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

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number 001-33982

LIBERTY INTERACTIVE CORPORATION

(Exact name of Registrant as specified in its charter)

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

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

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

80112
(Zip Code)

Registrant's telephone number, including area code: **(720) 875-5300**

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of outstanding shares of Liberty Interactive Corporation's common stock as of October 31, 2017 was:

	Series A	Series B
QVC Group	401,097,375	29,217,195
Liberty Ventures	81,351,297	4,245,314

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LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2017	December 31, 2016
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 895	825
Trade and other receivables, net of allowance for doubtful accounts of \$87 million and \$99 million, respectively	945	1,308
Inventory, net	1,197	968
Other current assets	81	68
Total current assets	<u>3,118</u>	<u>3,169</u>
Investments in available-for-sale securities and other cost investments (note 7)	2,481	1,922
Investments in affiliates, accounted for using the equity method (note 8)	573	581
Investment in Liberty Broadband measured at fair value (note 8)	4,068	3,161
Property and equipment, net	1,117	1,131
Intangible assets not subject to amortization (note 9):		
Goodwill	6,123	6,052
Trademarks	3,302	3,302
	<u>9,425</u>	<u>9,354</u>
Intangible assets subject to amortization, net (note 9)	635	1,005
Other assets, at cost, net of accumulated amortization	30	32
Total assets	<u>\$ 21,447</u>	<u>20,355</u>

(continued)

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Continued)

(unaudited)

	September 30, 2017	December 31, 2016
	amounts in millions, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 833	790
Accrued liabilities	641	706
Current portion of debt, including \$994 million and \$862 million measured at fair value (note 10)	1,011	876
Other current liabilities	161	162
Total current liabilities	2,646	2,534
Long-term debt, including \$892 million and \$805 million measured at fair value (note 10)	7,050	7,166
Deferred income tax liabilities	4,015	3,636
Other liabilities	177	158
Total liabilities	13,888	13,494
<i>Equity</i>		
Stockholders' equity (note 11):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A QVC Group common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 408,826,790 shares at September 30, 2017 and 429,005,932 shares at December 31, 2016	5	5
Series B QVC Group common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,217,195 shares at September 30, 2017 and 29,358,638 shares at December 31, 2016	—	—
Series A Liberty Ventures common stock, \$.01 par value. Authorized 400,000,000 shares; issued and outstanding 81,351,302 shares at September 30, 2017 and 81,150,711 shares at December 31, 2016	1	1
Series B Liberty Ventures common stock, \$.01 par value. Authorized 15,000,000 shares; issued and outstanding 4,245,314 shares at September 30, 2017 and 4,271,958 shares at December 31, 2016	—	—
Additional paid-in capital	—	—
Accumulated other comprehensive earnings (loss), net of taxes	(157)	(266)
Retained earnings	7,605	7,032
Total stockholders' equity	7,454	6,772
Noncontrolling interests in equity of subsidiaries	105	89
Total equity	7,559	6,861
Commitments and contingencies (note 12)		
Total liabilities and equity	\$ 21,447	20,355

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Total revenue, net	\$ 2,381	2,412	7,060	7,485
Operating costs and expenses:				
Cost of sales (exclusive of depreciation shown separately below)	1,554	1,575	4,553	4,822
Operating	160	165	461	512
Selling, general and administrative, including stock-based compensation (note 4)	279	290	777	892
Depreciation and amortization	180	225	594	663
	<u>2,173</u>	<u>2,255</u>	<u>6,385</u>	<u>6,889</u>
Operating income (loss)	208	157	675	596
Other income (expense):				
Interest expense	(88)	(92)	(267)	(277)
Share of earnings (losses) of affiliates, net (note 8)	(86)	(22)	(122)	(21)
Realized and unrealized gains (losses) on financial instruments, net (note 6)	369	606	1,186	942
Other, net	7	(8)	1	130
	<u>202</u>	<u>484</u>	<u>798</u>	<u>774</u>
Earnings (loss) from continuing operations before income taxes	410	641	1,473	1,370
Income tax (expense) benefit	(102)	(190)	(462)	(440)
Earnings (loss) from continuing operations	308	451	1,011	930
Earnings (loss) from discontinued operations, net of taxes	—	27	—	14
Net earnings (loss)	308	478	1,011	944
Less net earnings (loss) attributable to the noncontrolling interests	12	9	33	28
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	<u>\$ 296</u>	<u>469</u>	<u>978</u>	<u>916</u>
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:				
QVC Group common stock	\$ 119	61	321	285
Liberty Ventures common stock	177	408	657	631
	<u>\$ 296</u>	<u>469</u>	<u>978</u>	<u>916</u>

(Continued)

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Basic net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 5):				
Series A and Series B QVC Group common stock	\$ 0.27	0.13	0.71	0.59
Series A and Series B Liberty Ventures common stock	\$ 2.06	2.68	7.73	4.35
Diluted net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 5):				
Series A and Series B QVC Group common stock	\$ 0.26	0.13	0.71	0.59
Series A and Series B Liberty Ventures common stock	\$ 2.03	2.65	7.64	4.28
Basic net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 5):				
Series A and Series B QVC Group common stock	\$ 0.27	0.13	0.71	0.59
Series A and Series B Liberty Ventures common stock	\$ 2.06	2.87	7.73	4.44
Diluted net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 5):				
Series A and Series B QVC Group common stock	\$ 0.26	0.13	0.71	0.59
Series A and Series B Liberty Ventures common stock	\$ 2.03	2.84	7.64	4.38

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements Of Comprehensive Earnings (Loss)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Net earnings (loss)	\$ 308	478	1,011	944
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	28	(3)	111	36
Share of other comprehensive earnings (losses) of equity affiliates	—	(1)	3	(5)
Other comprehensive earnings (loss) from discontinued operations	—	(1)	—	(2)
Other	—	—	—	6
Other comprehensive earnings (loss)	28	(5)	114	35
Comprehensive earnings (loss)	336	473	1,125	979
Less comprehensive earnings (loss) attributable to the noncontrolling interests	12	11	38	46
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 324	462	1,087	933
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:				
QVC Group common stock	\$ 147	56	428	303
Liberty Ventures common stock	177	406	659	630
	\$ 324	462	1,087	933

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Cash Flows

(unaudited)

	Nine months ended	
	September 30,	
	2017	2016
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ 1,011	944
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Earnings) loss from discontinued operations	—	(14)
Depreciation and amortization	594	663
Stock-based compensation	59	75
Cash payments for stock-based compensation	—	(92)
Share of (earnings) losses of affiliates, net	122	21
Cash receipts from returns on equity investments	21	24
Realized and unrealized (gains) losses on financial instruments, net	(1,186)	(942)
Deferred income tax expense (benefit)	356	422
Other, net	8	(46)
Changes in operating assets and liabilities		
Current and other assets	161	349
Payables and other liabilities	(67)	(384)
Net cash provided (used) by operating activities	1,079	1,020
Cash flows from investing activities:		
Cash proceeds from dispositions of investments	—	350
Investments in and loans to cost and equity investees	(140)	(67)
Capital expended for property and equipment	(126)	(177)
Purchases of short term and other marketable securities	—	(264)
Sales of short term and other marketable securities	—	1,174
Investment in Liberty Broadband	—	(2,400)
Other investing activities, net	(36)	(14)
Net cash provided (used) by investing activities	(302)	(1,398)
Cash flows from financing activities:		
Borrowings of debt	1,689	2,688
Repayments of debt	(1,917)	(3,629)
Repurchases of QVC Group common stock	(452)	(603)
Withholding taxes on net settlements of stock-based compensation	(14)	(16)
Other financing activities, net	(26)	(28)
Net cash provided (used) by financing activities	(720)	(1,588)
Effect of foreign currency exchange rates on cash	13	7
Net cash provided (used) by discontinued operations:		
Cash provided (used) by operating activities	—	15
Cash provided (used) by investing activities	—	—
Cash provided (used) by financing activities	—	—
Change in available cash held by discontinued operations	—	—
Net cash provided (used) by discontinued operations	—	15
Net increase (decrease) in cash and cash equivalents	70	(1,944)
Cash and cash equivalents at beginning of period	825	2,449
Cash and cash equivalents at end of period	\$ 895	505

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Liberty Interactive Corporation and its controlled subsidiaries (collectively, "Liberty," the "Company," "Consolidated Liberty," "us," "we," or "our" 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 online commerce industries in North America, Europe and Asia and the cable industry in North America. The Company's wholly-owned subsidiary, QVC, Inc.'s ("QVC") business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Liberty's Annual Report on Form 10-K for the year ended December 31, 2016.

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

On May 18, 2016, Liberty completed a \$2.4 billion investment in Liberty Broadband Corporation ("Liberty Broadband") (for accounting purposes, a related party of the Company) in connection with the merger of Charter Communications, Inc. ("Charter") and Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of \$5 billion of stock in the new public parent company ("New Charter") of the combined enterprises. Liberty, along with third party investors, all of whom invested on the same terms as Liberty, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of \$56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed. Liberty's investment in Liberty Broadband was funded using cash on hand and is attributed to the Ventures Group (as defined in note 2). See note 8 for additional information related to this investment.

Liberty also exchanged, in a tax-free transaction, its shares of TWC common stock for shares of New Charter Class A common stock, on a one-for-one basis, and Liberty has granted to Liberty Broadband a proxy and a right of first refusal with respect to the shares of New Charter Class A common stock held by Liberty in the exchange.

On July 22, 2016, Liberty completed its previously announced spin-off (the "CommerceHub Spin-Off") of its former wholly-owned subsidiary CommerceHub, Inc. ("CommerceHub"). The CommerceHub Spin-Off was accomplished by the distribution by Liberty of a dividend of (i) 0.1 of a share of CommerceHub's Series A common stock for each outstanding share of Liberty's Series A Liberty Ventures common stock as of 5:00 p.m., New York City time, on July 8, 2016 (such date and time, the "Record Date"), (ii) 0.1 of a share of CommerceHub's Series B common stock for each outstanding share of Liberty's Series B Liberty Ventures common stock as of the Record Date and (iii) 0.2 of a share of CommerceHub's Series C common stock for each outstanding share of Series A and Series B Liberty Ventures common stock as of the Record Date, in each case, with cash paid in lieu of fractional shares. In September 2016, the Internal

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Revenue Service (“IRS”) completed its review of the CommerceHub Spin-Off and informed Liberty that it agreed with the nontaxable characterization of the transaction. Liberty received an Issue Resolution Agreement from the IRS documenting this conclusion. See the discussion in note 3 regarding discontinued operations treatment for the CommerceHub Spin-Off.

On November 4, 2016, Liberty completed its previously announced split-off (the “Expedia Holdings Split-Off”) of its former wholly-owned subsidiary Liberty Expedia Holdings, Inc. (“Expedia Holdings”). At the time of the Expedia Holdings Split-Off, Expedia Holdings was comprised of, among other things, Liberty’s former interest in Expedia, Inc. (“Expedia”) and Liberty’s former wholly-owned subsidiary Bodybuilding.com, LLC (“Bodybuilding”). On November 2, 2016, Expedia Holdings borrowed \$350 million under a new margin loan and distributed \$299 million, net of certain debt related costs, to Liberty on November 4, 2016. The Expedia Holdings Split-Off was accomplished by the redemption of (i) 0.4 of each outstanding share of Liberty’s Series A Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series A common stock at 5:00 p.m., New York City time, on November 4, 2016 (such date and time, the “Redemption Date”) and (ii) 0.4 of each outstanding share of Liberty’s Series B Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series B common stock on the Redemption Date, in each case, with cash paid in lieu of any fractional shares of Liberty Ventures common stock or Expedia Holdings common stock (after taking into account all of the shares owned of record by each holder thereof, as applicable). In February 2017, the IRS completed its review of the Expedia Holdings Split-Off and informed Liberty that it agreed with the nontaxable characterization of the transaction. Liberty received an Issue Resolution Agreement from the IRS documenting this conclusion. See the discussion in note 3 regarding discontinued operations treatment for the Expedia Holdings Split-Off.

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company has reviewed the applicable Accounting Standard Update (“ASU”) and has selected the modified retrospective transition method. In addition, the Company expects to elect the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component when its payment terms are less than one year, as well as the practical expedient to exclude from the measurement of the transaction price sales and similar taxes collected from customers. To date, the Company has concluded it will recognize revenue at the time of shipment to its customers consistent with when title passes. This is a change from the current practice whereby the Company recognizes revenue at the time of delivery to the customers and deferred revenue is recorded to account for the shipments in-transit. At the current time, the Company is continuing to evaluate the impact of the standard including its determination of whether the Company acts as principal or agent in certain vendor arrangements. The Company is also evaluating the impact of the standard on the presentation and timing of credit card income for its QVC-branded credit card and its financial statement disclosures, among other areas. The Company has not quantified the effects of this pronouncement, but it is working through the relevant aspects to evaluate the quantitative effects of the new guidance. The Company plans to be able to quantify the effects of these ASUs no later than the fourth quarter of 2017 in its annual report for the year ending December 31, 2017.

In July 2015, the FASB issued new accounting guidance that changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The new principle is part of the FASB’s simplification initiative and applies to entities that measure inventory using a method other than last-in, first-out or the retail inventory method. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016. The Company has adopted this guidance as of January 1, 2017, and there was no significant effect of the standard on its financial reporting.

In January 2016, the FASB issued new accounting guidance that is intended to improve the recognition and measurement of financial instruments. The new guidance requires equity investments with readily determinable fair values

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

In February 2016, the FASB issued new guidance which revises the accounting for leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new guidance also simplifies the accounting for sale and leaseback transactions. The new standard, to be applied via a modified retrospective transition approach, is effective for the Company for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is currently working with its consolidated subsidiaries to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

In October 2016, the FASB issued new accounting guidance which requires an entity to recognize at the transaction date the income tax consequences of intercompany asset transfers. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the effect that the updated standard will have on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity will no longer perform a Step 2 Test to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company plans to adopt the standard during the fourth quarter of 2017, and does not expect the standard to have a material impact.

As a result of repurchases of Series A QVC Group common stock, the Company's additional paid-in capital balance was in a deficit position as of September 30, 2017. In order to ensure that the additional paid-in capital account is not negative, we reclassified the amount of the deficit (\$405 million) at September 30, 2017 to retained earnings.

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

Liberty has entered into certain agreements with Liberty Media Corporation ("LMC") (for accounting purposes, a related party of the Company), a separate publicly traded company, neither of which has any stock ownership, beneficial or otherwise, in the other, in order to govern relationships between the companies. These agreements include a reorganization agreement, services agreement, facilities sharing agreement and tax sharing agreement.

The reorganization agreement provides for, among other things, provisions governing the relationship between Liberty and LMC, including certain cross-indemnities. Pursuant to the services agreement, LMC provides Liberty with certain general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty reimburses LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Liberty's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty. Under the facilities sharing agreement, LMC shares office space and related amenities at its corporate headquarters with Liberty. Under these various agreements, approximately \$3 million and \$2 million was reimbursable to LMC for the three months ended September 30, 2017 and 2016, respectively, and approximately \$8 million and \$8 million was reimbursable to LMC for the nine months ended September 30, 2017 and 2016, respectively. Additionally, the tax

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and LMC and other agreements related to tax matters.

(2) 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 has two tracking stocks—QVC Group common stock and Liberty Ventures common stock, which are intended to track and reflect the economic performance of the Liberty QVC Group and the Ventures Group, respectively (as defined below).

While the QVC 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 stock 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 "QVC Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. As of September 30, 2017, the QVC Group is primarily comprised of our merchandise-focused televised-shopping programs, Internet and mobile application businesses and has attributed to it our wholly-owned subsidiaries, QVC and zulily, llc ("zulily"), our approximate 38% interest in HSN, Inc. ("HSN"), and cash and cash equivalents of approximately \$383 million, which includes subsidiary cash. The QVC Group also has attributed to it liabilities that reside with QVC and zulily, certain liabilities related to our corporate level indebtedness (see note 10) and certain deferred tax liabilities.

On July 6, 2017, Liberty announced that it had entered into an Agreement and Plan of Merger, dated as of July 5, 2017 (the "HSN Merger Agreement"), by and among Liberty, Liberty Horizon, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Liberty ("Merger Sub"), and HSN. Pursuant to the terms of the HSN Merger Agreement, Merger Sub will merge with and into HSN, with HSN surviving as a wholly-owned subsidiary of Liberty (the "HSN Merger"). As a result of the HSN Merger, Liberty will acquire the approximately 62% of HSN it does not already own in an all-stock transaction making HSN a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. Liberty currently owns approximately 38% of HSN. HSN shareholders (other than Liberty) will receive fixed consideration of 1.65 shares of Series A QVC Group common stock for each share of HSN common stock. Based on the Series A QVC Group common stock's closing price as of July 5, 2017 and the number of HSN undiluted shares outstanding as of May 1, 2017, this equates to a total enterprise value for HSN of \$2.6 billion, an equity value of \$2.1 billion, and consideration of \$40.36 per HSN share, representing a premium of approximately 29% to HSN shareholders, based on HSN's closing price on July 5, 2017. Liberty intends to issue 53.4 million shares of Series A QVC Group common stock to HSN shareholders.

The HSN Merger is expected to be completed by the fourth quarter of 2017. The completion of the acquisition is subject to certain customary conditions, including approval by a majority of the outstanding voting power of HSN shareholders. A voting agreement has been obtained from Liberty to vote its HSN shares in-favor of the transaction. Approval of the Liberty stockholders is not required, and is not being sought, for the HSN Merger. Upon closing, Liberty's board of directors will be expanded by one to include a director from HSN's board of directors; this director will be selected by Liberty.

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. As of September 30, 2017, the Ventures Group is comprised primarily of our interests in Evite, Inc. ("Evite"), FTD Companies, Inc. ("FTD"), LendingTree, Inc. ("LendingTree"), Liberty Broadband, investments in Charter, ILG, Inc. ("ILG"), and Time Warner Inc. ("Time Warner"), and cash and cash equivalents of approximately \$512 million. The Ventures Group also has attributed to it certain liabilities related to our Exchangeable Debentures (see note 10) 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.

On April 4, 2017, Liberty entered into an Agreement and Plan of Reorganization (the "GCI Reorganization Agreement" and the transactions contemplated thereby, the "Transactions") with General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

subsidiary of Liberty (“LI LLC”), whereby Liberty will acquire GCI through a reorganization in which certain Ventures Group assets and liabilities will be contributed to GCI in exchange for a controlling interest in GCI. Liberty and LI LLC will contribute to GCI Liberty (as defined below) its entire equity interest in Liberty Broadband and Charter, along with, subject to certain exceptions, Liberty’s entire equity interests in FTD and LendingTree, together with the Evite operating business and certain other assets and liabilities, in exchange for (a) the issuance to LI LLC of (i) a number of shares of reclassified GCI Class A Common Stock and a number of shares of reclassified GCI Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, and (ii) cash and (b) the assumption of certain liabilities by GCI Liberty (the “Contribution”).

Liberty will then effect a tax-free separation of its controlling interest in the combined company (to be named GCI Liberty, Inc. (“GCI Liberty”)) to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock, leaving QVC Group common stock as the only outstanding common stock of Liberty. Holders of GCI Class A Common Stock and GCI Class B Common Stock each will receive (i) 0.63 of a share of reclassified GCI Class A Common Stock and (ii) 0.20 of a share of new GCI Series A preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of \$32.50 per share for existing GCI common stock, comprised of \$27.50 per share in reclassified GCI Class A Common Stock and \$5.00 per share in newly issued GCI Preferred Stock, and a Liberty Ventures reference price of \$43.65 (with no additional premium paid for shares of GCI Class B Common Stock). The Series A preferred shares will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing.

At the closing of the Transactions, Liberty will reattribute certain assets and liabilities from the Ventures Group to the QVC Group (the “Reattribution”). The reattributed assets and liabilities, if effected as of the date hereof, would include cash, Liberty’s interest in ILG, certain green energy investments, LI LLC’s exchangeable debentures, and certain tax benefits. Pursuant to a recent amendment to the reorganization agreement, LI LLC’s 1.75% Exchangeable Debentures due 2046 (the “1.75% Exchangeable Debentures”) will not be subject to a pre-closing exchange offer and will instead be reattributed to the QVC Group, along with (i) an amount of cash equal to the net present value of the adjusted principal amount of such 1.75% Exchangeable Debentures (determined as if paid on October 5, 2023) and stated interest payments on the 1.75% Exchangeable Debentures to October 5, 2023 and (ii) an indemnity obligation from GCI Liberty with respect to any payments made by LI LLC in excess of stated principal and interest to any holder that exercises its exchange right under the terms of the debentures through October 5, 2023. The cash reattributed to the QVC Group will be funded by available cash attributed to Liberty’s Ventures Group and the proceeds of a margin loan facility in an initial principal amount of up to \$1 billion. Within six months of the closing, Liberty, LI LLC and GCI Liberty will cooperate with, and reasonably assist each other with respect to, the commencement and consummation of a purchase offer (the “Purchase Offer”) whereby LI LLC will offer to purchase, either pursuant to privately negotiated transactions or a tender offer, the 1.75% Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify LI LLC for each 1.75% Exchangeable Debenture repurchased by LI LLC in the Purchase Offer in an amount equal to the difference between (x) the purchase price paid by LI LLC to acquire such 1.75% Exchangeable Debenture in the Purchase Offer and (y) the sum of the amount of cash reattributed with respect to such purchased 1.75% Exchangeable Debenture in the reattribution plus the amount of certain tax benefits attributable to such 1.75% Exchangeable Debenture so purchased. GCI Liberty’s indemnity obligation with respect to payments made upon a holder’s exercise of its exchange right will be eliminated as to any 1.75% Exchangeable Debentures purchased in the Purchase Offer.

