenses:			
Operating	866	—	866
Selling, general and administrative, including stock-based compensation (note 5)	858	4	862
Depreciation and amortization	641	—	641
	2,365	4	2,369
Operating income (loss)	1,137	(4)	1,133
Other income (expense):			
Interest expense	(317)	(110)	(427)
Share of earnings (losses) of affiliates, net (note 3)	23	117	140
Realized and unrealized gains (losses) on financial instruments, net	75	9	84
Other, net	15	(6)	9
	(204)	10	(194)
Earnings (loss) from continuing operations before income taxes	933	6	939
Income tax benefit (expense)	(353)	1	(352)
Earnings (loss) from continuing operations	580	7	587
Earnings (loss) from discontinued operations, net of taxes	378	—	378
Net earnings (loss)	958	7	965
Less net earnings (loss) attributable to noncontrolling interests	53	—	53
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 905	7	912

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2010

(unaudited)

	Attributed (note 1)		
	Interactive Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Revenue:			
Net retail sales	$8,932	—	8,932
Cost of sales	5,705	—	5,705
Gross Profit	3,227	—	3,227
Operating costs and expenses:			
Operating	799	—	799
Selling, general and administrative, including stock-based compensation (note 5)	746	3	749
Depreciation and amortization	571	—	571
	2,116	3	2,119
Operating income (loss)	1,111	(3)	1,108
Other income (expense):			
Interest expense	(515)	(111)	(626)
Share of earnings (losses) of affiliates, net (note 3)	8	104	112
Realized and unrealized gains (losses) on financial instruments, net	117	(55)	62
Gains (losses) on transactions, net	355	—	355
Other, net	(44)	(3)	(47)
	(79)	(65)	(144)
Earnings (loss) before income taxes	1,032	(68)	964
Income tax benefit (expense)	(160)	32	(128)
Earnings (loss) from continuing operations	872	(36)	836
Earnings (loss) from discontinued operations, net of taxes	1,101	—	1,101
Net earnings (loss)	1,973	(36)	1,937
Less net earnings (loss) attributable to noncontrolling interests	45	—	45
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$1,928	(36)	1,892

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2012

(unaudited)

	Attributed (note 1)		
	Interactive Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 529	1,062	1,591
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	596	13	609
Stock-based compensation	85	6	91
Cash payments for stock-based compensation	(12)	—	(12)
Excess tax benefit from stock-based compensation	(56)	(8)	(64)
Noncash interest expense	9	—	9
Share of losses (earnings) of affiliates, net	(28)	(57)	(85)
Cash receipts from return on equity investments	11	34	45
Realized and unrealized gains (losses) on financial instruments, net	(51)	402	351
(Gains) losses on transactions, net	—	(1,531)	(1,531)
Impairment of intangible assets	92	—	92
Deferred income tax (benefit) expense	(179)	192	13
Other, net	—	(30)	(30)
Intergroup tax allocation	152	(152)	—
Intergroup tax payments	(33)	33	—
Changes in operating assets and liabilities			
Current and other assets	(78)	8	(70)
Payables and other current liabilities	433	(10)	423
Net cash provided (used) by operating activities	1,470	(38)	1,432
Cash flows from investing activities:			
Cash proceeds from dispositions	—	1,030	1,030
Proceeds from settlements of financial instruments, net	—	(258)	(258)
Investments in and loans to cost and equity investees	(59)	(177)	(236)
Capital expended for property and equipment	(338)	(1)	(339)
Net sales (purchases) of short term and other marketable securities	46	(76)	(30)
Other investing activities, net	(111)	97	(14)
Net cash provided (used) by investing activities	(462)	615	153
Cash flows from financing activities:			
Borrowings of debt	2,316	—	2,316
Repayments of debt	(1,392)	(120)	(1,512)
Proceeds from rights offering	—	328	328
Reattribution of cash between groups	(1,346)	1,346	—
Intergroup receipts (payments), net	162	(162)	—
Repurchases of Liberty common stock	(815)	—	(815)
Taxes paid in lieu of shares issued for stock-based compensation	(112)	(16)	(128)
Excess tax benefit from stock-based compensation	56	8	64
Other financing activities, net	(5)	—	(5)
Net cash provided (used) by financing activities	(1,136)	1,384	248
Effect of foreign currency rates on cash	(20)	—	(20)
Net increase (decrease) in cash and cash equivalents	(148)	1,961	1,813
Cash and cash equivalents at beginning of period	847	—	847
Cash and cash equivalents at end period	$ 699	1,961	2,660