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated during the first quarter of 2018, subject to the satisfaction of customary closing conditions and the requisite stockholder approvals. Simultaneous with that closing, QVC Group, including wholly-owned subsidiaries QVC, Inc., zulily and HSN (or, if the HSN Merger has not yet closed, following such closing), will become an asset-backed stock and Liberty will be renamed QVC Group, Inc. Neither the Transactions nor the HSN Merger is conditioned on the completion of the other, and no assurance can be given as to which of these transactions will be completed first.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

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

(3) Disposals

On July 22, 2016, Liberty completed the CommerceHub Spin-Off. CommerceHub is included in the Corporate and other segment through July 22, 2016 and is not presented as a discontinued operation as the CommerceHub Spin-Off did not represent a strategic shift that had a major effect on Liberty's operations and financial results. Included in revenue in the accompanying condensed consolidated statements of operations is \$7 million for the three months ended September 30, 2016, and \$51 million for the nine months ended September 30, 2016 related to CommerceHub. Included in net earnings (loss) in the accompanying condensed consolidated statements of operations is income of \$4 million for the three months ended September 30, 2016, and \$4 million for the nine months ended September 30, 2016 related to CommerceHub.

On November 4, 2016, Liberty completed the Expedia Holdings Split-Off. At the time of the Expedia Holdings Split-Off, Expedia Holdings was comprised of, among other things, Liberty's former interest in Expedia and Liberty's former wholly-owned subsidiary Bodybuilding. Liberty views Expedia and Bodybuilding as separate components and evaluated them separately for discontinued operations presentation. Based on a quantitative analysis, the Expedia Holdings Split-Off represents a strategic shift that has a major effect on Liberty's operations, primarily due to prior year one-time gains on transactions recognized by Expedia. Accordingly, the accompanying condensed consolidated financial statements of Liberty have been prepared to reflect Liberty's interest in Expedia as a discontinued operation. The disposition of Bodybuilding as part of the Expedia Holdings Split-Off does not have a major effect on Liberty's historical results nor is it expected to have a major effect on Liberty's future operations. The disposition of Bodybuilding does not represent a strategic shift in Liberty's operations. Accordingly, Bodybuilding is not presented as a discontinued operation in the accompanying condensed consolidated financial statements of Liberty. Bodybuilding is included in the Corporate and other segment through November 4, 2016. Included in revenue in the accompanying condensed consolidated statements of operations is \$97 million for the three months ended September 30, 2016, and \$325 million for the nine months ended September 30, 2016 related to Bodybuilding. Included in net earnings (loss) in the accompanying condensed consolidated statements of operations are earnings of \$2 million for the three months ended September 30, 2016, and \$6 million for the nine months ended September 30, 2016 related to Bodybuilding.

Certain financial information for Liberty's investment in Expedia, which is included in earnings (loss) from discontinued operations is as follows:

	Three months ended September 30, 2016	Nine months ended September 30, 2016
	amounts in millions	
Earnings (loss) before income taxes	40	15
Income tax (expense) benefit	(13)	(1)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

The impact from discontinued operations on basic and diluted earnings (loss) per share is as follows:

	Three months ended	Nine months ended
	September 30,	September 30,
	2016	2016
Basic earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):		
Series A and Series B QVC Group common stock	NA	NA
Series A and Series B Liberty Ventures common stock	0.19	0.10
Diluted earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):		
Series A and Series B QVC Group common stock	NA	NA
Series A and Series B Liberty Ventures common stock	0.19	0.10

(4) Stock-Based Compensation

The Company has granted to certain of its directors, employees and employees of its subsidiaries, restricted stock, restricted stock units ("RSUs") and options to purchase shares of Liberty common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options and restricted stock) based on the grant-date fair value ("GDFV") 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 a liability classified Award based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are \$22 million and \$20 million of stock-based compensation during the three months ended September 30, 2017 and 2016, respectively, and \$59 million and \$75 million during the nine months ended September 30, 2017 and 2016, respectively.

During the nine months ended September 30, 2017, Liberty granted 3.1 million options and 483 thousand options to QVC and zulily employees, respectively, to purchase shares of Series A QVC Group common stock. Such options had a weighted average GDFV of \$7.86 per share and vest semi-annually over four years.

Also during the nine months ended September 30, 2017, Liberty granted to Liberty employees and directors 165 thousand and 34 thousand options to purchase shares of Series A QVC Group common stock and Series A Liberty Ventures common stock, respectively. Such options had a weighted average GDFV of \$7.73 and \$15.48 per share, respectively, and vest between one and five years.

In connection with our CEO's employment agreement, during the nine months ended September 30, 2017, Liberty also granted 154 thousand and 269 thousand options to purchase shares of Series B QVC Group common stock and Series B Liberty Ventures common stock, respectively, and 115 thousand performance-based RSUs of Series B QVC Group common stock. Such options had a GDFV of \$7.92 per share and \$15.41 per share, respectively. The RSUs had a GDFV of \$19.90 per share at the time they were granted. The options vest on December 31, 2017, and the RSUs cliff vest in one year, subject to satisfaction of certain performance objectives. Performance objectives, which are subjective, are considered in determining the timing and amount of the compensation expense recognized. When the satisfaction of the performance objectives becomes probable, the Company records compensation expense. The value of the grant is remeasured at each reporting period.

The Company has calculated the GDFV for all of its equity classified Awards and any subsequent remeasurement of its liability classified Awards and certain performance-based Awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

the calculation for Awards is based on the historical volatility of Liberty's stock and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Liberty—Outstanding Awards

The following tables present the number and weighted average exercise price ("WAEP") of the Awards to purchase QVC Group and Liberty Ventures common stock granted to certain officers, employees and directors of the Company.

	QVC Group			
	Series A (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2017	29,585	\$ 20.80		
Granted	3,763	\$ 23.69		
Exercised	(1,333)	\$ 14.11		
Forfeited/Cancelled	(1,083)	\$ 27.31		
Outstanding at September 30, 2017	30,932	\$ 21.21	4.0 years	\$ 118
Exercisable at September 30, 2017	19,432	\$ 19.15	3.1 years	\$ 106

	QVC Group			
	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2017	1,489	\$ 27.50		
Granted	154	\$ 23.87		
Exercised	—	\$ —		
Forfeited/Cancelled	—	\$ —		
Outstanding at September 30, 2017	1,643	\$ 27.16	5.0 years	\$ —
Exercisable at September 30, 2017	843	\$ 25.68	5.4 years	\$ —

	Liberty Ventures			
	Series A (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2017	1,974	\$ 22.18		
Granted	34	\$ 52.00		
Exercised	(428)	\$ 16.48		
Forfeited/Cancelled	(12)	\$ 38.21		
Outstanding at September 30, 2017	1,568	\$ 24.27	2.9 years	\$ 52
Exercisable at September 30, 2017	1,161	\$ 19.30	2.0 years	\$ 44

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Liberty Ventures			
	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2017	987	\$ 35.02		
Granted	269	\$ 52.39		
Exercised	—	\$ —		
Forfeited/Cancelled	—	\$ —		
Outstanding at September 30, 2017	1,256	\$ 38.74	4.9 years	\$ 27
Exercisable at September 30, 2017	184	\$ 36.82	5.2 years	\$ 4

As of September 30, 2017, the total unrecognized compensation cost related to unvested Awards was approximately \$111 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.6 years.

As of September 30, 2017, Liberty reserved for issuance upon exercise of outstanding stock options approximately 30.9 million shares of Series A QVC Group common stock, 1.6 million shares of Series B QVC Group common stock, 1.6 million shares of Series A Liberty Ventures common stock and 1.3 million shares of Series B Liberty Ventures common stock.

(5) Earnings (Loss) Per Common Share

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding ("WASO") 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. Potentially dilutive shares are excluded from the computation of diluted EPS during periods in which losses are reported since the result would be antidilutive.

Series A and Series B QVC Group Common Stock

Excluded from diluted EPS, for the three months ended September 30, 2017 and 2016, are 16 million and 13 million potential common shares, respectively, because their inclusion would be antidilutive. Excluded from diluted EPS, for the nine months ended September 30, 2017 and 2016, are 16 million and 13 million potential common shares, respectively, because their inclusion would be antidilutive.

	QVC Group Common Stock			
	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	number of shares in millions			
Basic WASO	448	473	451	479
Potentially dilutive shares	4	5	3	6
Diluted WASO	452	478	454	485

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Series A and Series B Liberty Ventures Common Stock

No potential common shares were excluded from diluted EPS for the three and nine months ended September 30, 2017. Excluded from diluted EPS for the three and nine months ended September 30, 2016 were less than a million potential common shares in both periods, because their inclusion would be antidilutive.

	Liberty Ventures Common Stock			
	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	number of shares in millions			
Basic WASO	86	142	85	142
Potentially dilutive shares	1	2	1	2
Diluted WASO	87	144	86	144

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

Description	Fair Value Measurements at September 30, 2017			Fair Value Measurements at December 31, 2016		
	Total	Quoted prices in active markets for identical assets	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets	Significant other observable inputs (Level 2)
		(Level 1)	(Level 2)		(Level 1)	(Level 2)
	amounts in millions					
Cash equivalents	\$ 623	623	—	625	625	—
Available-for-sale securities	\$ 2,393	2,393	—	1,846	1,846	—
Investment in Liberty Broadband	\$ 4,068	4,068	—	3,161	3,161	—
Debt	\$ 1,886	—	1,886	1,667	—	1,667

The majority of the Company's Level 2 financial assets and liabilities are primarily debt instruments with quoted market prices that are not considered to be traded on "active markets," as defined in GAAP. The fair values for such instruments are derived from a typical model using observable market data as the significant inputs.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Fair Value Option Securities - Available-for-sale securities	\$ 130	260	552	608
Fair Value Option Securities - Liberty Broadband	365	490	906	651
Exchangeable senior debentures	(91)	(138)	(230)	(313)
Other financial instruments	(35)	(6)	(42)	(4)
	<u>\$ 369</u>	<u>606</u>	<u>1,186</u>	<u>942</u>

(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 based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "Fair Value Option"). Liberty has historically entered into economic hedges for certain of its 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 statements 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 certain of its AFS securities ("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, net in the accompanying condensed consolidated statements of operations.

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

	September 30,	December 31,
	2017	2016
	amounts in millions	
QVC Group		
Other investments	\$ 4	4
Total attributed QVC Group	<u>4</u>	<u>4</u>
Ventures Group		
Charter	1,947	1,543
ILG	445	302
Other investments	<u>85</u>	<u>73</u>
Total attributed Ventures Group	<u>2,477</u>	<u>1,918</u>
Consolidated Liberty	<u>\$ 2,481</u>	<u>1,922</u>

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)
(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, fair value, and percentage ownership of the more significant investments in affiliates at September 30, 2017 and the carrying amount at December 31, 2016:

	Percentage ownership	September 30, 2017		December 31, 2016	
		Fair value (Level 1)	Carrying amount	Carrying amount	Carrying amount
dollar amounts in millions					
QVC Group					
HSN	38 %	\$ 782	\$ 198		184
Other	various	NA	38		40
Total QVC Group			236		224
Ventures Group					
FTD (1)	37 %	133	133		216
LendingTree (2)	27 %	788	113		31
Other	various	NA	91		110
Total Ventures Group			337		357
Consolidated Liberty			\$ 573		581

- (1) The Company recorded an impairment on its investment in FTD during the third quarter of 2017 in the amount of \$50 million.
(2) During the nine months ended September 30, 2017, the Company purchased an additional 450 thousand shares of LendingTree.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
QVC Group				
HSN	\$ 12	9	35	41
Other	(1)	(1)	(4)	(3)
Total QVC Group	11	8	31	38
Ventures Group				
FTD (1)	(81)	(7)	(86)	(8)
LendingTree	2	2	5	10
Other	(18)	(25)	(72)	(61)
Total Ventures Group	(97)	(30)	(153)	(59)
Consolidated Liberty	\$ (86)	(22)	(122)	(21)

- (1) As discussed above, the Company recorded an impairment of \$50 million on its investment in FTD during the third quarter of 2017 which is reflected in the share of earnings (losses) of affiliates line item in the condensed consolidated statement of operations for the three and nine months ended September 30, 2017.

Investment in Liberty Broadband

As discussed in note 1, in connection with the merger of Charter and TWC, on May 18, 2016, Liberty invested \$2.4 billion in Liberty Broadband Series C nonvoting shares. As of September 30, 2017, Liberty has a 23% economic ownership interest in Liberty Broadband. Due to overlapping boards of directors and management, Liberty has been deemed to have significant influence over Liberty Broadband for accounting purposes even though Liberty does not have any voting rights.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

Liberty has elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it believes that the Company's investors value this investment based on the trading price of Liberty Broadband. Liberty recognizes changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the condensed consolidated statements of operations. Summarized financial information for Liberty Broadband is as follows:

	September 30, 2017	December 31, 2016
	amounts in millions	
Current assets	\$ 142	258
Investment in Charter, accounted for using the equity method	9,327	9,315
Other assets	13	18
Total assets	9,482	9,591
Long-term debt, including current portion	497	599
Deferred income taxes	498	505
Other liabilities	17	14
Equity	8,470	8,473
Total liabilities and shareholders' equity	\$ 9,482	9,591

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	amounts in millions		amounts in millions	
Revenue	\$ 3	21	10	27
Operating expenses, net	9	14	29	41
Operating income (loss)	(6)	7	(19)	(14)
Share of earnings (losses) of affiliates	(5)	19	25	570
Realized and unrealized gains (losses) on financial instruments, net	3	—	5	93
Gain (loss) on dilution of investment in affiliate	(4)	(16)	(42)	760
Other income (expense), net	(5)	(4)	(14)	(5)
Income tax benefit (expense)	7	(2)	18	(532)
Net earnings (loss)	\$ (10)	4	(27)	872

(9) Intangible Assets
Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	zully	Corporate and Other	Total
	amounts in millions			
Balance at January 1, 2017	\$ 5,110	917	25	6,052
Foreign currency translation adjustments	71	—	—	71
Balance at September 30, 2017	\$ 5,181	917	25	6,123

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)
Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$137 million and \$181 million for the three months ended September 30, 2017 and 2016, respectively, and \$462 million and \$538 million for the nine months ended September 30, 2017 and 2016, respectively. Based on its amortizable intangible assets as of September 30, 2017, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2017	\$	80
2018	\$	283
2019	\$	142
2020	\$	74
2021	\$	54

(10) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal at September 30, 2017	Carrying value	
		September 30, 2017	December 31, 2016
amounts in millions			
QVC Group			
Corporate level debentures			
8.5% Senior Debentures due 2029	\$ 287	285	285
8.25% Senior Debentures due 2030	504	502	501
Subsidiary level notes and facilities			
QVC 3.125% Senior Secured Notes due 2019	400	399	399
QVC 5.125% Senior Secured Notes due 2022	500	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC Bank Credit Facilities	1,690	1,690	1,896
Other subsidiary debt			
	177	177	174
Deferred loan costs		(26)	(28)
Total QVC Group debt	\$ 6,208	6,175	6,375
Ventures Group			
Corporate level debentures			
4% Exchangeable Senior Debentures due 2029	\$ 435	334	276
3.75% Exchangeable Senior Debentures due 2030	435	326	267
3.5% Exchangeable Senior Debentures due 2031	328	331	316
0.75% Exchangeable Senior Debentures due 2043	1	3	3
1.75% Exchangeable Senior Debentures due 2046	750	892	805
Total Ventures Group debt	\$ 1,949	1,886	1,667
Total consolidated Liberty debt	\$ 8,157	8,061	8,042
Less current classification		(1,011)	(876)
Total long-term debt	\$	7,050	7,166

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)*****QVC Bank Credit Facilities***

On June 23, 2016, QVC amended and restated its senior secured credit facility (the “Third Amended and Restated Credit Agreement”) with zulily as co-borrower. The Third Amended and Restated Credit Agreement is a multi-currency facility that provides for a \$2.65 billion revolving credit facility, with a \$300 million total sub-limit for standby letters of credit and \$1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Third Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by QVC and zulily, as co-borrowers with an additional \$50 million sub-limit for standby letters of credit. The remaining \$2.25 billion and any incremental loans may be borrowed only by QVC. The borrowers may elect that the loans extended under the Third Amended and Restated Credit Agreement bear interest at a rate per annum equal to the annual base rate or LIBOR, as each is defined in the Third Amended and Restated Credit Agreement. Borrowings that are alternate base rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% to 0.75% depending on QVC and zulily’s combined ratio of Consolidated Total Debt to Consolidated EBITDA for the most recent four fiscal quarter period (the “Combined Consolidated Leverage Ratio”). Borrowings that are LIBOR loans will bear interest at a per annum rate equal to the applicable LIBOR rate plus a margin that varies between 1.25% and 1.75% depending on QVC and zulily’s Combined Consolidated Leverage Ratio. Because the calculation of the Combined Consolidated Leverage Ratio was revised to include zulily, the effective interest rate margins, on the date that the Third Amended and Restated Credit Agreement was entered into, decreased from the interest rate margins under the previous bank credit facility. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments are required other than when borrowings and letter of credit usage exceed availability; provided that, if zulily ceases to be controlled by Liberty, all of its loans must be repaid and its letters of credit cash collateralized. Any amounts prepaid on the revolving facility may be reborrowed. The facility matures on June 23, 2021, except that \$140 million of the \$2.25 billion commitment available to QVC matures on March 9, 2020. Payment of loans may be accelerated following certain customary events of default.

The purpose of the amendment was to, among other things, extend the maturity of QVC’s senior secured credit facility, provide zulily the opportunity to borrow on the senior secured credit facility, and lower the interest rate on borrowings. The payment and performance of the borrowers’ obligations (including zulily’s obligations) under the Third Amended and Restated Credit Agreement are guaranteed by each of QVC’s Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement). Further, the borrowings under the Third Amended and Restated Credit Agreement are secured, *pari passu* with QVC’s existing notes, by a pledge of all of the capital stock of QVC. The payment and performance of the borrowers’ obligations with respect to the \$400 million tranche available to both QVC and zulily are also guaranteed by each of zulily’s Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement), if any, and are secured by a pledge of all of zulily’s equity interests.

The Third Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on QVC and zulily and each of their restricted subsidiaries (subject to certain exceptions) with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; dissolving, consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; restricting subsidiary distributions; limiting QVC’s consolidated leverage ratio, which is defined in the Third Amended Restated Credit Agreement as QVC’s consolidated total debt to Adjusted OIBDA ratio for the most recent four fiscal quarter period; and limiting the Combined Consolidated Leverage Ratio.

The interest rate on borrowings outstanding under the Third Amended and Restated Credit Agreement was 2.7% at September 30, 2017. Availability under the Third Amended and Restated Credit Agreement at September 30, 2017 was \$950 million, including the remaining portion of the \$400 million tranche that zulily may also borrow on.

Exchangeable Senior Debentures

Liberty has elected to account for its exchangeable senior debentures using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the statements of operations. As of September 30, 2017 the balance of the 4% Exchangeable Senior Debentures due 2029, the 3.75% Exchangeable Senior

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

Debentures due 2030 and the 3.5% Exchangeable Senior Debentures due 2031 have been classified as current because Liberty does not own shares to redeem the debentures. For the remaining exchangeables, Liberty reviews the terms of the debentures on a quarterly basis to determine whether a triggering event has occurred to require current classification of the exchangeables upon a call event. The 0.75% Exchangeable Senior Debentures due 2043 are classified as current as of September 30, 2017.

During the year ended December 31, 2016, holders exchanged, under the terms of the debentures, approximately \$523 million principal of Liberty's 0.75% Exchangeable Senior Debentures due 2043 and Liberty made cash payments of approximately \$1,181 million to settle the obligations. In addition, in conjunction with the investment in Liberty Broadband (see note 1), an extraordinary distribution of approximately \$325 million was paid to holders of the 0.75% Exchangeable Senior Debentures due 2043.

In August 2016, Liberty issued \$750 million principal amount of new 1.75% Exchangeable Senior Debentures due 2046. The 1.75% Exchangeable Senior Debentures are senior exchangeable debentures due September 2046, which bear interest at an annual rate of 1.75%.

Each \$1,000 debenture is exchangeable at the holder's option for the value of 2.9317 shares of Charter Class A common stock. Liberty may, at its election, pay the exchange value in cash, Charter Class A common stock or a combination thereof. The number of shares of Charter Class A common stock attributable to a debenture represents an initial exchange price of approximately \$341.10 per share. 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.

Debt Covenants

Liberty, QVC and zulily are in compliance with all debt covenants at September 30, 2017.

Other Subsidiary Debt

Other subsidiary debt at September 30, 2017 is comprised primarily of capitalized satellite transponder lease obligations.

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities (Level 2). The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at September 30, 2017 are as follows (amounts in millions):

Senior debentures	\$ 885
QVC senior secured notes	\$ 3,654

Due to the variable rate nature, Liberty believes that the carrying amount of its other debt, not discussed above, approximated fair value at September 30, 2017.

(11) Stockholders' Equity

In addition to the Series A and Series B QVC Group and Liberty Ventures common stock, there are 4 billion shares of Series C QVC Group and 400 million shares of Series C Liberty Ventures common stock authorized for issuance. As of September 30, 2017, no shares of any Series C QVC Group or Liberty Ventures common stock were issued or outstanding.