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2011

(unaudited)

	Attributed (note 1)		
	Interactive Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 958	7	965
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	(378)	—	(378)
Depreciation and amortization	641	—	641
Stock-based compensation	49	—	49
Cash payments for stock-based compensation	(3)	—	(3)
Excess tax benefit from stock-based compensation	(19)	—	(19)
Noncash interest expense	4	5	9
Share of losses (earnings) of affiliates, net	(23)	(117)	(140)
Cash receipts from return on equity investments	3	19	22
Realized and unrealized gains (losses) on financial instruments, net	(75)	(9)	(84)
Deferred income tax (benefit) expense	(109)	153	44
Other, net	(20)	15	(5)
Intergroup tax allocation	154	(154)	—
Changes in operating assets and liabilities			
Current and other assets	(174)	—	(174)
Payables and other current liabilities	(20)	(7)	(27)
Net cash provided (used) by operating activities	988	(88)	900
Cash flows from investing activities:			
Cash proceeds from dispositions	—	—	—
Investments in and loans to cost and equity investees	(56)	(9)	(65)
Capital expended for property and equipment	(312)	—	(312)
Net sales (purchases) of short term and other marketable securities	(46)	—	(46)
Other investing activities, net	(14)	—	(14)
Net cash provided (used) by investing activities	(428)	(9)	(437)
Cash flows from financing activities:			
Borrowings of debt	383	—	383
Repayments of debt	(788)	(111)	(899)
Intergroup receipts (payments), net	(208)	208	—
Repurchases of Liberty common stock	(366)	—	(366)
Taxes paid in lieu of shares issued for stock-based compensation	(5)	—	(5)
Excess tax benefit from stock-based compensation	19	—	19
Other financing activities, net	(48)	—	(48)
Net cash provided (used) by financing activities	(1,013)	97	(916)
Effect of foreign currency rates on cash	(4)	—	(4)
Net cash provided by (to) discontinued operations			
Cash provided (used) by operating activities	304	—	304
Cash provided (used) by investing activities	(104)	—	(104)
Cash provided (used) by financing activities	(264)	—	(264)
Change in available cash held by discontinued operations	15	—	15
Net cash provided by (to) discontinued operations	(49)	—	(49)
Net increase (decrease) in cash and cash equivalents	(506)	—	(506)
Cash and cash equivalents at beginning of period	1,353	—	1,353
Cash and cash equivalents at end period	$ 847	—	847

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2010

(unaudited)

	Attributed (note 1)		
	Interactive Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 1,973	(36)	1,937
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	(1,101)	—	(1,101)
Depreciation and amortization	571	—	571
Stock-based compensation	67	—	67
Cash payments for stock-based compensation	(20)	—	(20)
Excess tax benefit from stock-based compensation	(86)	—	(86)
Noncash interest expense	85	5	90
Share of losses (earnings) of affiliates, net	(8)	(104)	(112)
Cash receipts from return on equity investments	2	19	21
Realized and unrealized gains (losses) on financial instruments, net	(117)	55	(62)
(Gains) losses on transactions, net	(355)	—	(355)
Deferred income tax (benefit) expense	(144)	82	(62)
Other, net	14	8	22
Intergroup tax allocation	114	(114)	—
Changes in operating assets and liabilities			
Current and other assets	247	—	247
Payables and other current liabilities	46	—	46
Net cash provided (used) by operating activities	1,288	(85)	1,203
Cash flows from investing activities:			
Cash proceeds from dispositions	459	—	459
Proceeds from settlement of financial instruments, net	(28)	—	(28)
Cash received in exchange transaction	218	—	218
Capital expended for property and equipment	(258)	—	(258)
Other investing activities, net	(47)	—	(47)
Net cash provided (used) by investing activities	344	—	344
Cash flows from financing activities:			
Borrowings of debt	2,974	—	2,974
Repayments of debt	(4,787)	(4)	(4,791)
Intergroup receipts (payments), net	(89)	89	—
Excess tax benefit from stock-based compensation	86	—	86
Other financing activities, net	(83)	—	(83)
Net cash provided (used) by financing activities	(1,899)	85	(1,814)
Effect of foreign currency rates on cash	14	—	14
Net cash provided by (to) discontinued operations			
Cash provided (used) by operating activities	88	—	88
Cash provided (used) by investing activities	7	—	7
Cash provided (used) by financing activities	(1,498)	—	(1,498)
Change in available cash held by discontinued operations	1,054	—	1,054
Net cash provided by (to) discontinued operations	(349)	—	(349)
Net increase (decrease) in cash and cash equivalents	(602)	—	(602)
Cash and cash equivalents at beginning of period	1,955	—	1,955
Cash and cash equivalents at end period	$ 1,353	—	1,353