(12) Commitments and Contingencies***Distribution Center Lease***

On July 2, 2015, QVC entered into a lease (the "Lease") for a west coast distribution center. Pursuant to the Lease, the landlord built an approximately one million square foot rental building in Ontario, California (the "Premises"), and

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

thereafter leased the Premises to QVC as its new west coast distribution center for an initial term of 15 years. Under the Lease, QVC is required to pay an initial base rent of approximately \$6 million per year, increasing to approximately \$8 million per year by the final year of the initial term, as well as all real estate taxes and other building operating costs. QVC also has an option to extend the term of the Lease for up to two consecutive terms of 10 years each.

QVC has the right to purchase the Premises and related land from the landlord by entering into an amended and restated agreement at any time during the twenty-fifth or twenty-sixth months of the Lease's initial term, which will occur in June and July of 2018, with a \$10 million initial payment and annual payments of \$12 million over a term of 13 years.

QVC concluded that it was the deemed owner (for accounting purposes only) of the Premises during the construction period under build to suit lease accounting. Building construction began in July of 2015. During the construction period, QVC recorded estimated project construction costs incurred by the landlord as a projects in progress asset and a corresponding long-term liability in "Property and equipment, net" and "Other long-term liabilities," respectively, on its consolidated balance sheet. In addition, QVC paid for normal tenant improvements and certain structural improvements and recorded these amounts as part of the projects in progress asset. Upon completion of construction, the long-term liability was reclassified to debt.

On August 29, 2016, QVC's west coast distribution center officially opened. QVC concluded that the Lease does not meet the criteria for "sale-leaseback" treatment under GAAP. Therefore, QVC is treating the Lease as a financing obligation and lease payments are being attributed to: (1) a reduction of the principal financing obligation; (2) imputed interest expense; and (3) land lease expense representing an imputed cost to lease the underlying land of the Premises. In addition, the building asset is being depreciated over its estimated useful life of 20 years. Although QVC did not begin making monthly lease payments pursuant to the Lease until February 2017, the portion of the lease obligations allocated to the land is being treated for accounting purposes as an operating lease that commenced in 2015. If QVC does not exercise its right to purchase the Premises and related land, QVC will derecognize both the net book values of the asset and the financing obligation at the conclusion of the lease term.

Litigation

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

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(13) Information About Liberty's Operating Segments

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video, online commerce and cable 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.

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 and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as unique website visitors, number of units shipped, 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 all 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, certain purchase accounting adjustments, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the nine months ended September 30, 2017, Liberty has identified the following consolidated subsidiaries as its reportable segments:

- QVC – a consolidated subsidiary that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications.
- zulily – a consolidated subsidiary that markets and sells unique products in the United States and several foreign countries through flash sales events, primarily through its desktop and mobile websites and mobile applications.

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 are the same as those described in the Company's Summary of Significant Accounting Policies in the Annual Report on Form 10-K for the year ended December 31, 2016.

Performance Measures

	Three months ended September 30,			
	2017		2016	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
amounts in millions				
QVC Group				
QVC	\$ 2,010	412	1,948	393
zulily	367	12	359	18
Corporate and other	—	(8)	—	(5)
Inter-segment eliminations	(2)	—	(4)	—
Total QVC Group	2,375	416	2,303	406
Ventures Group				
Corporate and other	6	(6)	109	(4)
Total Ventures Group	6	(6)	109	(4)
Consolidated Liberty	<u>\$ 2,381</u>	<u>410</u>	<u>2,412</u>	<u>402</u>

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

	Nine months ended September 30,			
	2017		2016	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
QVC Group				
QVC	\$ 5,954	1,314	6,024	1,271
zulily	1,093	53	1,080	72
Corporate and other	—	(18)	—	(17)
Inter-segment eliminations	(3)	—	(10)	—
Total QVC Group	7,044	1,349	7,094	1,326
Ventures Group				
Corporate and other	16	(21)	391	8
Total Ventures Group	16	(21)	391	8
Consolidated Liberty	<u>\$ 7,060</u>	<u>1,328</u>	<u>7,485</u>	<u>1,334</u>

Other Information

	September 30, 2017			
	Total assets	Investments in affiliates	Investment in Liberty Broadband	Capital expenditures
		amounts in millions		
QVC Group				
QVC	\$ 11,263	38	—	83
zulily	2,374	—	—	41
Corporate and other	343	198	—	—
Total QVC Group	13,980	236	—	124
Ventures Group				
Corporate and other	7,467	337	4,068	2
Total Ventures Group	7,467	337	4,068	2
Consolidated Liberty	<u>\$ 21,447</u>	<u>573</u>	<u>4,068</u>	<u>126</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
		amounts in millions		
Consolidated segment Adjusted OIBDA	\$ 410	402	1,328	1,334
Stock-based compensation	(22)	(20)	(59)	(75)
Depreciation and amortization	(180)	(225)	(594)	(663)
Operating income (loss)	208	157	675	596
Interest expense	(88)	(92)	(267)	(277)
Share of earnings (loss) of affiliates, net	(86)	(22)	(122)	(21)
Realized and unrealized gains (losses) on financial instruments, net	369	606	1,186	942
Other, net	7	(8)	1	130
Earnings (loss) before income taxes from continuing operations	<u>\$ 410</u>	<u>641</u>	<u>1,473</u>	<u>1,370</u>

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; international expansion; new service offerings; our proposed transactions involving General Communication, Inc. ("GCI") and HSN, Inc. ("HSN"); revenue growth at QVC, Inc. ("QVC"); the recoverability of our goodwill and other long-lived assets; 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. 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;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic to our businesses' websites and our ability to convert visitors into customers 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 proposed transactions involving GCI and HSN and the satisfaction of conditions thereto;
- 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 and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of Brexit (as defined below);
- consumer spending levels, including the availability and amount of individual consumer debt;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and Internet protocol television and their impact on home shopping programming;
- rapid technological changes;
- failure to protect the security of personal information, subjecting us to potentially costly government enforcement actions and/or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- threatened terrorist attacks, political and economic unrest in international markets and ongoing military action around the world; and
- fluctuations in foreign currency exchange rates.

For additional risk factors, please see Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2016, as well as Part II, Item 1A of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 and Part II, Item 1A of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report on

Form 10-Q, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2016.

See note 1 of the accompanying condensed consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

The information herein relates to Liberty Interactive Corporation and its controlled subsidiaries (collectively "Liberty," the "Company," "Consolidated Liberty," "us," "we" or "our" unless the context otherwise requires).

Overview

We own controlling and non-controlling interests in a broad range of video, online commerce and cable companies. Our largest business and reportable segment is QVC. 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 the Internet through its domestic and international websites and mobile applications. On October 1, 2015 we acquired zulily, inc. ("zulily") (now known as zulily, llc), an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched every day.

Our "Corporate and other" category includes entire or majority interests in consolidated subsidiaries, which operate online commerce businesses in a broad range of retail categories, ownership interests in unconsolidated businesses and corporate expenses. These consolidated subsidiaries include Evite, Inc. ("Evite"), CommerceHub, Inc. ("CommerceHub") (through July 22, 2016) (see note 3 of the accompanying condensed consolidated financial statements) and Bodybuilding.com, LLC ("Bodybuilding") (through November 4, 2016) (see note 3 of the accompanying condensed consolidated financial statements) (collectively, the "Digital Commerce businesses"). Evite is an online invitation and social event planning service on the web. CommerceHub provides a cloud-based platform for online retailers and their suppliers (manufacturers and distributors) to sell products to consumers without physically owning inventory, or managing the fulfillment of those products. Bodybuilding manages websites related to sports nutrition, bodybuilding and fitness. We also hold ownership interests in FTD Companies, Inc. ("FTD"), HSN and LendingTree, Inc. ("LendingTree"), which we account for as equity method investments; an interest in Liberty Broadband Corporation ("Liberty Broadband"), which we account for at fair value; and investments and related financial instruments in public companies such as Charter Communications, Inc. ("Charter"), ILG, Inc. ("ILG") and Time Warner Inc. ("Time Warner"), which are accounted for at their respective fair market values.

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 has two tracking stocks—QVC Group common stock and Liberty Ventures common stock, which are intended to track and reflect the economic performance of the Liberty QVC Group and the Ventures Group, respectively (as defined below).

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. As of September 30, 2017, the Ventures Group has attributed to it our interests in Evite, FTD, LendingTree, and Liberty Broadband, investments in Charter, ILG, and Time Warner, and cash and cash equivalents in the amount of approximately \$512 million. The Ventures Group also has attributed to it certain liabilities related to our corporate level indebtedness (see note 10 in the accompanying condensed consolidated financial statements) 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.

On April 4, 2017, Liberty entered into an Agreement and Plan of Reorganization (the "GCI Reorganization Agreement" and the transactions contemplated thereby, the "Transactions") with General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty ("LI LLC"), whereby Liberty will acquire GCI through a reorganization in which certain Ventures Group assets and liabilities will be contributed to GCI in exchange for a controlling interest in GCI. Liberty and LI LLC will contribute to GCI Liberty (as defined below) its entire equity interest in Liberty Broadband and Charter, along with,

subject to certain exceptions, Liberty's entire equity interests in FTD and LendingTree, together with the Evite operating business and certain other assets and liabilities, in exchange for (a) the issuance to LI LLC of (i) a number of shares of reclassified GCI Class A Common Stock and a number of shares of reclassified GCI Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, and (ii) cash and (b) the assumption of certain liabilities by GCI Liberty (the "Contribution").

Liberty will then effect a tax-free separation of its controlling interest in the combined company (to be named GCI Liberty, Inc. ("GCI Liberty")) to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock, leaving QVC Group common stock as the only outstanding common stock of Liberty. Holders of GCI Class A Common Stock and GCI Class B Common Stock each will receive (i) 0.63 of a share of reclassified GCI Class A Common Stock and (ii) 0.20 of a share of new GCI Series A preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of \$32.50 per share for existing GCI common stock, comprised of \$27.50 per share in reclassified GCI Class A Common Stock and \$5.00 per share in newly issued GCI Preferred Stock, and a Liberty Ventures reference price of \$43.65 (with no additional premium paid for shares of GCI Class B Common Stock). The Series A preferred shares will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing.

At the closing of the Transactions, Liberty will reattribute certain assets and liabilities from the Ventures Group to the QVC Group (the "Reattribution"). The reattributed assets and liabilities, if effected as of the date hereof, would include cash, Liberty's interest in ILG, certain green energy investments, LI LLC's exchangeable debentures, and certain tax benefits. Pursuant to a recent amendment to the reorganization agreement, LI LLC's 1.75% Exchangeable Debentures due 2046 (the "1.75% Exchangeable Debentures") will not be subject to a pre-closing exchange offer and will instead be reattributed to the QVC Group, along with (i) an amount of cash equal to the net present value of the adjusted principal amount of such 1.75% Exchangeable Debentures (determined as if paid on October 5, 2023) and stated interest payments on the 1.75% Exchangeable Debentures to October 5, 2023 and (ii) an indemnity obligation from GCI Liberty with respect to any payments made by LI LLC in excess of stated principal and interest to any holder that exercises its exchange right under the terms of the debentures through October 5, 2023. The cash reattributed to the QVC Group will be funded by available cash attributed to Liberty's Ventures Group and the proceeds of a margin loan facility in an initial principal amount of up to \$1 billion. Within six months of the closing, Liberty, LI LLC and GCI Liberty will cooperate with, and reasonably assist each other with respect to, the commencement and consummation of a purchase offer (the "Purchase Offer") whereby LI LLC will offer to purchase, either pursuant to privately negotiated transactions or a tender offer, the 1.75% Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify LI LLC for each 1.75% Exchangeable Debenture repurchased by LI LLC in the Purchase Offer in an amount equal to the difference between (x) the purchase price paid by LI LLC to acquire such 1.75% Exchangeable Debenture in the Purchase Offer and (y) the sum of the amount of cash reattributed with respect to such purchased 1.75% Exchangeable Debenture in the reattribution plus the amount of certain tax benefits attributable to such 1.75% Exchangeable Debenture so purchased. GCI Liberty's indemnity obligation with respect to payments made upon a holder's exercise of its exchange right will be eliminated as to any 1.75% Exchangeable Debentures purchased in the Purchase Offer.

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated during the first quarter of 2018, subject to the satisfaction of customary closing conditions and the requisite stockholder approvals.

On July 22, 2016, Liberty completed its previously announced spin-off (the "CommerceHub Spin-Off") of its former wholly-owned subsidiary CommerceHub. The CommerceHub Spin-Off was accomplished by the distribution by Liberty of a dividend of (i) 0.1 of a share of CommerceHub's Series A common stock for each outstanding share of Liberty's Series A Liberty Ventures common stock as of 5:00 p.m., New York City time, on July 8, 2016 (such date and time, the "Record Date"), (ii) 0.1 of a share of CommerceHub's Series B common stock for each outstanding share of Liberty's Series B Liberty Ventures common stock as of the Record Date and (iii) 0.2 of a share of CommerceHub's Series C common stock for each outstanding share of Series A and Series B Liberty Ventures common stock as of the Record Date, in each case, with cash paid in lieu of fractional shares. This transaction has been recorded at historical cost due to the pro rata nature of the distribution. In September 2016, the Internal Revenue Service ("IRS") completed its review of the CommerceHub

Spin-Off and notified Liberty that it agreed with the nontaxable characterization of the CommerceHub Spin-Off. Liberty received an Issue Resolution Agreement from the IRS documenting this conclusion.

On November 4, 2016, Liberty completed its previously announced split-off (the “Expedia Holdings Split-Off”) of its former wholly-owned subsidiary Liberty Expedia Holdings, Inc. (“Expedia Holdings”). At the time of the Expedia Holdings Split-Off, Expedia Holdings was comprised of, among other things, Liberty’s former interest in Expedia, Inc. and Liberty’s former wholly-owned subsidiary Bodybuilding. On November 2, 2016, Expedia Holdings borrowed \$350 million under a new margin loan and distributed \$299 million, net of certain debt related costs, to Liberty on November 4, 2016. The Expedia Holdings Split-Off was accomplished by the redemption of (i) 0.4 of each outstanding share of Liberty’s Series A Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series A common stock at 5:00 p.m., New York City time, on November 4, 2016 (such date and time, the “Redemption Date”) and (ii) 0.4 of each outstanding share of Liberty’s Series B Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series B common stock on the Redemption Date, in each case, with cash paid in lieu of any fractional shares of Liberty Ventures common stock or Expedia Holdings common stock (after taking into account all of the shares owned of record by each holder thereof, as applicable). In February 2017, the IRS completed its review of the Expedia Holdings Split-Off and informed Liberty that it agreed with the nontaxable characterization of the transaction. Liberty received an Issue Resolution Agreement from the IRS documenting this conclusion.

The term “QVC Group” does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. As of September 30, 2017, the QVC Group is primarily comprised of our merchandise-focused televised-shopping programs, Internet and mobile application businesses, and has attributed to it our wholly-owned subsidiaries QVC and zulily, as well as our approximate 38% interest in HSN and cash and cash equivalents of approximately \$383 million, including subsidiary cash. The QVC Group also has attributed to it liabilities that reside with QVC and zulily, certain liabilities related to our corporate level indebtedness (see note 10 of the accompanying condensed consolidated financial statements) and certain deferred tax liabilities.

On July 6, 2017, Liberty announced that it had entered into an Agreement and Plan of Merger, dated as of July 5, 2017 (the “HSN Merger Agreement”), by and among Liberty, Liberty Horizon, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Liberty (“Merger Sub”), and HSN. Pursuant to the terms of the HSN Merger Agreement, Merger Sub will merge with and into HSN, with HSN surviving as a wholly-owned subsidiary of Liberty (the “HSN Merger”). As a result of the HSN Merger, Liberty will acquire the approximately 62% of HSN it does not already own in an all-stock transaction, making HSN a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. Liberty currently owns approximately 38% of HSN. HSN shareholders (other than Liberty) will receive fixed consideration of 1.65 shares of Series A QVC Group common stock for each share of HSN common stock. Based on the Series A QVC Group common stock’s closing price as of July 5, 2017 and the number of HSN undiluted shares outstanding as of May 1, 2017, this equates to a total enterprise value for HSN of \$2.6 billion, an equity value of \$2.1 billion, and consideration of \$40.36 per HSN share, representing a premium of approximately 29% to HSN shareholders, based on HSN’s closing price on July 5, 2017. Liberty intends to issue 53.4 million shares of Series A QVC Group common stock to HSN shareholders.

The HSN Merger is expected to be completed by the fourth quarter of 2017. The completion of the acquisition is subject to certain customary conditions, including approval by a majority of the outstanding voting power of HSN shareholders. A voting agreement has been obtained from Liberty to vote its HSN shares in-favor of the transaction. Approval of the Liberty stockholders is not required, and is not being sought, for the HSN Merger. Upon closing, Liberty’s board of directors will be expanded by one to include a director from HSN’s board of directors; this director will be selected by Liberty.

As discussed above, the Transactions are expected to close in the first quarter of 2018. Simultaneous with that closing, QVC Group, including wholly-owned subsidiaries QVC, Inc., zulily and HSN (or, if the HSN acquisition has not yet closed, following such closing), will become an asset-backed stock and Liberty will be renamed QVC Group, Inc. Neither the Transactions nor the HSN Merger is conditioned on the completion of the other, and no assurance can be given as to which of these transactions will be completed first.

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 reporting segments. The "Corporate and other" category consists of those assets or businesses which we do not disclose separately,

including our Digital Commerce businesses. For a more detailed discussion and analysis of the financial results of the principal reporting segments, see "Results of Operations—Businesses" below.

Operating Results

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
<i>Revenue</i>				
QVC Group				
QVC	\$ 2,010	1,948	5,954	6,024
zulily	367	359	1,093	1,080
Inter-segment eliminations	(2)	(4)	(3)	(10)
Total QVC Group	2,375	2,303	7,044	7,094
Ventures Group				
Corporate and other	6	109	16	391
Total Ventures Group	6	109	16	391
Consolidated Liberty	\$ 2,381	2,412	7,060	7,485
<i>Operating Income (Loss)</i>				
QVC Group				
QVC	\$ 274	231	851	799
zulily	(44)	(52)	(112)	(138)
Corporate and other	(12)	(12)	(30)	(34)
Total QVC Group	218	167	709	627
Ventures Group				
Corporate and other	(10)	(10)	(34)	(31)
Total Ventures Group	(10)	(10)	(34)	(31)
Consolidated Liberty	\$ 208	157	675	596
<i>Adjusted OIBDA</i>				
QVC Group				
QVC	\$ 412	393	1,314	1,271
zulily	12	18	53	72
Corporate and other	(8)	(5)	(18)	(17)
Total QVC Group	416	406	1,349	1,326
Ventures Group				
Corporate and other	(6)	(4)	(21)	8
Total Ventures Group	(6)	(4)	(21)	8
Consolidated Liberty	\$ 410	402	1,328	1,334

Revenue. Our consolidated revenue decreased 1.3% or \$31 million and 5.7% or \$425 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The decreases were due to the disposition of Bodybuilding (which contributed \$97 million and \$325 million for the three and nine month periods ended September 30, 2016, respectively), decreased revenue at QVC of \$70 million for the nine month period ended September 30, 2017, and the CommerceHub Spin-Off (which contributed \$7 million and \$51 million for the three and nine month periods ended September 30, 2016, respectively). The decrease in the three month period ended September 30, 2017 was partially offset by an increase in revenue at QVC of \$62 million. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and zulily.

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

We recorded \$22 million and \$20 million of stock-based compensation for the three months ended September 30, 2017 and 2016, respectively. We recorded \$59 million and \$75 million of stock-based compensation for the nine months ended September 30, 2017 and 2016, respectively. The increase of \$2 million for the three months ended September 30, 2017 was primarily due to an increase at the corporate level. The decrease of \$16 million for the nine months ended September 30, 2017 was primarily due to the CommerceHub Spin-Off and declines at QVC U.S., zulily, and at the corporate level. As of September 30, 2017, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$111 million. Such amount will be recognized in our condensed consolidated statements of operations over a weighted average period of approximately 2.6 years.

Operating income. Our consolidated operating income increased 32.5% or \$51 million and 13.3% or \$79 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The increase in operating income for the three months ended September 30, 2017 was primarily due to an increase in operating income at QVC of \$43 million and a decrease in operating losses at zulily of \$8 million. The increase in operating income for the nine months ended September 30, 2017 was primarily due to an increase in operating income at QVC of \$52 million, a decrease in operating losses at zulily of \$26 million, a decrease in corporate spending at the QVC Group of \$4 million, partially offset by an increase in corporate spending at the Ventures Group of \$3 million. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and zulily.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses excluding all stock-based compensation. Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation 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 13 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Operating income and Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased 2.0% or \$8 million and decreased 0.4% or \$6 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The increase in Adjusted OIBDA for the three months ended September 30, 2017 was primarily due to an increase at QVC of \$19 million, partially offset by a decrease at zulily of \$6 million, a decrease in corporate and other Adjusted OIBDA at QVC Group of \$3 million, and a decrease in corporate and other Adjusted OIBDA at Ventures Group of \$2 million (of which \$1 million related to the CommerceHub Spin-Off and \$7 million related to the disposition of Bodybuilding). The decrease in Adjusted OIBDA for the nine months ended September 30, 2017 was primarily due to a decrease in corporate and other Adjusted OIBDA at Ventures Group of \$29 million (of which \$16 million related to the CommerceHub Spin-Off and \$22 million related to the disposition of Bodybuilding) and a decrease at zulily of \$19 million, partially offset by an increase at QVC of \$43 million. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and zulily.

Other Income and Expense

Components of Other income (expense) are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
<i>Interest expense</i>				
QVC Group	\$ (73)	(73)	(222)	(220)
Ventures Group	(15)	(19)	(45)	(57)
Consolidated Liberty	\$ (88)	(92)	(267)	(277)
<i>Share of earnings (losses) of affiliates</i>				
QVC Group	\$ 11	8	31	38
Ventures Group	(97)	(30)	(153)	(59)
Consolidated Liberty	\$ (86)	(22)	(122)	(21)
<i>Realized and unrealized gains (losses) on financial instruments, net</i>				
QVC Group	\$ 1	(6)	—	(2)
Ventures Group	368	612	1,186	944
Consolidated Liberty	\$ 369	606	1,186	942
<i>Other, net</i>				
QVC Group	\$ 5	6	(5)	31
Ventures Group	2	(14)	6	99
Consolidated Liberty	\$ 7	(8)	1	130
Consolidated Liberty other income (expense)	\$ 202	484	798	774

Interest expense. Interest expense remained relatively flat for the three and nine months ended September 30, 2017, as compared to the corresponding periods in the prior year.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
amounts in millions				
QVC Group				
HSN	\$ 12	9	35	41
Other	(1)	(1)	(4)	(3)
Total QVC Group	11	8	31	38
Ventures Group				
FTD (1)	(81)	(7)	(86)	(8)
LendingTree	2	2	5	10
Other	(18)	(25)	(72)	(61)
Total Ventures Group	(97)	(30)	(153)	(59)
Consolidated Liberty	\$ (86)	(22)	(122)	(21)

- (1) The Company recorded an impairment of \$50 million on its investment in FTD during the third quarter of 2017 which is reflected in the share of earnings (losses) of affiliates line item in the condensed consolidated statement of operations for the three and nine months ended September 30, 2017.

The share of losses in the “Other” category of the Ventures Group, in all periods, is primarily related to our investments in alternative energy solution entities. These entities typically operate at a loss and we record our share of such losses. We note these entities typically have favorable tax attributes and credits, which are recorded in our tax accounts.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Fair Value Option Securities - Available-for-sale securities	\$ 130	260	552	608
Fair Value Option Securities - Liberty Broadband	365	490	906	651
Exchangeable senior debentures	(91)	(138)	(230)	(313)
Other financial instruments	(35)	(6)	(42)	(4)
	<u>\$ 369</u>	<u>606</u>	<u>1,186</u>	<u>942</u>

The changes in realized and unrealized gains (losses) on financial instruments, net are due to market activity in the period on the various financial instruments that are marked to market on a periodic basis. The decrease for the three months ended September 30, 2017, compared to the corresponding period in the prior year, was primarily driven by the investments in Liberty Broadband and Charter experiencing higher gains during the third quarter of 2016 compared to the third quarter of 2017. The increase for the nine months ended September 30, 2017, compared to the same period in the prior year, was primarily driven by the investment in Liberty Broadband and the investment in Charter, as well as the exchange of a majority of the 0.75% Exchangeable Senior Debentures during the nine months ended September 30, 2016.

Other, net. Other, net includes the impact of foreign currency at QVC. Certain loans between QVC and its subsidiaries are deemed to be short-term in nature, and accordingly, the translation of these loans is recorded in the accompanying condensed consolidated statements of operations. The change in foreign currency gain (loss) was also due to variances in interest and operating payables balances between QVC and its international subsidiaries denominated in the currency of the subsidiary and the effects of currency exchange rate changes on those balances. Other, net increased \$15 million and decreased \$129 million for the three and nine months ended September 30, 2017, respectively, compared to the corresponding periods in the prior year. The increase for the three months ended September 30, 2017, compared to the same period in the prior year was the result of a loss on extinguishment of debt of \$18 million during the three months ended September 30, 2016, and no similar loss in the three months ended September 30, 2017. The decrease for the nine months ended September 30, 2017, compared to the same period in the prior year was primarily as a result of a change in gain (loss) on dilution of investments of \$80 million and a change in foreign exchange gains (losses) of \$33 million in the nine months ended September 30, 2016.

Income taxes. We had income tax expense of \$102 million and \$190 million for the three months ended September 30, 2017 and 2016, respectively, and income tax expense of \$462 million and \$440 million for the nine months ended September 30, 2017 and 2016, respectively. Income tax expense was lower than the U.S. statutory tax rate of 35% during the three and nine months ended September 30, 2017 due to a federal benefit from tax credits and incentives generated by our alternative energy investments and permanent tax benefits related to foreign currency losses realized for tax purposes partially offset by state taxes, net of federal benefit. Income tax expense was lower than the U.S. statutory tax rate of 35% during the three and nine months ended September 30, 2016, due to a federal benefit from tax credits and incentives generated by our alternative energy investments partially offset by state taxes, net of federal benefit.

Net earnings. We had net earnings of \$308 million and \$478 million for the three months ended September 30, 2017 and 2016, respectively, and net earnings of \$1,011 million and \$944 million for the nine months ended September 30, 2017 and 2016, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Material Changes in Financial Condition

While the QVC Group and the Ventures Group are not separate legal entities and the assets and liabilities attributed to each group remain assets and liabilities of our consolidated company, we manage the liquidity and financial resources of each group separately. Keeping in mind that assets of one group may be used to satisfy liabilities of the other group, the

following discussion assumes, consistent with management expectations, that future liquidity needs of each group will be funded by the financial resources attributed to each respective group.

As of September 30, 2017, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government agencies, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, equity issuances, dividend and interest receipts, proceeds from asset sales, monetization of our public investment portfolio, debt (including availability under QVC's Senior Secured Credit Facility, (the "Third Amended and Restated Credit Facility")) and cash generated by the operating activities of our wholly-owned subsidiaries. Cash generated by the operating activities of our subsidiaries is only a source of liquidity to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted such that, in the case of QVC, a leverage ratio (defined in the amendment and restatement, dated June 23, 2016, of the Third Amended and Restated Credit Facility as the ratio of QVC's consolidated total debt to Adjusted OIBDA for the most recent four fiscal quarter period and the ratio of QVC and zulily's combined debt to Adjusted OIBDA ratio for the most recent four fiscal quarter period) of less than 3.5 to 1.0 must be maintained.

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

As of September 30, 2017, Liberty's liquidity position consisted of the following:

	Cash and cash equivalents	Available-for-Sale Securities and Other Cost Investments
amounts in millions		
QVC	\$ 343	—
zulily	15	—
Corporate and other	25	4
Total QVC Group	383	4
Corporate and other	512	2,477
Total Ventures Group	512	2,477
Total Liberty	\$ 895	2,481

To the extent that the Company recognizes any taxable gains from the sale of assets we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. Additionally, we have borrowing capacity of approximately \$950 million under the Third Amended and Restated Credit Facility at September 30, 2017, including the remaining portion of the \$400 million tranche that zulily may utilize. As of September 30, 2017, QVC had approximately \$263 million of cash and cash equivalents held in foreign subsidiaries that is available for domestic purposes with no significant tax consequences upon repatriation to the U.S.

Additionally, our operating businesses have generated, on average, more than \$1 billion in annual cash provided by operating activities over the prior three years and we do not anticipate any significant reductions in that amount in future periods.

	Nine months ended September 30,	
	2017	2016
amounts in millions		
Cash Flow Information		
QVC Group net cash provided (used) by operating activities	\$ 901	893
Ventures Group net cash provided (used) by operating activities	178	127
Net cash provided (used) by operating activities	\$ 1,079	1,020
QVC Group net cash provided (used) by investing activities	(159)	(157)
Ventures Group net cash provided (used) by investing activities	(143)	(1,241)
Net cash provided (used) by investing activities	\$ (302)	(1,398)
QVC Group net cash provided (used) by financing activities	(710)	(821)
Ventures Group net cash provided (used) by financing activities	(10)	(767)
Net cash provided (used) by financing activities	\$ (720)	(1,588)

QVC Group

During the nine months ended September 30, 2017, the QVC Group uses of cash were primarily the net repayment of certain debt obligations of approximately \$217 million and the repurchase of Series A QVC Group common stock of \$452 million. Additionally, the QVC Group had approximately \$124 million of capital expenditures during the nine months ended September 30, 2017. These uses of cash were funded by cash provided by operating activities.

The projected uses of QVC Group cash for the remainder of 2017 are the cost to service outstanding debt, approximately \$30 million in interest payments on QVC and corporate level debt, anticipated capital improvement spending of approximately \$70 million and the continued buyback of QVC Group common stock under the approved share buyback program.

Ventures Group

During the nine months ended September 30, 2017, the Ventures Group uses of cash were primarily investments in and loans to cost and equity investments of \$140 million and \$11 million of repayments on outstanding debt. These uses of cash for the Ventures Group were funded by cash on hand.

The projected uses of Ventures Group cash for the remainder of 2017 are approximately \$10 million in interest payments to service outstanding debt and further investments in existing or new businesses through continued investment activity.

Consolidated

During the nine months ended September 30, 2017, Liberty's primary uses of cash were investments in and loans to cost and equity investments of \$140 million, the net repayment of certain debt obligations of approximately \$228 million and the repurchase of Series A QVC Group common stock of \$452 million. These activities were funded primarily by cash provided by operating activities.

The projected uses of Liberty cash for the remainder of 2017 are the continued capital improvement spending of approximately \$70 million, payment of expenses to be incurred with respect to the Transactions and the HSN Merger, the repayment of certain debt obligations, approximately \$40 million for interest payments on outstanding debt, the potential buyback of common stock under the approved share buyback program and additional investments in existing or new businesses. We also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities. We expect that cash on hand and cash provided by operating activities and borrowing capacity in future periods will be sufficient to fund projected uses of cash.

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 ("U.S."), QVC's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC 2 (f/k/a QVC Plus) and their recently launched Beauty iQ. QVC-U.S. programming is also available on QVC.com, QVC's U.S. website; mobile applications via streaming video; over-the-air broadcasters; and over-the-top content platforms (Roku, Apple TV, etc.).

QVC believes that its digital platforms complement its televised shopping programs by allowing consumers to purchase a wide assortment of goods offered on its televised programs, as well as other products that are available only on its digital platforms. QVC views e-commerce as a natural extension of its business, allowing QVC to stream live video and offer on-demand video segments of items recently presented live on its televised programs. QVC's digital platforms allow shoppers to browse, research, compare and perform targeted searches for products, control the order-entry process and conveniently access their QVC account.

QVC's international televised shopping programs, including live and recorded content, are distributed to households outside of the U.S., primarily in Germany, Austria, Japan, the United Kingdom ("U.K."), the Republic of Ireland, Italy and France. In some of the countries where QVC operates, its televised shopping programs are broadcast across multiple QVC channels: QVC Beauty & Style and QVC Plus in Germany and QVC Beauty, QVC Extra, QVC Style and QVC +1 in the U.K. The programming created for most of these markets is also available via streaming video on QVC's digital platforms. QVC's international business employs product sourcing teams who select products tailored to the interests of each local market.

QVC's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui") for a television and multimedia retailing service in Japan. QVC-Japan is owned 60% by QVC and 40% by Mitsui. QVC and Mitsui share in all profits and losses based on their respective ownership interests. During the nine months ended September 30, 2017 and 2016, QVC-Japan paid dividends to Mitsui of \$22 million and \$21 million, respectively.

Additionally, QVC also has a joint venture with CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"). QVC owns a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS operates a retail business in China through a shopping television channel with an associated website. This joint venture is accounted for as an equity method investment recorded in share of earnings (losses) of affiliates, net in QVC's condensed consolidated statements of operations.

QVC's operating results were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Net revenue	\$ 2,010	1,948	5,954	6,024
Cost of sales	1,282	1,251	3,755	3,816
Gross profit	728	697	2,199	2,208
Operating expenses:				
Operating	145	140	419	428
SG&A expenses (excluding stock-based compensation)	171	164	466	509
Adjusted OIBDA	412	393	1,314	1,271
Stock-based compensation	9	8	23	24
Depreciation	38	38	116	103
Amortization	91	116	324	345
Operating income	\$ 274	231	851	799

Net revenue was generated in the following geographical areas:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
QVC-U.S.	\$ 1,374	1,338	4,111	4,173
QVC-International	636	610	1,843	1,851
Consolidated QVC	\$ 2,010	1,948	5,954	6,024

QVC's consolidated net revenue increased 3.2% and decreased 1.2% for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The increase in net revenue of \$62 million for the three month period was primarily comprised of an increase of \$199 million due to a 9.2% increase in units sold, offset by a decrease of \$92 million due to a 3.9% decrease in average selling price per unit ("ASP"), an increase in estimated product returns of \$26 million, \$8 million due to a decrease in shipping and handling revenue, \$7 million due to unfavorable foreign currency rates, and a \$4 million decrease in miscellaneous income. The decrease in net revenue of \$70 million for the nine month period was primarily comprised of \$206 million due to a 2.9% decrease in ASP, \$65 million due to unfavorable foreign currency rates, a decrease in shipping and handling revenue of \$20 million, and a \$12 million decrease in miscellaneous income. The decrease was offset by a \$212 million increase in units sold and a \$21 million decrease in estimated product returns.

During the three and nine months ended September 30, 2017 and 2016, 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. As QVC's product margins could continue to be under pressure due to the devaluation of the U.K. Pound Sterling, QVC will attempt to reduce its exposure through pricing and vendor negotiations as Brexit negotiations progress.

In describing QVC's operating results, the term currency exchange rates refers to the currency exchange rates QVC uses to convert the operating results for all countries where the functional currency is not the U.S. Dollar. QVC calculates the effect of changes in currency exchange rates as the difference between current period activity translated using the prior period's currency exchange rates. QVC refers to the results of this calculation as the impact of currency exchange rate fluctuations. Constant currency operating results refers to operating results without the impact of the currency exchange rate fluctuations. The disclosure of constant currency amounts or results permits investors to better understand QVC's underlying performance without the effects of currency exchange rate fluctuations.

The percentage increase (decrease) in net revenue for each of QVC's geographic areas in U.S. Dollars and in constant currency was as follows:

	Three months ended September 30, 2017			Nine months ended September 30, 2017		
	U.S. Dollars	Foreign Currency Exchange Impact	Constant Currency	U.S. Dollars	Foreign Currency Exchange Impact	Constant currency
QVC-U.S.	2.7 %	— %	2.7 %	(1.5)%	— %	(1.5)%
QVC-International	4.3 %	(1.0)%	5.3 %	(0.4)%	(3.4)%	3.0 %

QVC-U.S. net revenue increase for the three months ended September 30, 2017 was primarily due to an 8.7% increase in units shipped. The increase was offset by a decrease of 3.5% in ASP, a \$19 million increase in estimated product returns, an \$11 million decrease in shipping and handling revenue, and a \$5 million decrease in miscellaneous income. QVC-U.S. experienced a system outage during the second quarter of 2017 which resulted in an estimated 1% shift in net revenue to the third quarter. The increase in returns is driven by an increase in sales during the third quarter. Additionally, the Company experienced a decrease in shipping and handling revenue per unit due to promotional offers. For the three months ended September 30, 2017, QVC-U.S. experienced shipped sales increases in apparel, electronics, beauty, and accessories, offset by decreases in jewelry and home. For the nine months ended September 30, 2017, the QVC-U.S. net revenue decline was due to a decrease of 3.2% in ASP, a \$24 million decrease in shipping and handling revenue, and an \$11 million decrease in miscellaneous income. The decrease was offset by a 2.1% increase in units shipped, and a \$30

million decrease in estimated product returns. The decrease in net shipping and handling revenue was a result of a decrease in shipping and handling revenue per unit from promotional offers. The decrease in estimated product returns was primarily due to an overall lower return rate and reduced sales. For the nine months ended September 30, 2017, QVC-U.S. experienced shipped sales increases in apparel, beauty and electronics, offset by decreases in jewelry, home and accessories.

QVC-International net revenue growth in constant currency for the three months ended September 30, 2017 was primarily due to a 9.9% increase in units shipped, driven by increases in Japan, Germany, the U.K., and France, offset by a decrease in Italy. There was a \$3 million increase in shipping and handling revenue, primarily driven by Japan and Germany. This was offset by a 4.5% decrease in ASP, primarily driven by Japan and Germany, and a \$7 million increase in estimated product returns driven by all markets except for Japan. For the three months ended September 30, 2017, QVC-International experienced shipped sales growth in constant currency in apparel, accessories, home and beauty with declines in electronics and jewelry. Net revenue growth in constant currency for the nine months ended September 30, 2017 was primarily due to a 4.9% increase in units shipped, driven by increases in Japan, Germany, and France, offset by decreases in units shipped in the U.K. and Italy. There was a \$4 million increase in shipping and handling revenue, primarily driven by Japan. This was offset by a 2% decrease in ASP, primarily driven in Japan and Germany offset by increases in the U.K., Italy and France, and a \$9 million increase in estimated product returns, driven by all markets except for Japan. For the nine months ended September 30, 2017, QVC-International experienced shipped sales growth in constant currency in apparel, beauty and accessories with declines in electronics, jewelry and home.

QVC's future net revenue growth will primarily depend on sales growth from e-commerce and mobile platforms, additions of new customers from households already receiving QVC's television programming and increased spending from existing customers. QVC's future net revenue may also be affected by (i) the willingness of cable television and direct-to-home satellite system operators to continue carrying QVC's programming service; (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult due to governmental action or from distributors converting 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.

On June 23, 2016, the U.K. held a referendum in which British citizens approved an exit from the European Union (the "E.U."), commonly referred to as "Brexit." As a result of the referendum, the global markets and currencies have been adversely impacted, including a sharp decline in the value of the U.K. Pound Sterling as compared to the U.S. Dollar. Volatility in exchange rates is expected to continue in the short term as the U.K. negotiates its exit from the E.U. In the longer term, any impact from Brexit on us will also depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, it is possible that new terms may adversely affect QVC's operations and financial results. On March 29, 2017, the U.K. invoked Article 50 of the Treaty of Lisbon, which is the first step of the U.K.'s formal exit from the E.U. This started the two-year window in which the U.K. and the European Commission can negotiate future terms for imports, exports, taxes, employment, immigration and other areas, ending in the exit of the U.K. from the E.U.

QVC's gross profit percentage was 36.2% and 36.9% for the three and nine months ended September 30, 2017, respectively, compared to 35.8% and 36.7% for the three and nine months ended September 30, 2016, respectively. For the three months ended September 30, 2017, the gross profit percentage increased primarily due to an increase in product margins. The increase was offset by an unfavorable inventory obsolescence provision in the U.S. and increased freight costs. The increase in freight and warehouse costs was primarily due to increased units shipped in both segments. For the nine months ended September 30, 2017, the gross profit percentage increased primarily due to increased product margins.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees and telecommunications expenses. Operating expenses increased \$5 million or 3.6% and decreased \$9 million or 2.1% for the three and nine months ended September 30, 2017, respectively, compared to the same periods in the prior year. For the three months ended September 30, 2017, operating expenses increased primarily due to a \$3 million increase in credit card processing fees and a \$3 million increase in commissions offset by \$1 million from favorable foreign currency exchange rates. Credit card fees and commissions increased primarily due to the increase in U.S. sales. In addition, credit card interchange processing fees have increased compared to the three months ended September 30, 2016. For the nine months ended September 30, 2017, operating expenses decreased primarily due to a \$6

million decrease in customer service expenses related to lower call volumes in the U.S. and favorable foreign currency exchange rates, offset somewhat by higher credit card fees primarily in the U.S.

QVC's SG&A expenses (excluding stock-based compensation) include personnel, information technology, provision for doubtful accounts, production costs, credit card income, marketing and advertising expenses. Such expenses increased \$7 million for the three months ended September 30, 2017, and decreased \$43 million for the nine months ended September 30, 2017, as compared to the same periods in the prior year, and as a percentage of net revenue, increased from 8.4% to 8.5% for the three months ended September 30, 2017, respectively, as compared to the three months ended September 30, 2016, and decreased from 8.4% to 7.8% for the nine months ended September 30, 2017, respectively, as compared to the nine months ended September 30, 2016. For the three months ended September 30, 2017, the increase was primarily due to an increase in personnel costs of \$10 million and an increase in franchise taxes of \$4 million offset by a decrease in bad debt expense of \$5 million and a \$2 million decrease in marketing expenses. The increase in personnel costs was primarily due to an increase in bonus expense offset by decreases in severance expense and salaries and wages, mostly in the U.S. The decrease in bad debt expense was primarily related to lower default rates experienced from prior periods mostly associated with the Easy-Pay program in the U.S. The decrease in marketing expenses is primarily related to discontinuing the naming rights to the Chiba Marine Stadium in Japan.

For the nine months ended September 30, 2017, the decrease is primarily due to a decrease in bad debt expense of \$26 million, \$8 million from favorable foreign currency rates, a \$7 million increase in credit card income, a \$4 million decrease in marketing expenses, and a \$5 million decrease in various other expenses offset by an increase in personnel cost of \$7 million. The decrease in bad debt expense was primarily related to lower default rates experienced from prior periods mostly associated with the Easy-Pay program in the U.S. The increase in credit card income was due to the favorable economics of the QVC-branded credit card portfolio in the U.S. The decrease in marketing expenses is primarily related to discontinuing the naming rights to the Chiba Marine Stadium in Japan. The increase in personnel costs was primarily due to an increase in bonus expense offset by decreases in severance expenses and salaries and wages.