Notes to Attributed Financial Information

(unaudited)

(1) The Interactive Group is comprised of our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and Celebrate Interactive Holdings, Inc. and our interest in HSN, Inc. Accordingly, the accompanying attributed financial information for the Interactive Group includes the foregoing investment, as well as the assets, liabilities, revenue, expenses and cash flows of those consolidated subsidiaries. We have also attributed certain of our debt obligations (and related interest expense) to the Interactive Group based upon a number of factors, including the cash flow available to the Interactive Group and its ability to pay debt service and our assessment of the optimal capitalization for the Interactive Group. The specific debt obligations attributed to each of the Interactive Group and the Ventures Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the Interactive Group and the Ventures 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 Ventures Group consists of all of our businesses not included in the Interactive Group including our consolidated subsidiary TripAdvisor, Inc. ("TripAdvisor") and interests in equity method investments of Expedia, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. and available-for-sale securities Time Warner, Time Warner Cable and AOL. Accordingly, the accompanying attributed financial information for the Ventures Group includes these investments, as well as the assets, liabilities, revenue, expenses and cash flows of TripAdvisor. In addition, we have attributed to the Ventures Group all of our senior exchangeable debentures (and related interest expense). See note 4 below for the debt obligations attributed to the Ventures Group.

Any businesses that we may acquire in the future that we do not attribute to the Interactive Group will be attributed to the Ventures Group.

At the time of issuance of Liberty Ventures common stock, cash of $1,346 million was reattributed to the Ventures Group from the Interactive Group. The Interactive Group borrowed funds under QVC's credit facility in connection with the completion of the recapitalization to have the appropriate amount of cash available to be attributed to each Group.

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

	December 31, 2012	December 31, 2011
	amounts in millions	
Interactive Group		
Other cost investments	$ 4	3
Total Interactive Group	4	3
Ventures Group		
Time Warner Inc.	1,042	787
Time Warner Cable Inc.	531	348
AOL	59	30
Other AFS investments	84	—
TripAdvisor AFS securities	99	—
Total Ventures Group	1,815	1,165
Consolidated Liberty	$1,819	1,168

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

	December 31, 2012			Share of earnings (losses) Years ended December 31,		
	Percentage ownership	Carrying value	Market value	2012	2011	2010
	dollar amounts in millions					
Interactive Group						
HSN, Inc.	37%	$242	1,102	40	38	31
Other	various	62	N/A	(12)	(15)	(23)
Total Interactive Group		304		28	23	8
Ventures Group						
Expedia, Inc.(1)(2)(3)	17%	431	1,389	67	119	103
TripAdvisor, Inc.(1)(4)	N/A	N/A	N/A	38	—	—
Other	various	116	N/A	(48)	(2)	1
Total Ventures Group		547		57	117	104
Consolidated Liberty		$851		85	140	112

(1) During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, a wholly owned subsidiary. Therefore, the Company had a 26% ownership interest in each of Expedia, Inc. and TripAdvisor as of December 31, 2011.

(2) 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 was settled in October 2012 for total cash proceeds of $412 million and the 12 million shares of Expedia common stock, previously held as collateral, were released to the counterparty. In the fourth quarter when the forward contract settled, the difference

between the fair value of the Expedia shares and the carrying value of the shares ($443 million) was recognized in the gain (loss) on dispositions, net line item in the statement of operations.

(3) During the years ended December 31, 2012 and 2011, Expedia, Inc. paid dividends aggregating $23 million and $19 million, respectively, which were recorded as reductions to the investment balance.

(4) In May 2012, Liberty sold approximately 8.5 million shares of TripAdvisor for cash proceeds of $338 million. The sale resulted in a $288 million gain recorded in gain (losses) on transactions, net, based on the average cost, in the statement of operations. On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor (an additional 4% equity ownership interest), for $300 million, and obtained voting control of TripAdvisor, see note 1 in the accompanying consolidated financial statements for additional details of the fourth quarter transaction with TripAdvisor.