Depreciation and amortization consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Affiliate agreements	\$ 25	37	98	110
Customer relationships	28	43	112	128
Acquisition related amortization	53	80	210	238
Property and equipment	38	38	116	103
Software amortization	24	26	70	73
Channel placement amortization and related expenses	14	10	44	34
Total depreciation and amortization	\$ 129	154	440	448

For the three and nine months ended September 30, 2017, acquisition related amortization expense decreased primarily due to the end of the useful lives of certain affiliate agreements and customer relationships established at the time of the Company's acquisition of QVC in 2003. This was offset by an increase in channel placement amortization related to the addition of Beauty iQ in the U.S. For the nine months ended September 30, 2017, the amortization decrease mentioned above was offset by an increase in depreciation related to the addition of the California distribution center in the third quarter of 2016.

zulily. Liberty acquired zulily on October 1, 2015. zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day. The zulily website was launched in January 2010 with the goal of revolutionizing the way moms shop. Through its desktop and mobile websites and mobile applications, zulily helps its customers discover new and unique products at great values that they would likely not find elsewhere. zulily's merchandise includes women's, children's and men's apparel and other products such as home, beauty and personalized products. zulily sources its merchandise from thousands of vendors, including emerging brands and smaller boutique vendors, as well as larger national brands. By bringing together millions of customers and a daily

selection of products chosen from its vendor base, zulily has built a large scale and uniquely curated marketplace. zulily's stand-alone operating results for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	amounts in millions			
Net revenue	\$ 367	359	1,093	1,080
Costs of sales	272	257	800	768
Gross profit	95	102	293	312
Operating expenses:				
Operating	11	12	33	34
SG&A expenses (excluding stock-based compensation)	72	72	207	206
Adjusted OIBDA	12	18	53	72
Stock-based compensation	5	5	13	16
Depreciation	5	5	16	16
Amortization of intangible assets	46	60	136	178
Operating income (loss)	\$ (44)	(52)	(112)	(138)

zulily's consolidated net revenue increased 2.2% and 1.2% for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The increase in net revenue for the three and nine months ended September 30, 2017 was primarily attributed to a 5.7% and 2.4% increase in orders placed, respectively, driven by a 5.8% increase in active customers year over year, offset by increased backlog due to timing of orders within the period. Along with the increase in orders placed, units per order also increased but was offset with lower average sales price per unit. An active customer is defined as an individual who had purchased from zulily at least once in the last twelve months, measured from the last date of a period.

zulily's gross profit percentage was 25.9% and 28.4% for the three months ended September 30, 2017 and 2016, respectively. zulily's gross profit percentage was 26.8% and 28.9% for the nine months ended September 30, 2017 and 2016, respectively. For the three months ended September 30, 2017, the decrease was primarily due to increased promotional offers, as well as higher supply chain expenses resulting from an increase in international shipping, and ramping up of zulily's Pennsylvania fulfillment center, a shift in product mix, and higher unit volume at a lower average sales price per unit. For the nine months ended September 30, 2017, the decrease was primarily due to higher free shipping and promotional offers, as well as higher supply chain expenses resulting from an increase in international shipping, a shift in product mix, and growth of our third-party fulfillment services and higher unit volume at a lower average sales price per unit.

zulily's operating expenses are principally comprised of credit card processing fees and customer service expenses. For the three and nine month periods ended September 30, 2017, operating expenses decreased as compared to the corresponding periods in the prior year as a result of a reduction in customer service labor expenses.

zulily's SG&A expenses (excluding stock-based compensation) include personnel related costs for general corporate functions, marketing and advertising expenses, information technology, and the costs associated with the use by these functions of facilities and equipment, including rent. For the three months ended September 30, 2017, these expenses remained flat, and as a percentage of net revenue, decreased from 20.1% to 19.6%, as compared to the corresponding period in the prior year. For the nine months ended September 30, 2017, these expenses increased \$1 million, and as a percentage of net revenue decreased from 19.1% to 18.9%, as compared to the corresponding period in the prior year. The decrease as a percentage of net revenue for the nine months ended September 30, 2017 was primarily due to a shift in marketing and advertising spend to promotional offers.

zulily's total depreciation and amortization of intangible assets expense decreased \$14 million and \$42 million for the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in the prior year. The decrease is attributed to the decelerating amortization of intangible assets recognized in acquisition accounting.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of September 30, 2017, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted average interest rate	Principal amount	Weighted average interest rate
dollar amounts in millions				
<i>QVC Group</i>				
QVC	\$ 1,390	2.7 %	\$ 3,727	4.6 %
zulily	\$ 300	2.7 %	\$ —	— %
Corporate and other	\$ —	— %	\$ 791	8.3 %
<i>Ventures Group</i>				
Corporate and other	\$ —	— %	\$ 1,949	3.0 %

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. We periodically use equity collars and other financial instruments to manage market risk associated with certain investment positions. These instruments are recorded at fair value based on option pricing models.

At September 30, 2017, the fair value of our available-for-sale securities was \$2,393 million. Had the market price of such securities been 10% lower at September 30, 2017, the aggregate value of such securities would have been \$239 million lower. Our investments in HSN and FTD are publicly traded securities and are accounted for as equity method affiliates, which are not reflected at fair value in our balance sheet. The aggregate fair value of such securities was \$915 million at September 30, 2017 and had the market price of such securities been 10% lower at September 30, 2017, the aggregate value of such securities would have been \$92 million lower. Such changes in value are not directly reflected in our statement of operations. At September 30, 2017, the fair value of our investment in Liberty Broadband was \$4,068 million. Had the market price of such security been 10% lower at September 30, 2017, the fair value of such security would have been \$407 million lower. Additionally, our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the stock price of the respective underlying security and decreases in interest rates 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. QVC's reported Adjusted OIBDA for the three and nine months ended September 30, 2017 would have been impacted by approximately \$1 million and \$3 million, respectively, for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of September 30, 2017 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.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the three and nine months ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On September 28, 2017, a putative class action complaint was filed by a purported HSN stockholder in the United States District Court for the Middle District of Florida: Palkon v. HSN, Inc., et al., Case No. 8:17-cv-2271. The complaint names as defendants HSN, members of the HSN board, Liberty and Merger Sub. The complaint asserts claims under Sections 14(a) and 20(a) of the Exchange Act and rules and regulations promulgated thereunder, and alleges that HSN and the members of the HSN board caused a registration statement that omitted material information to be filed in connection with the HSN Merger, which allegedly rendered the registration statement false and misleading.

The complaint further alleges that the members of the HSN board, Liberty and Merger Sub acted as controlling persons of HSN, were involved in the making and composition of the registration statement, and had knowledge of the allegedly false statements contained in the registration statement. The complaint seeks, among other relief, an injunction to prevent the HSN Merger from proceeding, rescission of the HSN Merger, an order directing HSN to disseminate a registration statement that does not contain any untrue statements of material fact, a judgment declaring a violation of Sections 14(a) and/or 20(a) of the Exchange Act, as well as Rule 14a-9 promulgated thereunder, unspecified damages, and unspecified costs, expenses, and attorneys' fees. Defendants believe the claims are without merit and intend to defend vigorously against all claims asserted.

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

Share Repurchase Programs

On several occasions our board of directors has authorized a share repurchase program for our Series A and Series B QVC Group 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 of Liberty Media Corporation from the Company in September 2011 (the "LMC Split-Off"), notwithstanding the fact that the Liberty Interactive common stock ceased to be a tracking stock during the period following the LMC 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 each of October 30, 2012 and February 27, 2014, the board authorized the repurchase of an additional \$1 billion of Series A and Series B Liberty Interactive common stock. In connection with the spin-off of the Company's former wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc., during August 2014, the board authorized \$350 million for the repurchase of either the QVC Group or Liberty Ventures tracking stocks. In October 2014, the board authorized the repurchase of an additional \$650 million of Series A and Series B Liberty Ventures common stock. In August 2015, the board authorized the repurchase of an additional \$1 billion of Series A or Series B QVC Group common stock. On October 26, 2016, the board authorized the repurchase of an additional \$300 million of either the QVC Group common stock or Liberty Ventures common stock. On September 19, 2017, the board authorized the repurchase of an additional \$1 billion of Series A QVC Group common stock.

A summary of the repurchase activity for the three months ended September 30, 2017 is as follows:

Period	Series A QVC Group Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2017	—	\$ —	—	\$ 298 million
August 1 - 31, 2017	5,492,034	\$ 21.80	5,492,034	\$ 178 million
September 1 - 30, 2017	7,778,532	\$ 22.97	7,778,532	\$ 1,000 million
Total	13,270,566		13,270,566	

No shares of Series A QVC Group common stock and Series A Liberty Ventures common stock were surrendered by our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock and restricted stock units during the three months ended September 30, 2017.

Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Quarterly Report (according to the number assigned to them in Item 601 of Regulation S-K):

- 2.1 [Agreement and Plan of Merger, dated as of July 5, 2017, by and among Liberty Interactive Corporation, Liberty Horizon, Inc. and HSN, Inc. \(incorporated by reference to Exhibit 2.1 to Liberty Interactive Corporation’s Current Report on Form 8-K filed on July 11, 2017 \(File No. 001-33982\)\).](#)
- 10.1 [Form of 2017 Performance-based Restricted Stock Unit Agreement \(QVCB\) under the Liberty Interactive Corporation 2016 Omnibus Incentive Plan \(the “2016 Incentive Plan”\) for Gregory B. Maffei.*](#)
- 10.2 [Form of 2017 Term Option Agreement under the 2016 Incentive Plan for Gregory B. Maffei.*](#)
- 10.3 [Form of 2017 Performance-based Restricted Stock Unit Agreement under the 2016 Incentive Plan for certain officers other than the Chief Executive Officer and Chief Legal Officer.*](#)
- 10.4 [Form of Restricted Stock Units Agreement under the 2016 Incentive Plan for Nonemployee Directors.*](#)
- 10.5 [Form of Nonqualified Stock Option Agreement under the 2016 Incentive Plan for Nonemployee Directors.*](#)
- 31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification*](#)
- 31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification*](#)
- 32 [Section 1350 Certification**](#)
- 99.1 [Unaudited Attributed Financial Information for Tracking Stock Groups*](#)
- 99.2 [Reconciliation of Liberty Interactive Corporation Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings**](#)
- 101.INS XBRL Instance Document*
- 101.SCH XBRL Taxonomy Extension Schema Document*
- 101.CAL XBRL Taxonomy Calculation Linkbase Document*
- 101.LAB XBRL Taxonomy Label Linkbase Document*
- 101.PRE XBRL Taxonomy Presentation Linkbase Document*
- 101.DEF XBRL Taxonomy Definition Document*

* Filed herewith

** Furnished herewith

**LIBERTY INTERACTIVE CORPORATION
2016 OMNIBUS INCENTIVE PLAN**

FORM OF PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT

THIS PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT (this “Agreement”) is entered into effective as of March 30, 2017 by and between LIBERTY INTERACTIVE CORPORATION, a Delaware corporation (the “Company”), and Gregory B. Maffei (the “Grantee”).

The Grantee is employed as of the Grant Date as the President and Chief Executive Officer of the Company pursuant to the terms of an employment agreement between the Company and the Grantee dated effective as of December 29, 2014 (the “Employment Agreement”). The Company has adopted the Liberty Interactive Corporation 2016 Omnibus Incentive Plan (as may be amended prior to or after the Grant Date, the “Plan”), a copy of which as in effect on the Grant Date is attached hereto as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees and independent contractors of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein or in the Employment Agreement will have the meaning given thereto in the Plan.

The Company and the Grantee therefore agree as follows:

1. Definitions. All capitalized terms not defined in this Agreement that are defined in the Employment Agreement will have the meanings ascribed to them in the Employment Agreement. The following terms, when used in this Agreement, have the following meanings:

“162(m) Objectives” means the 162(m) compliant Performance Objectives (as defined in the Plan) applicable to the Restricted Stock Units, as specified in the 2017 Performance Equity Program.

“2017 Performance Equity Program” means the 2017 Performance Equity Program approved by the Committee on February 24, 2017 and March 30, 2017, which established performance criteria with respect to vesting of the Restricted Stock Units, a copy of which has been provided to the Grantee.

“Achieved 162(m) Objectives” has the meaning specified in Section 3(a).

“Cause” has the meaning specified in the Employment Agreement.

“Close of Business” means, on any day, 5:00 p.m., Denver, Colorado time.

“Committee” means the Compensation Committee of the Board of Directors of the Company.

“Committee Certification Date” has the meaning specified in Section 3(a).

“Common Stock” means QVCB Stock.

“Company” has the meaning specified in the preamble to this Agreement.

“Disability” has the meaning specified in the Employment Agreement.

“Dividend Equivalents” has the meaning specified in the Plan.

“Employment Agreement” has the meaning specified in the recitals to this Agreement.

“Good Reason” has the meaning specified in the Employment Agreement.

“Grant Date” means March 30, 2017.

“Grantee” has the meaning specified in the preamble to this Agreement.

“Negative Discretion Criteria” has the meaning set forth in the Employment Agreement, and with respect to this Award, means, as specified in the 2017 Performance Equity Program, such criteria as are determined by the Committee.

“Plan” has the meaning specified in the recitals of this Agreement.

“QVCB Restricted Stock Units” has the meaning specified in Section 2 of this Agreement.

“QVCB Stock” means the Company’s Series B QVC Group Common Stock.

“Required Withholding Amount” has the meaning specified in Section 5.

“Restricted Stock Units” means the QVCB Restricted Stock Units.

“Separation” means the date as of which the Grantee is no longer employed by the Company or any of its Subsidiaries.

“Unpaid Dividend Equivalents” has the meaning specified in Section 3(c).

“Vested Dividend Equivalents” has the meaning specified in Section 10.

“Vesting Date” means each date on which any Restricted Stock Units cease to be subject to a risk of forfeiture, as determined in accordance with this Agreement and which for the avoidance of doubt, shall be the Committee Certification Date.

2. Grant of Restricted Stock Units. Subject to the terms and conditions herein and in the Plan, the Company hereby awards to the Grantee as of the Grant Date, an Award of 115,207 restricted stock units, each representing the right to receive one share of QVCB Stock (the “QVCB Restricted Stock Units”), subject to the conditions and restrictions set forth below in this Agreement and in the Plan. Regarding the last sentence of Section 8.5 of the Plan, the Company acknowledges and agrees that there are no restrictions, terms or conditions that will cause a forfeiture of the Restricted Stock Units or any Dividend Equivalents with respect thereto that are not set forth in this Agreement.

3. Conditions of Vesting. Unless otherwise determined by the Committee in its sole discretion (provided that such determination is not adverse to the Grantee), the Restricted Stock Units will vest only in accordance with the conditions stated in this Section 3. Upon vesting, Restricted Stock Units and the related Dividend Equivalents shall not be subject to forfeiture other than as provided in Section 9 hereof.

(a) After December 31, 2017 but on or prior to March 15, 2018, the Committee will certify that portion, if any, of the 162(m) Objectives that has been achieved (the "Achieved 162(m) Objectives"), the date as of which such certification is made being referred to as the "Committee Certification Date." The Committee may apply Negative Discretion Criteria in accordance with the 2017 Performance Equity Program to reduce the number and type of Restricted Stock Units that would otherwise vest based solely on the Achieved 162(m) Objectives; provided, that to the extent the Negative Discretion Criteria include objective performance criteria in relation to the performance or value of the Company, its Subsidiaries, its affiliates and/or any division or business unit of any of the foregoing, the Committee will not exercise negative discretion with respect to vesting that number, if any, of the Restricted Stock Units that relate solely to such objective performance criteria.

(b) The Committee will promptly notify the Grantee regarding the number and type of Restricted Stock Units, if any, that have vested pursuant to Section 3(a) as of the Committee Certification Date (with any fractional Restricted Stock Unit rounded up to the nearest whole Restricted Stock Unit).

(c) Any Dividend Equivalents with respect to the Restricted Stock Units that have not theretofore become Vested Dividend Equivalents ("Unpaid Dividend Equivalents") will become vested and payable to the extent that the Restricted Stock Units related thereto shall have become vested in accordance with this Agreement. Notwithstanding the foregoing, but subject to Section 7, the Grantee will not vest, pursuant to this Section 3, in Restricted Stock Units or related Unpaid Dividend Equivalents in which the Grantee would otherwise vest as of a given date if the Grantee has not been continuously employed by the Company from the Grant Date through such date (the vesting or forfeiture of such Restricted Stock Units and related Unpaid Dividend Equivalents to be governed instead by Section 7).

4. Settlement of Restricted Stock Units. Settlement of Restricted Stock Units (and related Unpaid Dividend Equivalents) that vest in accordance with Section 3 shall be made as soon as administratively practicable after the applicable Vesting Date, but in no event later than March 15, 2018. Settlement of vested QVCB Restricted Stock Units shall be made in payment of shares of QVCB Stock, together with any related Dividend Equivalents, in accordance with Section 6. Any shares of QVCB Stock so received shall be fully vested.

5. Mandatory Withholding for Taxes. To the extent that the Company is subject to withholding tax requirements under any national, state, local or other governmental law with respect to the award of the Restricted Stock Units to the Grantee or the vesting or settlement thereof, or the designation of any Dividend Equivalents as payable or distributable or the payment or distribution thereof, the Grantee must make arrangement satisfactory to the Company to make payment to the Company or its designee of the amount required to be withheld under such tax

laws, as determined by the Company (collectively, the “Required Withholding Amount”). To the extent such withholding is required, the Company shall withhold (a) from the type of shares of Common Stock represented by such vested Restricted Stock Units and otherwise deliverable to the Grantee a number of shares of such type of Common Stock and/or (b) from any related Dividend Equivalents otherwise deliverable to the Grantee an amount of such Dividend Equivalents, which collectively have a value (or, in the case of securities withheld, a Fair Market Value) as of the date the obligation to withhold arises equal to the Required Withholding Amount, unless the Grantee remits the Required Withholding Amount to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. Notwithstanding any other provisions of this Agreement, the delivery of any shares of Common Stock represented by vested Restricted Stock Units and any related Dividend Equivalents may be postponed until any required withholding taxes have been paid to the Company. Notwithstanding the foregoing or anything contained herein to the contrary, (i) the Grantee may, in his sole discretion, direct the Company to deduct from the shares of Common Stock represented by vested Restricted Stock Units and otherwise deliverable to the Grantee a number of shares of the type of Common Stock represented by such Restricted Stock Units having a Fair Market Value on the date the obligation to withhold arises equal to the Required Withholding Amount and (ii) the Company will not withhold any shares of Common Stock to pay the Required Withholding Amount if the Grantee has remitted cash to the Company or a Subsidiary or designee thereof in an amount equal to the Required Withholding Amount by such time as the Company may require.

6. Delivery by the Company. As soon as practicable after the vesting of Restricted Stock Units, and any related Unpaid Dividend Equivalents, pursuant to Section 3 (but in no event later than March 15, 2018), and subject to the withholding referred to in Section 5, the Company will (a) register in a book entry account in the name of the Grantee, or cause to be issued and delivered to the Grantee (in certificate or electronic form), that number and type of shares of Common Stock represented by such vested Restricted Stock Units and any securities representing related vested Unpaid Dividend Equivalents, and (b) cause to be delivered to the Grantee any cash payment representing related vested Unpaid Dividend Equivalents. Any delivery of securities will be deemed effected for all purposes when a certificate representing, or statement of holdings reflecting, such securities and, in the case of any Unpaid Dividend Equivalents, any other documents necessary to reflect ownership thereof by the Grantee, have been delivered personally to the Grantee or, if delivery is by mail, when the Grantee has received such certificates or other documents. Any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash owed, has been delivered personally to the Grantee or, if delivery is by mail, upon receipt by the Grantee.

7. Termination of Restricted Stock Units. The Restricted Stock Units will be forfeited and terminate at the time specified below:

- (a) Any Restricted Stock Units that do not become vested in accordance with Section 3 of this Agreement as of the Committee Certification Date, and any related Unpaid Dividend Equivalents, will automatically be forfeited as of the Close of Business on the Committee Certification Date.

(b) Unless otherwise determined by the Committee in its sole discretion, if the Grantee's Separation occurs for any reason prior to the Close of Business on December 31, 2017, including as a result of death, Disability, termination by the Company for Cause, termination by the Company without Cause or termination by the Grantee with or without Good Reason, the Restricted Stock Units, to the extent not theretofore vested, and any related Unpaid Dividend Equivalents, will be forfeited immediately; provided, that if the Grantee remains employed until the Close of Business on December 31, 2017 and the Grantee's Separation then occurs on or prior to the Committee Certification Date, the Restricted Stock Units and the related Unpaid Dividend Equivalents will remain outstanding until the Committee Certification Date and will vest under Section 3 on such date to the extent the Committee certifies they have vested in accordance with Section 3. Upon forfeiture of any unvested Restricted Stock Units, and any related Unpaid Dividend Equivalents, such Restricted Stock Units and any related Unpaid Dividend Equivalents will be immediately cancelled, and the Grantee will cease to have any rights with respect thereto.

8. Nontransferability of Restricted Stock Units. Restricted Stock Units and any related Unpaid Dividend Equivalents, are not transferable (either voluntarily or involuntarily) before or after the Grantee's death, except as follows: (a) during the Grantee's lifetime, pursuant to a domestic relations order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Restricted Stock Units are transferred in accordance with the provisions of the preceding sentence shall take such Restricted Stock Units subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Certificates representing Restricted Stock Units that have vested may be delivered (or, in the case of book entry registration, registered) only to the Grantee (or during the Grantee's lifetime, to the Grantee's court appointed legal representative) or to a person to whom the Restricted Stock Units have been transferred in accordance with this Section.

9. Forfeiture for Misconduct and Repayment of Certain Amounts. If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated subsidiaries) is required and (ii) in the reasonable judgment of the Committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of Common Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the

Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, “Forfeitable Benefits” will not include any shares of Common Stock delivered in respect of the vesting of any Restricted Stock Units during the Misstatement Period or any securities received as Dividend Equivalents in respect thereof, in each case that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. “Misstatement Period” means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

10. No Stockholder Rights; Dividend Equivalents. The Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by any Restricted Stock Units unless and until such time as shares of Common Stock represented by vested Restricted Stock Units have been delivered to the Grantee in accordance with Section 6, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, any reclassification, reorganization or other change of or to its capital or business structure, merger, consolidation, liquidation or sale or other disposition of all or any part of its business or assets. The Grantee will have no right to receive, or otherwise with respect to, any Dividend Equivalents until such time, if ever, as (a) the Restricted Stock Units with respect to which such Dividend Equivalents relate shall have become vested, or (b) such Dividend Equivalents shall have become vested in accordance with the third to last sentence of this Section, and, if vesting does not occur, the related Dividend Equivalents will be forfeited. Dividend Equivalents shall not bear interest or be segregated in a separate account. Notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the vesting of any portion of the Dividend Equivalents (the “Vested Dividend Equivalents”). The settlement of any Vested Dividend Equivalents shall be made as soon as administratively practicable after the accelerated vesting date, but in no event later than March 15, 2017. With respect to any Restricted Stock Units and Dividend Equivalents, the Grantee is a general unsecured creditor of the Company.

11. Adjustments. If the outstanding shares of QVCB Stock are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of QVCB Stock or other similar corporate event (including mergers or consolidations) affects shares of QVCB Stock such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the applicable Restricted Stock Units will be subject to adjustment in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Grant Date.

12. Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, the Company will not be obligated to deliver any shares of Common Stock represented by vested Restricted Stock Units or securities constituting any Unpaid Dividend Equivalents if counsel to the Company determines that the issuance or delivery thereof would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of,

or agreement of the Company with, any securities exchange or association upon which shares of Common Stock or such other securities are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock represented by vested Restricted Stock Units or securities constituting or cash payment related to any Unpaid Dividend Equivalents to comply with any such law, rule, regulation, or agreement.

13. Notice. Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

Unless the Company elects to notify the Grantee via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the date of this Agreement, unless the Company has received written notification from the Grantee of a change of address.

14. Amendment. Notwithstanding any other provision hereof, this Agreement may be amended from time to time as approved by the Committee as contemplated in the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the Restricted Stock Units granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided, that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Restricted Stock Units (after taking into account any related Unpaid Dividend Equivalents).

15. Grantee Employment. Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the

Grantee any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate the Grantee's employment at any time, with or without Cause, subject to the provisions of the Employment Agreement.

16. Nonalienation of Benefits. Except as provided in Section 8, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. Governing Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Any dispute with respect to the enforcement or interpretation of this Agreement shall be subject to the arbitration provisions set forth in Section 9.12 of the Employment Agreement, whether or not the "Employment Period" under such agreement has ended.

18. Construction. References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to "Sections" in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement or the Plan will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. Rules by Committee. The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

20. Entire Agreement. This Agreement, together with the applicable provisions of the Employment Agreement, is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not expressed herein or in the Employment Agreement has been made regarding the Award and that this Agreement, together with the Employment Agreement, contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 16, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

21. Grantee Acceptance. The Grantee will signify his acceptance of the terms and conditions of this Agreement by signing below and returning a signed copy to the Company.

22. Code Section 409A Compliance. To the extent that the provisions of Section 409A of the Code or any U.S. Department of the Treasury regulations promulgated thereunder are applicable to any Restricted Stock Unit or Dividend Equivalent, the parties intend that this Agreement will meet the requirements of such Code section and regulations and that the provisions hereof will be interpreted in a manner that is consistent with such intent. The Grantee will cooperate with the Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A of the Code and any U.S. Department of the Treasury regulations promulgated thereunder and to limit the amount of any additional payments required by Section 9.7 of the Employment Agreement to be made to the Grantee.

Exhibit A
Liberty Interactive Corporation 2016 Omnibus Incentive Plan
(copy attached)

A-1

**LIBERTY INTERACTIVE CORPORATION
2016 OMNIBUS INCENTIVE PLAN**

FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is entered into effective as of May 11, 2017 by and between LIBERTY INTERACTIVE CORPORATION, a Delaware corporation (the “Company”), and Gregory B. Maffei (the “Grantee”).

The Grantee is employed as of the Grant Date as the President and Chief Executive Officer of the Company pursuant to the terms of an employment agreement between the Company and the Grantee dated effective as of December 29, 2014 (the “Employment Agreement”). The Company has adopted the Liberty Interactive Corporation 2016 Omnibus Incentive Plan (as may be amended prior to or after the Grant Date, the “Plan”), a copy of which as in effect on the Grant Date is attached hereto as Exhibit A and by this reference made a part hereof, for the benefit of eligible employees and independent contractors of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein or in the Employment Agreement will have the meaning given thereto in the Plan.

The Company and the Grantee therefore agree as follows:

1. Definitions. All capitalized terms not defined in this Agreement that are defined in the Employment Agreement will have the meanings ascribed to them in the Employment Agreement. The following terms, when used in this Agreement, have the following meanings:

“Base Price” means the QVCB Base Price and/or the LVNTB Base Price, as the context requires.

“Business Day” means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

“Cause” has the meaning specified in the Employment Agreement.

“Change in Control” has the meaning specified in the Employment Agreement.

“Close of Business” means, on any day, 5:00 p.m., Denver, Colorado time.

“Committee” means the Compensation Committee of the Board of Directors of the Company.

“Common Stock” means QVCB Stock and/or LVNTB Stock, as the context requires.

“Company” has the meaning specified in the preamble to this Agreement.

“Disability” has the meaning specified in the Employment Agreement.

“Employment Agreement” has the meaning specified in the recitals to this Agreement.

“Good Reason” has the meaning specified in the Employment Agreement.

“Grant Date” means May 11, 2017.

“Grantee” has the meaning specified in the preamble to this Agreement.

“LVNTB Base Price” means \$52.39, the Fair Market Value of a share of LVNTB Stock on the Grant Date.

“LVNTB Options” has the meaning specified in Section 2 of this Agreement.

“LVNTB Stock” means the Company’s Series B Liberty Ventures Common Stock.

“Options” means the QVCB Options and/or the LVNTB Options, as the context requires.

“Option Shares” has the meaning specified in Section 4(a) of this Agreement.

“Plan” has the meaning specified in the recitals to this Agreement.

“QVCB Base Price” means \$23.87, the Fair Market Value of a share of QVCB Stock on the Grant Date.

“QVCB Options” has the meaning specified in Section 2 of this Agreement.

“QVCB Stock” means the Company’s Series B QVC Group Common Stock.

“Required Withholding Amount” has the meaning specified in Section 5 of this Agreement.

“Separation” means the date as of which the Grantee is no longer employed by the Company or any of its Subsidiaries.

“Subsidiary” has the meaning set forth in the Plan.

“Term” has the meaning specified in Section 2 of this Agreement.

2. Grant of Options. Subject to the terms and conditions herein and in the Plan, the Company hereby awards to the Grantee as of the Grant Date, the following options, exercisable as set forth in Section 3 below and expiring at the Close of Business on May 11, 2024 (such period, the “Term”), subject to earlier termination as provided in Section 7 below: (a) nonqualified stock options to purchase from the Company at the QVCB Base Price 153,806 shares of QVCB Stock (the “QVCB Options”), and (b) nonqualified stock options to purchase from the Company at the LVNTB Base Price 268,889 shares of LVNTB Stock (the “LVNTB Options”). The Base Price of each Option and the number of Options granted hereunder are subject to adjustment pursuant to Section 11 below. No fractional shares of QVCB Stock or LVNTB Stock will be issuable upon exercise of an Option, and the Grantee will receive, in lieu of any fractional share of QVCB Stock or LVNTB Stock that the Grantee otherwise would receive upon such exercise, cash equal to the fraction representing such fractional share multiplied by the Fair Market Value of one share of QVCB Stock or LVNTB Stock, as applicable, as of the date on which such exercise is considered to occur pursuant to Section 4 below.

3. Conditions of Exercise. Unless otherwise determined by the Committee in its sole discretion (provided that such determination is not adverse to the Grantee), the Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) The Options may be exercised only to the extent they have become vested and exercisable in accordance with the provisions of this Section 3. Except as otherwise provided in this Agreement or the Employment Agreement, subject to the Grantee's continued employment with the Company or any Subsidiary on such date, all of the QVCB Options and all of the LVNTB Options subject to this Agreement will become vested and exercisable on December 31, 2017.

(b) To the extent the Options become vested and exercisable, any or all of such Options may be exercised (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof as provided herein.

(c) The Grantee acknowledges and agrees that the Committee, in its discretion and as contemplated by the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the Options and that the exercise by the Grantee of Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Committee may determine are applicable thereto.

4. Manner of Exercise. Options will be considered exercised (as to the number and type of Options specified in the notice referred to in Section 4(a) below) on the latest of (i) the date of exercise designated in the written notice referred to in Section 4(a) below, (ii) if the date so designated is not a Business Day, the first Business Day following such date or (iii) the earliest Business Day by which the Company has received all of the following:

(a) Written notice, in such form as the Committee may require, containing such representations and warranties as the Committee may reasonably require and designating, among other things, the date of exercise and the number and type of shares of Common Stock ("Option Shares") to be purchased by exercise of Options;

(b) Payment of the Base Price for each Option Share to be purchased in any (or a combination) of the following forms, as determined by the Grantee: (A) cash, (B) check, (C) whole shares of any class or series of the Company's common stock, (D) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price (and, if applicable the Required Withholding Amount, as described in Section 5 below), or (E) the delivery of irrevocable instructions for the Company to withhold the number of shares of QVCB Stock or LVNTB Stock, as applicable (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay the Base Price (and, if applicable, the Required Withholding Amount, as described in Section 5 below) that would otherwise be delivered by the Company to the Grantee upon exercise of the Options (it being acknowledged that the method of exercise described in this clause (E) applies to the Options granted pursuant to this Agreement and will not apply to any options granted under the Plan to the Grantee after the Grant Date unless otherwise provided in the applicable award agreement); and

- (c) Any other documentation that the Committee may reasonably require.

5. Mandatory Withholding for Taxes. The Grantee acknowledges and agrees that the Company will deduct from the shares of QVCB Stock or LVNTB Stock otherwise payable or deliverable upon exercise of any Options that number of shares of QVCB Stock or LVNTB Stock, as applicable, having a Fair Market Value on the date of exercise that is equal to the amount of all federal, state and local taxes required to be withheld by the Company or any Subsidiary of the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless the Grantee remits the Required Withholding Amount to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. If the Grantee elects to make payment of the Base Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Base Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of the Company's determination of the Required Withholding Amount. Notwithstanding the foregoing or anything contained herein to the contrary, (i) the Grantee may, in his sole discretion, direct the Company to deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of the type of Common Stock acquired upon exercise of such Options having a Fair Market Value of such Common Stock on the date of exercise that is equal to the Required Withholding Amount and (ii) the Company will not withhold any shares of Common Stock to pay the Required Withholding Amount if the Grantee has remitted cash to the Company or a Subsidiary or designee thereof in an amount equal to the Required Withholding Amount by such time as the Company may require.

6. Payment or Delivery by the Company. As soon as practicable after receipt of all items referred to in Section 4 above, and subject to the withholding referred to in Section 5 above, the Company will (i) deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number and type of shares of Common Stock purchased by exercise of Options, and (ii) deliver any cash payment to which the Grantee is entitled in lieu of a fractional share of Common Stock as provided in Section 2 above. Any delivery of shares of Common Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the certificates have been received by the Grantee, or at the time the stock transfer agent completes the transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable, and any cash payment will be deemed effected when a check from the Company, payable to the Grantee and in the amount equal to the amount of the cash owed, has been delivered personally to the Grantee or, if delivery is by mail, upon receipt by the Grantee.

7. Termination of Options. The Options will terminate at the time specified below:

- (a) Any Options that are not exercisable as of the Close of Business on the date of the Grantee's Separation for any reason, including as a result of death, Disability, termination by the Company for Cause, termination by the Company without Cause or termination by the Grantee with or without Good Reason, will automatically terminate as of the Close of Business on the date of Separation.

(b) If a Change in Control occurs after December 24, 2014 but prior to the Grantee's Separation, all Options that are exercisable at the time of (or become exercisable after) such Change in Control will terminate at the expiration of the Term.

(c) If a Change in Control has not then occurred after December 24, 2014 and the Grantee's Separation occurs prior to the Close of Business on December 31, 2019 on account of a termination of the Grantee's employment for Cause, all Options that are vested and exercisable as of the Close of Business on the date of Separation will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period that began on the date of the Grantee's Separation.

(d) If (i) the Grantee's Separation does not occur prior to the Close of Business on December 31, 2019, or (ii) a Change in Control has not then occurred after December 24, 2014 and the Grantee's Separation occurs (A) on account of a termination of the Grantee's employment without Cause, (B) on account of a termination of the Grantee's employment by the Grantee with or without Good Reason, or (C) by reason of the death or Disability of the Grantee, all Options that are vested and exercisable as of the Close of Business on the date of Separation will terminate at the expiration of the Term.

In any event in which Options remain exercisable for a period of time following the date of the Grantee's Separation as provided above, the Options may be exercised during such period of time only to the extent the same were vested and exercisable as provided in Section 3 above on such date of Separation. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Agreement or any other agreement that may be construed to the contrary, the Options will in any event terminate not later than upon the expiration of the Term.

8. Nontransferability. Options are not transferable (either voluntarily or involuntarily), before or after Grantee's death, except as follows: (a) during Grantee's lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Options are transferred in accordance with the provisions of the preceding sentence shall take such Options subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Options are exercisable only by the Grantee (or, during the Grantee's lifetime, by the Grantee's court appointed legal representative) or a person to whom the Options have been transferred in accordance with this Section.

9. Forfeiture for Misconduct and Repayment of Certain Amounts. If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated subsidiaries) is required and (ii) in the reasonable judgment of the Committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant

by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of Common Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of Common Stock received upon exercise of any Options during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

10. No Stockholder Rights. Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock underlying the Options, as applicable, nor will the existence of this Agreement affect in any way the right or power of the Company or any stockholder of the Company to accomplish any corporate act, including, without limitation, any reclassification, reorganization or other change of or to its capital or business structure, merger, consolidation, liquidation, or sale or other disposition of all or any part of its business or assets.

11. Adjustments. If the outstanding shares of QVCB Stock or LVNTB Stock, as applicable, are subdivided into a greater number of shares (by stock dividend, stock split, reclassification or otherwise) or are combined into a smaller number of shares (by reverse stock split, reclassification or otherwise), or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase any shares of QVCB Stock or LVNTB Stock, as applicable, or other similar corporate event (including mergers or consolidations) affects shares of QVCB Stock or LVNTB Stock, as applicable, such that an adjustment is required to preserve the benefits or potential benefits intended to be made available under this Agreement, then the applicable type of Options will be subject to adjustment (including, without limitation, as to the number of Options and the Base Price per share of such Options) in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in this Section 11 following the Grant Date.

12. Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of such Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative

action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement.

13. Notice. Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by United States first class mail, postage prepaid and addressed as follows:

Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

Unless the Company elects to notify the Grantee via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by United States first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company on the date of this Agreement, unless the Company has received written notification from the Grantee of a change of address.

14. Amendment. Notwithstanding any other provision hereof, this Agreement may be amended from time to time as approved by the Committee as contemplated in the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee,

(a) this Agreement may be amended from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders and, provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary because of the adoption or promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Company and a new Award made in substitution therefor, provided, that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options.

15. Grantee Employment. Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, will confer or be construed to confer on the Grantee any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate the Grantee's employment at any time, with or without Cause, subject to the provisions of the Employment Agreement.

16. Nonalienation of Benefits. Except as provided in Section 8 of this Agreement, (i) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (ii) no right or benefit hereunder will in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. Governing Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Any dispute with respect to the enforcement or interpretation of this Agreement shall be subject to the arbitration provisions set forth in Section 9.12 of the Employment Agreement, whether or not the "Employment Period" under such agreement has ended.

18. Construction. References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding this Agreement or the Plan will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. Rules by Committee. The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

20. Entire Agreement. This Agreement, together with the applicable provisions of the Employment Agreement, is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not expressed herein or in the Employment Agreement has been made regarding the Award and that this Agreement, together with the Employment Agreement, contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 16, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

21. Grantee Acceptance. The Grantee will signify his acceptance of the terms and conditions of this Agreement by signing below and returning a signed copy to the Company.

22. Code Section 409A Compliance. To the extent that the provisions of Section 409A of the Code or any U.S. Department of the Treasury regulations promulgated thereunder are applicable to any Option, the parties intend that this Agreement will meet the requirements of such Code section and regulations and that the provisions hereof will be interpreted in a manner that is consistent with such intent. The Grantee will cooperate with the

Company in taking such actions as the Company may reasonably request to assure that this Agreement will meet the requirements of Section 409A of the Code and any U.S. Department of the Treasury regulations promulgated thereunder and to limit the amount of any additional payments required by Section 9.7 of the Employment Agreement to be made to the Grantee.

Exhibit A
Liberty Interactive Corporation 2016 Omnibus Incentive Plan
(see attached)

FORM OF PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT

THIS PERFORMANCE-BASED RESTRICTED STOCK UNITS AGREEMENT (this “Agreement”) is made as of the date set forth on Schedule I hereto (the “Grant Date”), by and between the issuer identified in Schedule I of this Agreement (the “Company”), and the recipient (the “Grantee”) of an Award of Restricted Stock Units (as defined below) granted by the Compensation Committee of the Board of Directors of the Company as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule I hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible persons as specified in the Plan. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Compensation Committee appointed by the Board of Directors of the Company pursuant to Section 3.1 of the Plan to administer the Plan (the “Committee”) has determined that it would be in the interest of the Company and its stockholders to award Restricted Stock Units to the Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee with additional remuneration for services rendered, to encourage the Grantee to remain in the service or employ of the Company or its Subsidiaries and to increase the Grantee’s personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. **Definitions.** The following terms, when used in this Agreement, have the following meanings:

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

“Close of Business” means, on any day, 5:00 p.m., Denver, Colorado time.

“Committee” has the meaning specified in the recitals to this Agreement.

“Committee Certification Date” has the meaning specified in Section 5(b) of this Agreement.

“Common Stock” has the meaning specified in Schedule I of this Agreement.

“Company” has the meaning specified in the preamble to this Agreement.

“Grant Date” has the meaning specified in the preamble to this Agreement.

“Grantee” has the meaning specified in the preamble to this Agreement.

“Performance Equity Program” means the 201_ Performance Equity Program approved by the Committee on March __, 201_, which established performance criteria with respect to vesting of the Restricted Stock Units, the material terms of which have been provided to the Grantee if the Grantee is an officer of the Company whose title is “Chief.”

“Plan” has the meaning specified in the recitals of this Agreement.

“Required Withholding Amount” has the meaning specified in Section 12 of this Agreement.

“Restricted Stock Units” has the meaning specified in Section 2 of this Agreement.

“RSU Dividend Equivalents” means, to the extent specified by the Committee only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock as the shares represented by the Restricted Stock Units.

“Section 409A” has the meaning specified in Section 22 of this Agreement.

“Unpaid RSU Dividend Equivalents” has the meaning specified in Section 5(c) of this Agreement.

“Vested RSU Dividend Equivalents” has the meaning specified in Section 4 of this Agreement.

“Vesting Date” means each date on which any Restricted Stock Units cease to be subject to a risk of forfeiture, as determined in accordance with this Agreement and the Plan.

2 . **Award.** Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee effective as of the Grant Date an Award of the number and type of performance-based Restricted Stock Units (as defined in the Plan) authorized by the Committee and set forth in the notice of online grant delivered to the Grantee pursuant to the Company’s online grant and administration program (the “Restricted Stock Units”), which notice also specified the type of Common Stock that each Restricted Stock Unit represents the right to receive, subject to the conditions and restrictions set forth below in this Agreement and in the Plan.

3. **Settlement of Restricted Stock Units.** Settlement of Restricted Stock Units that vest in accordance with Section 5 or 6 of this Agreement or Section 10.1(b) of the Plan shall be made as soon as administratively practicable after the applicable Vesting Date, but in no event later than March 15 of the calendar year following the calendar year in which such Vesting Date occurs. Settlement of vested Restricted Stock Units shall be made in payment of shares of the applicable type of Common Stock, together with any related Unpaid RSU Dividend Equivalents, in accordance with Section 7 hereof.

4 . **No Stockholder Rights; RSU Dividend Equivalents.** The Grantee shall have no rights of a stockholder with respect to any shares of Common Stock represented by any Restricted Stock Units unless and until such time as shares of Common Stock represented by vested Restricted Stock Units have been delivered to the Grantee in accordance with Section 7 hereof. The Grantee will have no right to receive, or otherwise with respect to, any RSU Dividend Equivalents until such time, if ever, as (a) the Restricted Stock Units with respect to which such RSU Dividend Equivalents relate shall have become vested, or (b) such RSU Dividend Equivalents shall have become vested in accordance with the penultimate sentence of this Section 4, and, if

vesting does not occur, the related RSU Dividend Equivalents will be forfeited. RSU Dividend Equivalents shall not bear interest or be segregated in a separate account. Notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the vesting of any portion of the RSU Dividend Equivalents (the "Vested RSU Dividend Equivalents"). The settlement of any Vested RSU Dividend Equivalents shall be made as soon as administratively practicable after the accelerated vesting date, but in no event later than March 15 of the calendar year following the year in which such accelerated vesting date occurs.

5. **Vesting.**

(a) Unless the Committee otherwise determines in its sole discretion, subject to earlier vesting in accordance with Section 6 of this Agreement or Section 10.1(b) of the Plan, Restricted Stock Units will vest, in whole or in part, only in accordance with this Section 5.