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

	December 31, 2012	
	Outstanding principal	Carrying value
	amounts in millions	
Interactive Group		
Senior notes and debentures		
5.7% Senior Notes due 2013	$ 241	240
8.5% Senior Debentures due 2029	287	285
8.25% Senior Debentures due 2030	504	501
QVC 7.125% Senior Secured Notes due 2017	500	500
QVC 7.5% Senior Secured Notes due 2019	1,000	988
QVC 7.375% Senior Secured Notes due 2020	500	500
QVC 5.125% Senior Secured Notes due 2022	500	500
QVC Bank Credit Facilities	903	903
Other subsidiary debt	125	125
Total Interactive Group	4,560	4,542
Ventures Group		
Exchangeable Senior Debentures		
3.125% Exchangeable Senior Debentures due 2023	1,138	1,639
4% Exchangeable Senior Debentures due 2029	469	311
3.75% Exchangeable Senior Debentures due 2030	460	297
3.5% Exchangeable Senior Debentures due 2031	371	292
3.25% Exchangeable Senior Debentures due 2031	414	391
TripAdvisor Debt Facilities	412	412
Total Ventures Group	3,264	3,342
Total consolidated Liberty debt	$7,824	7,884
Less current maturities		(1,638)
Total long-term debt		$6,246

At December 31, 2012, the intergroup payable/(receivable) balance includes a intergroup loan of approximately $71 million. The Ventures group acquired $68 million principal amount of the 5.7% Senior Notes due 2023, on the open market, which are attributed to the Interactive group and have been extinguished on a consolidated basis. The intergroup loan carries an interest rate that is equal to the effective yield on the 5.7% Senior Notes at the time of purchase.

(5) Cash compensation expense for our corporate employees will be allocated among the Interactive Group and the Ventures Group based on the estimated percentage of time spent providing services for each group. On a semi-annual basis estimated time spent will be determined through an interview process and a review of personnel duties unless transactions significantly change the composition of companies and investments in either respective group which would require a more timely reevaluation of estimated time spent. Other general and administrative expenses will be 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 Interactive Group to the Ventures Group was determined to be $5 million and $4 million for the years ended December 31, 2012 and 2011, respectively. We note that stock compensation related to each tracking stock group is determined based on actual options outstanding for each respective tracking stock group, therefore, as it relates to periods prior to the Split-Off no stock compensation expense was recognized by the Ventures group.

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 and the Ventures 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.

Interactive Group

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Current:			
Federal	$(365)	(310)	(199)
State and local	(26)	(32)	6
Foreign	(140)	(120)	(111)
	$(531)	(462)	(304)
Deferred:			
Federal	$ 152	103	113
State and local	20	2	17
Foreign	7	4	14
	179	109	144
Income tax benefit (expense)	$(352)	(353)	(160)

Notes to Attributed Financial Information (Continued)

(unaudited)

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Computed expected tax benefit (expense)	$(309)	(327)	(363)
Nontaxable exchange of investments for subsidiary	—	—	112
State and local income taxes, net of federal income taxes	(4)	(17)	15
Foreign taxes, net of foreign tax credits	5	(3)	48
Change in valuation allowance affecting tax expense	(8)	(15)	—
Nontaxable gains (losses) related to the Company's common stock	1	8	27
Impairment of intangible assets	(29)	—	—
Other, net	(8)	1	1
Income tax benefit (expense)	$(352)	(353)	(160)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31,	
	2012	2011
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 92	60
Foreign tax credit carryforwards	87	30
Accrued stock compensation	11	44
Other accrued liabilities	80	69
Investments	16	20
Other future deductible amounts	133	188
Deferred tax assets	419	411
Valuation allowance	(40)	(16)
Net deferred tax assets	379	395
Deferred tax liabilities:		
Intangible assets	1,541	1,661
Other	—	72
Deferred tax liabilities	1,541	1,733
Net deferred tax liabilities	$1,162	1,338

The Company's deferred tax assets and liabilities are reported in the accompanying balance sheet information as follows:

	December 31,	
	2012	2011
	amounts in millions	
Current deferred tax assets	$ 156	155
Long-term deferred tax liabilities	1,318	1,493
Net deferred tax liabilities	$1,162	1,338

Ventures Group

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Current:			
Federal	$ 151	154	114
State and local	(1)	—	—
Foreign	—	—	—
	$ 150	154	114
Deferred:			
Federal	$(183)	(145)	(86)
State and local	(9)	(8)	4
Foreign	—	—	—
	(192)	(153)	(82)
Income tax benefit (expense)	$ (42)	1	32