(b) After December 31, 201_ but prior to March 30, 201_, the Committee will certify the number and type of Restricted Stock Units that will vest effective as of the date such certification is made (the "Committee Certification Date"), in accordance with the following certification process. If the Grantee is an officer of the Company with a title of "Chief," the Committee will certify the number and type of Restricted Stock Units that will vest based on the Committee's application of the Performance Equity Program, including the Committee's exercise of any negative discretion pursuant to such program. If the Grantee is an officer of the Company at a level lower than "Chief," the Committee will certify the number and type of Restricted Stock Units that will vest based on the Committee's assessment in its sole discretion (after input from the Company's Chief Executive Officer) of the Grantee's satisfaction of such discretionary performance objectives for calendar year 201_ as may be deemed relevant by the Committee.

(c) Upon the satisfaction of any other applicable restrictions, terms and conditions of the Plan and this Agreement, any RSU Dividend Equivalents with respect to the Restricted Stock Units that have not theretofore become Vested RSU Dividend Equivalents ("Unpaid RSU Dividend Equivalents") will become vested to the extent that the Restricted Stock Units related thereto shall have become vested in accordance with this Agreement.

(d) Any Restricted Stock Units that do not vest on the Committee Certification Date will automatically be forfeited as of the Close of Business on the Committee Certification Date, together with any related Unpaid Dividend Equivalents.

(e) Notwithstanding the foregoing, the Grantee will not vest, pursuant to this Section 5, in Restricted Stock Units or related Unpaid RSU Dividend Equivalents in which the Grantee would otherwise vest as of a given date if the Grantee has not been continuously employed by the Company or its Subsidiaries from the Grant Date through such date (the vesting or forfeiture of such Restricted Stock Units and related Unpaid RSU Dividend Equivalents to be governed instead by Section 6 hereof).

6. **Early Vesting or Forfeiture.**

(a) Unless otherwise determined by the Committee in its sole discretion:

i. If the Grantee's employment with the Company or a Subsidiary terminates prior to the Committee Certification Date for any reason other than the Grantee's death or Disability or a termination of the Grantee by the Company without Cause on or after December 31, 201_, the Restricted Stock Units, to the extent not theretofore vested, and any related Unpaid RSU Dividend Equivalents, will be forfeited immediately; and

ii. If the Grantee's employment with the Company or a Subsidiary terminates prior to the Committee Certification Date by reason of the Grantee's death or Disability, the Restricted Stock Units, to the extent not theretofore vested, and any related Unpaid RSU Dividend Equivalents, will immediately become fully vested; and

iii. If the Grantee remains employed until December 31, 201_ and the Grantee's employment is then terminated by the Company without cause on or after December 31, 201_ but prior to the Committee Certification Date, the Restricted Stock Units and the related Unpaid Dividend Equivalents will remain outstanding until the Committee Certification Date and will vest under Section 5 on such date to the extent the Committee certifies they have vested in accordance with such Section.

(b) Upon forfeiture of any unvested Restricted Stock Units, and any related Unpaid RSU Dividend Equivalents, including pursuant to Section 3 and this Section 6, such Restricted Stock Units and any related Unpaid RSU Dividend Equivalents will be immediately cancelled, and the Grantee will cease to have any rights with respect thereto.

(c) Unless the Committee otherwise determines, a change of the Grantee's employment from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of the Grantee's employment for purposes of this Agreement if such change of employment is made at the request or with the express consent of the Company. Unless the Committee otherwise determines, however, any such change of employment that is not made at the request or with the express consent of the Company will be a termination of the Grantee's employment within the meaning of this Agreement.

7. **Delivery by Company.** As soon as practicable after the vesting of Restricted Stock Units, and any related Unpaid RSU Dividend Equivalents, pursuant to Section 5 or 6 hereof or Section 10.1(b) of the Plan (but no later than March 15 of the calendar year following the year in which such vesting occurs), and subject to the withholding referred to in Section 12 of this Agreement, the Company will (a) cause to be issued and transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, or cause to be issued and delivered to the Grantee, certificates issued in the Grantee's name for, that number and type of shares of Common Stock represented by such vested Restricted Stock Units and any securities representing related vested Unpaid RSU Dividend Equivalents, and (b) cause to be delivered to the Grantee any cash payment representing related vested Unpaid RSU Dividend Equivalents. Any delivery of

securities will be deemed effected for all purposes when (i) certificates representing such securities and, in the case of any Unpaid RSU Dividend Equivalents, any other documents necessary to reflect ownership thereof by the Grantee, have been delivered personally to the Grantee or, if delivery is by mail, when the Company or its stock transfer agent has deposited the certificates and/or such other documents in the United States mail, addressed to the Grantee or (ii) in the case of a book-entry transfer, at the time the Company's stock transfer agent initiates the transfer of such securities to a brokerage account through Depository Trust Company for the benefit of the Grantee. Any cash payment will be deemed effected when a check from the Company, payable to or at the direction of the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to or at the direction of the Grantee or deposited in the United States mail, addressed to the Grantee or his or her nominee.

8 . **Nontransferability of Restricted Stock Units.** Restricted Stock Units and any related Unpaid RSU Dividend Equivalents, are not transferable (either voluntarily or involuntarily and whether by sale, assignment, gift, pledge, exchange or otherwise) before or after the Grantee's death, except as follows: (a) during the Grantee's lifetime, pursuant to a domestic relations order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Committee; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Restricted Stock Units are transferred in accordance with the provisions of the preceding sentence shall take such Restricted Stock Units and any related Unpaid RSU Dividend Equivalents subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Certificates representing Restricted Stock Units that have vested may be delivered (or, in the case of book entry registration, registered) only to the Grantee (or during the Grantee's lifetime, to the Grantee's court appointed legal representative) or to a person to whom the Restricted Stock Units have been transferred in accordance with this Section.

9. **Adjustments.**

(a) The Restricted Stock Units and any related Unpaid RSU Dividend Equivalents will be subject to adjustment pursuant to Section 4.2 of the Plan in such manner as the Committee, in its sole discretion, deems equitable and appropriate in connection with the occurrence following the Grant Date of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase following the Grant Date, the Restricted Stock Units and any related Unpaid RSU Dividend Equivalents may become vested in accordance with Section 10.1(b) of the Plan.

10. **Company's Rights.** The existence of this Agreement will not affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.16 of the Plan.

11. **Restrictions Imposed by Law.** Without limiting the generality of Section 10.8 of the Plan, the Company shall not be obligated to deliver any shares of Common Stock represented by vested Restricted Stock Units or securities constituting any Unpaid RSU Dividend Equivalents

if counsel to the Company determines that the issuance or delivery thereof would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock or such other securities are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock represented by vested Restricted Stock Units or securities constituting any Unpaid RSU Dividend Equivalents to comply with any such law, rule, regulation, or agreement. Any certificates representing any such securities issued or delivered under this Agreement may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws.

12. **Mandatory Withholding for Taxes.** To the extent that the Company or any Subsidiary of the Company is subject to withholding tax requirements under any national, state, local or other governmental law with respect to the award of the Restricted Stock Units to the Grantee or the vesting thereof, or the designation of any RSU Dividend Equivalents as payable or distributable or the payment or distribution thereof, the Grantee must make arrangements satisfactory to the Company to make payment to the Company or its designee of the amount required to be withheld under such tax laws, as determined by the Company (collectively, the “Required Withholding Amount”). To the extent such withholding is required because the Grantee vests in some or all of the Restricted Stock Units and any related RSU Dividend Equivalents, the Company shall withhold (a) from the shares of Common Stock represented by vested Restricted Stock Units and otherwise deliverable to the Grantee a number of shares of the applicable type of Common Stock and/or (b) from any related RSU Dividend Equivalents otherwise deliverable to the Grantee an amount of such RSU Dividend Equivalents, which collectively have a value (or, in the case of securities withheld, a Fair Market Value) equal to the Required Withholding Amount, unless the Grantee remits the Required Withholding Amount to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. Notwithstanding any other provisions of this Agreement, the delivery of any shares of Common Stock represented by vested Restricted Stock Units and any related RSU Dividend Equivalents may be postponed until any required withholding taxes have been paid to the Company.

13. **Notice.** Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the Company’s then current headquarters, which as of the Grant Date is the address specified for the Company on Schedule I hereto. Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to the Grantee’s address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

14. **Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by

Section 10.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

(a) this Agreement may be amended or supplemented from time to time as approved by the Committee (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, (iii) to reform the Award made hereunder as contemplated by Section 10.17 of the Plan or to exempt the Award made hereunder from coverage under Code Section 409A, or (iv) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Restricted Stock Units granted under this Agreement may be canceled by the Committee and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Restricted Stock Units that are then vested.

15. **Grantee Employment.** Nothing contained in the Plan or this Agreement, and no action of the Company or the Committee with respect thereto, shall confer or be construed to confer on the Grantee any right to continue in the employ of the Company or any Subsidiary or interfere in any way with the right of the Company or any employing Subsidiary to terminate the Grantee's employment or service, as applicable, at any time, with or without Cause, subject to the provisions of any employment or consulting agreement between the Grantee and the Company or any Subsidiary.

16. **Nonalienation of Benefits.** Except as provided in Section 8 and prior to the vesting of any Restricted Stock Unit, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. **Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

18. **Construction.** References in this Agreement to “this Agreement” and the words “herein,” “hereof,” “hereunder” and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to “Sections” in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word “include” and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Committee upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. **Rules by Committee.** The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Committee may adopt from time to time.

20. **Entire Agreement.** This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 16 of this Agreement, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

21. **Grantee Acknowledgment.** The Grantee will signify acknowledgment of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company.

22. **Code Section 409A Compliance.** To the extent that Section 409A of the Code or the related regulations and Treasury pronouncements (“Section 409A”) are applicable to the Grantee in connection with the Award, the Award is subject to the provisions of Section 10.17 of the Plan regarding Section 409A.

23. **Administrative Blackouts.** In addition to its other powers under the Plan, the Committee has the authority to suspend any transactions under the Plan as it deems necessary or appropriate for administrative reasons.

24. **Stock Ownership Guidelines.** This Award may be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

* * * * *

Schedule I
to Liberty Interactive Corporation
Performance-Based Restricted Stock Units Agreement
NRU _____

Grant Date: _____, 201_

Issuer/Company: Liberty Interactive Corporation, a Delaware corporation

Plan: Liberty Interactive Corporation 2016 Omnibus Incentive Plan, as the same may be amended from time to time

Common Stock: Series A QVC Group Common Stock ("QVCA Common Stock"); and/or Series A Liberty Ventures Common Stock ("LVNTA Common Stock"), as applicable.

Additional Provisions Applicable to Grantees who hold the office of Assistant Vice President or above as of the Grant Date:

Forfeiture for Misconduct and Repayment of Certain Amounts. If the Grantee holds the office of Assistant Vice President or above as of the Grant Date, and if (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (ii) in the reasonable judgment of the Committee, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Committee may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Committee, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of Common Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of Common Stock received upon vesting of any Restricted Stock Units during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement

Period” means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

Qualifying Service: Unless the Committee in its sole discretion determines otherwise in connection with the commencement of employment or service to Liberty Media Corporation or its Subsidiary, notwithstanding anything to the contrary in this Agreement, Grantee’s employment or service with Liberty Media Corporation or any entity that is a Subsidiary of Liberty Media Corporation at the time of determination shall be deemed to be employment or service with the Company for all purposes under the Awards granted pursuant to this Agreement.

Other Clawback Policies: Notwithstanding any other provisions in the Plan, this Award shall be subject to recovery or clawback by the Company under any clawback policy adopted by the Company in accordance with SEC regulations or other applicable law, as amended or superseded from time to time.

Company Notice Address: Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

**[FOR GRANTS TO NEDS; QVC US AND FOREIGN EMPLOYEES;
AND ZULILY EMPLOYEES.]**

FORM OF RESTRICTED STOCK UNITS AGREEMENT

THIS RESTRICTED STOCK UNITS AGREEMENT (this “Agreement”) is made as of the date set forth on Schedule I hereto (the “Grant Date”), by and between the issuer identified in Schedule I of this Agreement (the “Company”), and the recipient (the “Grantee”) of an Award of Restricted Stock Units (as defined below) granted by the Plan Administrator (as defined in Schedule I hereto) as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule I hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible persons as specified in the Plan. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Plan Administrator has determined that it would be in the interest of the Company and its stockholders to award Restricted Stock Units to the Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee with additional remuneration for services rendered, to encourage the Grantee to remain in the service or employ of the Company or its Subsidiaries and to increase the Grantee’s personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. **Definitions.** The following terms, when used in this Agreement, have the following meanings:

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

“Common Stock” has the meaning specified in Schedule I of this Agreement.

“Company” has the meaning specified in the preamble to this Agreement.

“Grant Date” has the meaning specified in the preamble to this Agreement.

“Grantee” has the meaning specified in the preamble to this Agreement.

“Nonemployee Director” has the meaning specified in the Plan.

“Plan” has the meaning specified in the recitals of this Agreement.

“Plan Administrator” has the meaning specified in Schedule I of this Agreement.

“Required Withholding Amount” has the meaning specified in Section 12 of this Agreement.

“Restricted Stock Units” has the meaning specified in Section 2 of this Agreement.

“RSU Dividend Equivalents” means, to the extent specified by the Plan Administrator only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock as the shares represented by the Restricted Stock Units.

“Section 409A” has the meaning specified in Section 22 of this Agreement.

“Unpaid RSU Dividend Equivalents” has the meaning specified in Section 5(a) of this Agreement.

“Vested RSU Dividend Equivalents” has the meaning specified in Section 4 of this Agreement.

“Vesting Date” means each date on which any Restricted Stock Units cease to be subject to a risk of forfeiture, as determined in accordance with this Agreement and the Plan.

“Vesting Percentage” has the meaning specified in Section 5(a) of this Agreement.

2 . **Award.** Subject to the terms and conditions herein, pursuant to the Plan, the Company grants to the Grantee effective as of the Grant Date an Award of the number and type of Restricted Stock Units (as defined in the Plan) authorized by the Plan Administrator and set forth in the notice of online grant delivered to the Grantee pursuant to the Company’s online grant and administration program (the “Restricted Stock Units”), each representing the right to receive one share of the type of Common Stock specified in such notice of online grant, subject to the conditions and restrictions set forth below in this Agreement and in the Plan.

3 . **Settlement of Restricted Stock Units.** Settlement of Restricted Stock Units that vest in accordance with Section 5 or 6 of this Agreement or Section 10.1(b) of the Plan shall be made as soon as administratively practicable after the applicable Vesting Date, but in no event later than March 15 of the calendar year following the calendar year in which such Vesting Date occurs. Settlement of vested Restricted Stock Units shall be made in payment of shares of the applicable type of Common Stock, together with any related Unpaid RSU Dividend Equivalents, in accordance with Section 7 hereof.

4 . **No Stockholder Rights; RSU Dividend Equivalents.** The Grantee shall have no rights of a stockholder with respect to any shares of Common Stock represented by any Restricted Stock Units unless and until such time as shares of Common Stock represented by vested Restricted Stock Units have been delivered to the Grantee in accordance with Section 7 hereof. The Grantee will have no right to receive, or otherwise with respect to, any RSU Dividend Equivalents until such time, if ever, as (a) the Restricted Stock Units with respect to which such RSU Dividend Equivalents relate shall have become vested, or (b) such RSU Dividend Equivalents shall have become vested in accordance with the penultimate sentence of this Section 4, and, if vesting does not occur, the related RSU Dividend Equivalents will be forfeited. RSU Dividend Equivalents shall not bear interest or be segregated in a separate account. Notwithstanding the foregoing, the Plan Administrator may, in its sole discretion, accelerate the vesting of any portion of the RSU Dividend Equivalents (the “Vested RSU Dividend Equivalents”). The settlement of

any Vested RSU Dividend Equivalents shall be made as soon as administratively practicable after the accelerated vesting date, but in no event later than March 15 of the calendar year following the year in which such accelerated vesting date occurs.

5. Vesting.

(a) Unless the Plan Administrator otherwise determines in its sole discretion, subject to earlier vesting in accordance with Section 6 of this Agreement or Section 10.1(b) of the Plan, the Grantee will become vested as to that number of each type of Restricted Stock Units (if any) that is equal to the fraction or percentage set forth on Schedule I hereto (the "Vesting Percentage") of the total number of such type of Restricted Stock Units that are subject to this Agreement, rounded down to the nearest whole number of such type of Restricted Stock Units on each of the Vesting Dates indicated on Schedule I hereto, and upon the satisfaction of any other applicable restrictions, terms and conditions of the Plan and this Agreement, any RSU Dividend Equivalents with respect to the Restricted Stock Units that have not theretofore become Vested RSU Dividend Equivalents ("Unpaid RSU Dividend Equivalents") will become vested to the extent that the Restricted Stock Units related thereto shall have become vested in accordance with this Agreement. If rounding pursuant to the preceding sentence prevents any portion of a Restricted Stock Unit from becoming vested on a particular Vesting Date (any such portion, an "Unvested Fractional Restricted Stock Unit"), one additional Restricted Stock Unit of such type of Restricted Stock Unit will become vested on the earliest succeeding Vesting Date on which the cumulative fractional amount of all Unvested Fractional Restricted Stock Units of such type (including any Unvested Fractional Restricted Stock Unit created on such succeeding Vesting Date) equals or exceeds one whole Restricted Stock Unit of such type of Restricted Stock Unit, with any excess treated as an Unvested Fractional Restricted Stock Unit thereafter subject to the application of this sentence and the following sentence. Any Unvested Fractional Restricted Stock Unit comprising part of a whole Restricted Stock Unit that vests pursuant to the preceding sentence will thereafter cease to be an Unvested Fractional Restricted Stock Unit.

(b) Notwithstanding the foregoing, the Grantee will not vest, pursuant to this Section 5, in Restricted Stock Units or related Unpaid RSU Dividend Equivalents in which the Grantee would otherwise vest as of a given date if the Grantee has not been continuously employed by the Company or its Subsidiaries (or, if the Grantee is a Nonemployee Director, continuously serving in such capacity) from the Grant Date through such date (the vesting or forfeiture of such Restricted Stock Units and related Unpaid RSU Dividend Equivalents to be governed instead by Section 6 hereof).

6. Early Vesting or Forfeiture.

(a) Unless otherwise determined by the Plan Administrator in its sole discretion and except as otherwise provided on Schedule I hereto:

i. If the Grantee's employment with the Company or a Subsidiary terminates (or, if the Grantee is a Nonemployee Director, if the Grantee's service to the Company as such terminates), in either case for any reason other than the Grantee's

death or Disability, the Restricted Stock Units, to the extent not theretofore vested, and any related Unpaid RSU Dividend Equivalents, will be forfeited immediately; and

ii. If the Grantee's employment with the Company or a Subsidiary terminates (or, if the Grantee is a Nonemployee Director, if the Grantee's service to the Company as such terminates) in either case by reason of the Grantee's death or Disability, the Restricted Stock Units, to the extent not theretofore vested, and any related Unpaid RSU Dividend Equivalents, will immediately become fully vested.

(b) Upon forfeiture of any unvested Restricted Stock Units, and any related Unpaid RSU Dividend Equivalents, such Restricted Stock Units and any related Unpaid RSU Dividend Equivalents will be immediately cancelled, and the Grantee will cease to have any rights with respect thereto.

(c) Unless the Plan Administrator otherwise determines, a change of the Grantee's employment from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of the Grantee's employment for purposes of this Agreement if such change of employment is made at the request or with the express consent of the Company. Unless the Plan Administrator otherwise determines, however, any such change of employment that is not made at the request or with the express consent of the Company will be a termination of the Grantee's employment within the meaning of this Agreement.

7. **Delivery by Company.** As soon as practicable after the vesting of Restricted Stock Units, and any related Unpaid RSU Dividend Equivalents, pursuant to Section 5 or 6 hereof or Section 10.1(b) of the Plan (but no later than March 15 of the calendar year following the year in which such vesting occurs), and subject to the withholding referred to in Section 12 of this Agreement, the Company will (a) cause to be issued and transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, or cause to be issued and delivered to the Grantee, certificates issued in the Grantee's name for, that number and type of shares of Common Stock represented by such vested Restricted Stock Units and any securities representing related vested Unpaid RSU Dividend Equivalents, and (b) cause to be delivered to the Grantee any cash payment representing related vested Unpaid RSU Dividend Equivalents. Any delivery of securities will be deemed effected for all purposes when (i) certificates representing such securities and, in the case of any Unpaid RSU Dividend Equivalents, any other documents necessary to reflect ownership thereof by the Grantee, have been delivered personally to the Grantee or, if delivery is by mail, when the Company or its stock transfer agent has deposited the certificates and/or such other documents in the United States mail, addressed to the Grantee or (ii) in the case of a book-entry transfer, at the time the Company's stock transfer agent initiates the transfer of such securities to a brokerage account through Depository Trust Company for the benefit of the Grantee. Any cash payment will be deemed effected when a check from the Company, payable to or at the direction of the Grantee and in the amount equal to the amount of the cash payment, has been delivered personally to or at the direction of the Grantee or deposited in the United States mail, addressed to the Grantee or his or her nominee.

8 . **Nontransferability of Restricted Stock Units.** Restricted Stock Units and any related Unpaid RSU Dividend Equivalents, are not transferable (either voluntarily or involuntarily and whether by sale, assignment, gift, pledge, exchange or otherwise) before or after the Grantee's death, except as follows: (a) during the Grantee's lifetime, pursuant to a domestic relations order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Plan Administrator; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Restricted Stock Units are transferred in accordance with the provisions of the preceding sentence shall take such Restricted Stock Units and any related Unpaid RSU Dividend Equivalents subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Certificates representing Restricted Stock Units that have vested may be delivered (or, in the case of book entry registration, registered) only to the Grantee (or during the Grantee's lifetime, to the Grantee's court appointed legal representative) or to a person to whom the Restricted Stock Units have been transferred in accordance with this Section.