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 35% as a result of the following:

	Years ended December 31,		
	2012	2011	2010
	amounts in millions		
Computed expected tax benefit (expense)	$(386)	(2)	24
State and local income taxes, net of federal income taxes	(7)	(5)	3
Consolidation of previously held equity method affiliate	294	—	—
Dividends received deductions	10	5	5
Alternative energy tax credits	48	3	—
Other, net	(1)	—	—
Income tax benefit (expense)	$ (42)	1	32

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31, 2012	December 31, 2011
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 18	10
Other	36	9
Deferred tax assets	54	19
Valuation allowance	(12)	—
Net deferred tax assets	42	19
Deferred tax liabilities:		
Investments	508	210
Intangible assets	1,209	—
Discount on exchangeable debentures	890	978
Deferred gain on debt retirements	321	321
Other	73	69
Deferred tax liabilities	3,001	1,578
Net deferred tax liabilities	$2,959	1,559

The Company's deferred tax assets and liabilities are reported in the accompanying balance sheet information as follows:

	December 31, 2012	December 31, 2011
	amounts in millions	
Current deferred tax liabilities	$1,068	1,006
Long-term deferred tax liabilities	1,891	553
Net deferred tax liabilities	$2,959	1,559

(7) The Liberty Interactive Stock and the Liberty Ventures Stock have voting and conversion rights under our restated charter. Following is a summary of those rights. Holders of Series A common stock of each group is 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, are 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 will vote as a single class. In certain limited circumstances, the board may elect to seek the approval of the holders of only Series A and Series B Liberty Interactive Stock or the approval of the holders of only Series A and Series B Liberty Ventures Stock.

At the option of the holder, each share of Series B common stock will be 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 the other group.

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CORPORATE DATA

BOARD OF DIRECTORS

Michael A. George
President and CEO
QVC, Inc.

M. Ian G. Gilchrist
Retired Investment Banker

Gregory B. Maffei
President and CEO
Liberty Interactive Corporation

Evan D. Malone, Ph.D.
President
NextFab Studio, LLC

John C. Malone
Chairman of the Board
Liberty Interactive Corporation

David E. Rapley
President and CEO
Rapley Consulting, Inc.

M. LaVoy Robison
Director
The Anschutz Foundation

Larry E. Romrell
Retired Executive Vice President
Tele-Communications, Inc.

Andrea L. Wong
President, International Production
Sony Pictures Television
President, International
Sony Pictures Entertainment

CORPORATE HEADQUARTERS

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Englewood, CO 80112
(720) 875-5300

EXECUTIVE COMMITTEE

Gregory B. Maffei
John C. Malone

COMPENSATION COMMITTEE

M. Ian G. Gilchrist *(Chairman)*
David E. Rapley
Andrea L. Wong

AUDIT COMMITTEE

M. LaVoy Robison *(Chairman)*
M. Ian G. Gilchrist
David E. Rapley
Larry E. Romrell

NOMINATING & CORPORATE GOVERNANCE COMMITTEE

David E. Rapley *(Chairman)*
M. Ian G. Gilchrist
Larry E. Romrell
Andrea L. Wong

SENIOR OFFICERS

John C. Malone
Chairman of the Board

Gregory B. Maffei
President and CEO

Richard N. Baer
Senior Vice President and General Counsel

David J. A. Flowers
Senior Vice President

Albert E. Rosenthaler
Senior Vice President

Christopher W. Shean
Senior Vice President and CFO

CORPORATE SECRETARY

Pamela L. Coe

STOCK INFORMATION

Series A and B Liberty Interactive Common Stock (LINTA/B) and Series A and B Liberty Ventures Common Stock (LVNTA/B) trade on the NASDAQ Global Select Market.

CUSIP NUMBERS

LINTA – 53071M 104
LINTB – 53071M 203
LVNTA – 53071M 880
LVNTB – 53071M 872

TRANSFER AGENT

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LIBERTY INTERACTIVE CORPORATION ON THE INTERNET

Visit Liberty Interactive Corporation's website at www.libertyinteractive.com

FINANCIAL STATEMENTS

Liberty Interactive Corporation financial statements are filed with the Securities and Exchange Commission. Copies of these financial statements can be obtained from the Transfer Agent or through Liberty Interactive Corporation's website.

LIBERTY INTERACTIVE CORPORATION

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