9. **Adjustments.**

(a) The Restricted Stock Units and any related Unpaid RSU Dividend Equivalents will be subject to adjustment pursuant to Section 4.2 of the Plan in such manner as the Plan Administrator, in its sole discretion, deems equitable and appropriate in connection with the occurrence following the Grant Date of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase following the Grant Date, the Restricted Stock Units and any related Unpaid RSU Dividend Equivalents may become vested in accordance with Section 10.1(b) of the Plan.

10. **Company's Rights.** The existence of this Agreement will not affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.16 of the Plan.

11. **Restrictions Imposed by Law.** Without limiting the generality of Section 10.8 of the Plan, the Company shall not be obligated to deliver any shares of Common Stock represented by vested Restricted Stock Units or securities constituting any Unpaid RSU Dividend Equivalents if counsel to the Company determines that the issuance or delivery thereof would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock or such other securities are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock represented by vested Restricted Stock Units or securities constituting any Unpaid RSU Dividend Equivalents to comply with any such law, rule, regulation, or agreement. Any certificates representing any such securities issued or delivered under this Agreement may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws.

12. **Mandatory Withholding for Taxes.** To the extent that the Company or any Subsidiary of the Company is subject to withholding tax requirements under any national, state, local or other governmental law with respect to the award of the Restricted Stock Units to the Grantee or the vesting thereof, or the designation of any RSU Dividend Equivalents as payable or distributable or the payment or distribution thereof, the Grantee must make arrangements satisfactory to the Company to make payment to the Company or its designee of the amount required to be withheld under such tax laws, as determined by the Company (collectively, the “Required Withholding Amount”). To the extent such withholding is required because the Grantee vests in some or all of the Restricted Stock Units and any related RSU Dividend Equivalents, the Company shall withhold (a) from the shares of Common Stock represented by vested Restricted Stock Units and otherwise deliverable to the Grantee a number of shares of the applicable type of Common Stock and/or (b) from any related RSU Dividend Equivalents otherwise deliverable to the Grantee an amount of such RSU Dividend Equivalents, which collectively have a value (or, in the case of securities withheld, a Fair Market Value) equal to the Required Withholding Amount, unless the Grantee remits the Required Withholding Amount to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. Notwithstanding any other provisions of this Agreement, the delivery of any shares of Common Stock represented by vested Restricted Stock Units and any related RSU Dividend Equivalents may be postponed until any required withholding taxes have been paid to the Company.

13. **Notice.** Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the Company’s then current headquarters, which as of the Grant Date is the address specified for the Company on Schedule I hereto. Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to the Grantee’s address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

14. **Amendment.** Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Plan Administrator as contemplated by Section 10.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

- (a) this Agreement may be amended or supplemented from time to time as approved by the Plan Administrator (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company’s stockholders, and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby, (iii) to reform the Award made hereunder as contemplated by Section 10.17 of the Plan or to exempt the Award made hereunder from

coverage under Code Section 409A, or (iv) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Restricted Stock Units granted under this Agreement may be canceled by the Plan Administrator and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Restricted Stock Units that are then vested.

15. **Grantee Employment or Status as a Nonemployee Director.** Nothing contained in the Plan or this Agreement, and no action of the Company or the Plan Administrator with respect thereto, shall confer or be construed to confer on the Grantee any right to continue in the employ of the Company or any Subsidiary or as a Nonemployee Director, or interfere in any way with the right of the Company or any employing Subsidiary (or the Company's stockholders in the case of a Nonemployee Director) to terminate the Grantee's employment or service, as applicable, at any time, with or without Cause, subject to the provisions of any employment or consulting agreement between the Grantee and the Company or any Subsidiary, or in the case of a Nonemployee Director, to the charter and bylaws of the Company, as the same may be in effect from time to time.

16. **Nonalienation of Benefits.** Except as provided in Section 8 and prior to the vesting of any Restricted Stock Unit, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

17. **Governing Law.** This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

18. **Construction.** References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to "Sections" in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Plan Administrator upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

19. **Rules by Plan Administrator.** The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Plan Administrator may adopt from time to time.

20. **Entire Agreement.** This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 16 of this Agreement, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

21. **Grantee Acknowledgment.** The Grantee will signify acknowledgment of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company.

22. **Code Section 409A Compliance.** To the extent that Section 409A of the Code or the related regulations and Treasury pronouncements ("Section 409A") are applicable to the Grantee in connection with the Award, the Award is subject to the provisions of Section 10.17 of the Plan regarding Section 409A.

23. **Administrative Blackouts.** In addition to its other powers under the Plan, the Plan Administrator has the authority to suspend any transactions under the Plan as it deems necessary or appropriate for administrative reasons.

24. **Stock Ownership Guidelines.** This Award may be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

* * * * *

**[FOR GRANTS TO NEDS; QVC US AND FOREIGN EMPLOYEES;
AND ZULILY EMPLOYEES.]**

**Schedule I
to Liberty Interactive Corporation
Restricted Stock Units Agreement
[NDU][QRU][QRX][ZRU]_____**

Grant Date: _____, 201_

Issuer/Company: Liberty Interactive Corporation, a Delaware corporation

Plan: Liberty Interactive Corporation 2016 Omnibus Incentive Plan, as the same may be amended from time to time

Plan Administrator: **[QRU, QRX, ZRU: The Compensation Committee of the Board of Directors of the Company appointed by the Board of Directors of the Company pursuant to Section 3.1 of the Plan to administer the Plan] [NDU: The Board of Directors of the Company]**

Global Addendum: **[INCLUDE ONLY IN STANDARD RSU AGREEMENT FOR QVC FOREIGN EMPLOYEES.]**

The terms and conditions of the Agreement governing the RSUs are amended by the Addendum to the Company's Restricted Stock Units Agreement for non-U.S. employees, which Addendum is available via the link at the end of the Agreement or in the UBS online library.

Common Stock: Series A QVC Group Common Stock ("QVCA Common Stock"); **and/or Series A Liberty Ventures Common Stock ("LVNTA Common Stock")**, as applicable.]

Vesting Percentage: _____%

Vesting Dates: _____

Additional Provisions Applicable to Grantees who hold the office of **[Vice President][Senior Vice President]** or above as of the Grant **[INCLUDE IN STANDARD RSU AGREEMENT FOR ZULILY EMPLOYEES (AT VP AND ABOVE LEVEL) AND IN STANDARD RSU AGREEMENT FOR QVC U.S. AND FOREIGN EMPLOYEES (AT SVP AND ABOVE LEVEL); DO NOT INCLUDE IN STANDARD RSU AGREEMENT FOR LIC NON-EMPLOYEE DIRECTORS.]**

Date:

Forfeiture for Misconduct and Repayment of Certain Amounts. If (i) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (ii) in the reasonable judgment of the Plan Administrator, (A) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (B) such noncompliance is a result of misconduct on the part of the Grantee, the Grantee will repay to the Company Forfeitable Benefits received by the Grantee during the Misstatement Period in such amount as the Plan Administrator may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Plan Administrator, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. "Forfeitable Benefits" means (i) any and all cash and/or shares of Common Stock received by the Grantee (A) upon the exercise during the Misstatement Period of any SARs held by the Grantee or (B) upon the payment during the Misstatement Period of any Cash Award or Performance Award held by the Grantee, the value of which is determined in whole or in part with reference to the value of Common Stock, and (ii) any proceeds received by the Grantee from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock received by the Grantee upon the exercise, vesting or payment during the Misstatement Period of any Award held by the Grantee. By way of clarification, "Forfeitable Benefits" will not include any shares of Common Stock received upon vesting of any Restricted Stock Units during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. "Misstatement Period" means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement.

Other Clawback Policies:

[INCLUDE IN STANDARD RSU AGREEMENT FOR QVC U.S. AND FOREIGN EMPLOYEES, AND FOR ZULILY EMPLOYEES. DO NOT INCLUDE IN STANDARD RSU AGREEMENT FOR LIC NON-EMPLOYEE DIRECTORS.]

Notwithstanding any other provisions in the Plan, this Award shall be subject to recovery or clawback by the Company under any clawback policy adopted by the Company in accordance with SEC regulations or other applicable law, as amended or superseded from time to time.

Company Notice Address: Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

Data Privacy: **[INCLUDE ONLY IN STANDARD RSU AGREEMENT FOR QVC FOREIGN EMPLOYEES.]**

The following provisions are added to the RSU Agreement as Section 25:

25. Data Privacy.

(a) The Grantee's acceptance hereof shall evidence the Grantee's explicit and unambiguous consent to the collection, use and transfer, in electronic or other form, of the Grantee's personal data by and among, as applicable, the Company and its Subsidiaries and Affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that the Company and its Subsidiaries and Affiliates may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, bonus and employee benefits, nationality, job title and description, any shares of stock or directorships or other positions held in the Company, its Subsidiaries and Affiliates, details of all options, stock appreciation rights, restricted shares, restricted share units or any other entitlement to shares of stock or other Awards granted, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, annual performance objectives, performance reviews and performance ratings, for the purpose of implementing, administering and managing Awards under the Plan ("Data").

(b) The Grantee understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Grantee's country or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the Grantee's local human resources representative. The Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's

participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee may elect to deposit any shares of stock acquired with respect to an Award.

(c) The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that the Grantee may at any time view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. The Grantee understands, however, that refusing or withdrawing the Grantee's consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of a refusal to consent or withdrawal of consent, the Grantee may contact the Grantee's local human resources representative.

FORM OF NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is made as of the date set forth on Schedule I hereto (the “Grant Date”), by and between the issuer identified in Schedule I hereto (the “Company”), and the recipient (the “Grantee”) of an Award of Options granted by the Plan Administrator (as defined in Schedule I hereto) as set forth in this Agreement.

The Company has adopted the incentive plan identified on Schedule I hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and by this reference made a part hereof, for the benefit of eligible persons as specified in the Plan. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Plan Administrator has determined that it would be in the interest of the Company and its stockholders to award Options to the Grantee, subject to the conditions and restrictions set forth herein and in the Plan, in order to provide the Grantee with additional remuneration for services rendered, to encourage the Grantee to remain in the service or employ of the Company or its Subsidiaries and to increase the Grantee’s personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. Definitions. The following terms, when used in this Agreement, have the following meanings:

“Base Price” means , with respect to each type of Common Stock for which Options are granted hereunder, the amount set forth on Schedule I hereto as the Base Price for such Common Stock, which is the Fair Market Value of a share of such Common Stock on the Grant Date.

“Business Day” means any day other than Saturday, Sunday or a day on which banking institutions in Denver, Colorado, are required or authorized to be closed.

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

“Close of Business” means, on any day, 5:00 p.m., Denver, Colorado time.

“Common Stock” has the meaning specified in Schedule I hereto.

“Company” has the meaning specified in the preamble to this Agreement.

“Grant Date” has the meaning specified in the preamble to this Agreement.

“Grantee” has the meaning specified in the preamble to this Agreement.

“Nonemployee Director” has the meaning specified in the Plan.

“Options” has the meaning specified in Section 2.

“Option Share” has the meaning specified in Section 4(c)(i).

“Option Termination Date” has the meaning specified in Schedule I hereto.

“Plan” has the meaning specified in the recitals of this Agreement.

“Plan Administrator” has the meaning specified in Schedule I hereto.

“Required Withholding Amount” has the meaning specified in Section 5.

“Section 409A” has the meaning specified in Section 21.

“Term” has the meaning specified in Section 2.

“Unvested Fractional Option” has the meaning specified in Section 3(b).

“Vesting Date” has the meaning specified in Section 3(a).

“Vesting Percentage” has the meaning specified in Section 3(a).

2. Award. Pursuant to the terms of the Plan and in consideration of the covenants and promises of the Grantee herein contained, the Company hereby awards to the Grantee as of the Grant Date nonqualified stock options to purchase from the Company at the applicable Base Price the number and type of shares of Common Stock authorized by the Plan Administrator and set forth in the notice of online grant delivered to the Grantee pursuant to the Company’s online grant and administration program, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Options”). The Options are exercisable as set forth in Section 3 during the period commencing on the Grant Date and expiring at the Close of Business on the Option Termination Date (the “Term”), subject to earlier termination as provided in Section 7 below. However, if the Term expires when trading in the Common Stock is prohibited by law or the Company’s insider trading policy, then the Term shall expire on the 30th day after the expiration of such prohibition.

3. Conditions of Exercise. Unless otherwise determined by the Plan Administrator in its sole discretion, the Options will be exercisable only in accordance with the conditions stated in this Section 3.

(a) Except as otherwise provided in Section 10.1(b) of the Plan, the Options may be exercised only to the extent they have become exercisable in accordance with the provisions of this Section 3(a) or Section 3(b), and subject to the provisions of Section 3(c). That number of each type of Options that is equal to the fraction or percentage specified on Schedule I hereto (the “Vesting Percentage”) of the total number of such type of Options that are subject to this Agreement, in each case rounded down to the nearest whole number of such type of Options, shall become exercisable on each of the dates specified on Schedule I hereto (each such date, together with any other date on which Options vest pursuant to this Agreement, a “Vesting Date”).

(b) If rounding pursuant to Section 3(a) prevents any portion of an Option from becoming exercisable on a particular Vesting Date (any such portion, an “Unvested Fractional Option”), one additional Option to purchase a share of the type of Common Stock covered by such Option will become exercisable on the earliest succeeding Vesting Date on which the cumulative fractional amount of all Unvested Fractional Options to purchase shares of such type of Common Stock (including any Unvested Fractional Option created on such succeeding Vesting Date) equals or exceeds one whole Option, with any excess treated as an Unvested Fractional Option thereafter subject to the

application of this Section 3(b). Any Unvested Fractional Option comprising part of a whole Option that vests pursuant to the preceding sentence will thereafter cease to be an Unvested Fractional Option.

(c) Notwithstanding the foregoing, (i) in the event that any date on which Options would otherwise become exercisable is not a Business Day, such Options will become exercisable on the first Business Day following such date, (ii) all Options will become exercisable on the date of the Grantee's termination of employment or, if the Grantee is a Nonemployee Director, on the date of the Grantee's termination of service as such if (A) the Grantee's employment with the Company or a Subsidiary or service as a Nonemployee Director, as applicable terminates by reason of Disability or (B) the Grantee dies while employed by the Company or a Subsidiary or while serving as a Nonemployee Director, as applicable, and (iii) if the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause, any unvested Options will become exercisable to the extent, if any, indicated on Schedule I.

(d) To the extent the Options become exercisable, such Options may be exercised in whole or in part (at any time or from time to time, except as otherwise provided herein) until expiration of the Term or earlier termination thereof.

(e) The Grantee acknowledges and agrees that the Plan Administrator, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations from time to time after the date hereof with respect to the exercise of the Options and that the exercise by the Grantee of Options will be subject to the further condition that such exercise is made in accordance with all such rules and regulations as the Plan Administrator may determine are applicable thereto.

4. Manner of Exercise. Options will be considered exercised (as to the number of Options specified in the notice referred to in Section 4(c)(i)) on the latest of (a) the date of exercise designated in the written notice referred to in Section 4(c)(i), (b) if the date so designated is not a Business Day, the first Business Day following such date or (c) the earliest Business Day by which the Company has received all of the following:

(i) Written notice, in such form as the Plan Administrator may require, containing such representations and warranties as the Plan Administrator may require and designating, among other things, the date of exercise and the number and type of shares of Common Stock to be purchased by exercise of Options (each, an "Option Share");

(ii) Payment of the applicable Base Price for each Option Share in any (or a combination) of the following forms: (A) cash, (B) check, (C) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay such Base Price (and, if applicable, the Required Withholding Amount as described in Section 5) or (D) at the option of the Company, the delivery of irrevocable instructions via the Company's online grant and administration program for the Company to withhold the number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay such Base Price (and, if applicable, the

Required Withholding Amount as described in Section 5) that would otherwise be delivered by the Company to the Grantee upon exercise of the Options; and

(iii) Any other documentation that the Plan Administrator may reasonably require.

5. Mandatory Withholding for Taxes. The Grantee acknowledges and agrees that the Company will deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of the applicable Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) that is equal to the amount of all national, federal, state and other governmental taxes required to be withheld by the Company or any Subsidiary of the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. If the Grantee elects to make payment of the applicable Base Price by delivery of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay such Base Price, such instructions may also include instructions to deliver the Required Withholding Amount to the Company. In such case, the Company will notify the broker promptly of its determination of the Required Withholding Amount.

6. Payment or Delivery by the Company. As soon as practicable after receipt of all items referred to in Section 4, and subject to the withholding referred to in Section 5, the Company will deliver or cause to be delivered to the Grantee certificates issued in the Grantee's name for, or cause to be transferred to a brokerage account through Depository Trust Company for the benefit of the Grantee, the number of shares of Common Stock purchased by exercise of Options. Any delivery of shares of Common Stock will be deemed effected for all purposes when certificates representing such shares have been delivered personally to the Grantee or, if delivery is by mail, when the stock transfer agent of the Company has deposited the certificates in the United States mail, addressed to the Grantee or at the time the stock transfer agent initiates transfer of shares to a brokerage account through Depository Trust Company for the benefit of the Grantee, if applicable.

7. Early Termination of Options. Subject to any longer period of exercisability specified in Schedule I hereto, the Options will terminate, prior to the expiration of the Term, at the time specified below:

(a) Subject to Section 7(b), if the Grantee's employment with the Company or a Subsidiary is terminated or, if the Grantee is a Nonemployee Director, if the Grantee's service to the Company as such is terminated, in each case other than (i) by the Company or such Subsidiary for Cause, or (ii) by reason of death or Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the 90-day period that began on the date of termination of the Grantee's employment, or, in the case of a Nonemployee Director, at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of termination of the Grantee's service as a Nonemployee Director.

(b) If the Grantee dies while employed by the Company or a Subsidiary or while serving as a Nonemployee Director, as applicable, or prior to the expiration of a period of time following termination of the Grantee's employment or service during which the Options remain exercisable as provided in Section 7(a) or Section 7(c), as applicable, the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of the Grantee's death .

(c) Subject to Section 7(b), if the Grantee's employment with the Company or a Subsidiary terminates by reason of Disability, or, if the Grantee is a Nonemployee Director, if the Grantee's service to the Company as such is terminated by reason of Disability, then the Options will terminate at the Close of Business on the first Business Day following the expiration of the one-year period that began on the date of termination of the Grantee's employment or service.

(d) If the Grantee's employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary for Cause, or, if the Grantee is a Nonemployee Director, if the Grantee's service to the Company as such is terminated by the Company for Cause, then the Options will terminate immediately upon such termination of the Grantee's employment or service.

In any event in which Options remain exercisable for a period of time following the date of termination of the Grantee's employment or service as provided above or on Schedule I, the Options may be exercised during such period of time only to the extent the same were exercisable as provided in Section 3 effective as of such date of termination of the Grantee's employment or service. Notwithstanding any period of time referenced in this Section 7 or any other provision of this Section 7 that may be construed to the contrary, the Options will in any event terminate upon the expiration of the Term.

Unless the Plan Administrator otherwise determines, a change of the Grantee's employment from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of the Grantee's employment for purposes of this Agreement if such change of employment is made at the request or with the express consent of the Company. Unless the Plan Administrator otherwise determines, however, any such change of employment that is not made at the request or with the express consent of the Company will be a termination of the Grantee's employment within the meaning of this Agreement.

8. Nontransferability. Options are not transferable (either voluntarily or involuntarily), before or after the Grantee's death, except as follows: (a) during Grantee's lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Plan Administrator; or (b) after the Grantee's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Options are transferred in accordance with the provisions of the preceding sentence shall take such Options subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to the Grantee. Options are exercisable only by the Grantee (or, during the Grantee's lifetime, by the Grantee's court appointed legal representative) or a person to whom the Options have been transferred in accordance with this Section.

9. No Stockholder Rights. Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, the Grantee will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by the Options, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.16 of the Plan.

10. Adjustments.

(a) The Options will be subject to adjustment (including, without limitation, as to the Base Price) in such manner as the Plan Administrator, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

(b) In the event of any Approved Transaction, Board Change or Control Purchase following the Grant Date, the Options may become exercisable in accordance with Section 10.1(b) of the Plan.

11. Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, the Grantee will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement.

12. Notice. Unless the Company notifies the Grantee in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the address specified for the Company in Schedule I hereto. Unless the Company elects to notify the Grantee electronically pursuant to the online grant and administration program or via email, any notice or other communication to the Grantee with respect to this Agreement will be in writing and will be delivered personally, or will be sent by first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from the Grantee of a change of address.

13. Amendment. Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Plan Administrator as contemplated by Section 10.7(b) of the Plan. Without limiting the generality of the foregoing, without the consent of the Grantee:

(a) this Agreement may be amended or supplemented from time to time as approved by the Plan Administrator (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for the benefit of the Grantee or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect the rights of the Grantee with respect to the Award evidenced hereby or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Plan Administrator and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options to the extent then exercisable.

14. Grantee Employment or Status as a Nonemployee Director. Nothing contained in the Plan or this Agreement, and no action of the Company or the Plan Administrator with respect thereto, will confer or be construed to confer on the Grantee any right to continue in the employ of the Company or any Subsidiary or as a Nonemployee Director or interfere in any way with the right of the Company or any employing Subsidiary (or the Company's stockholders in the case of a Nonemployee Director) to terminate the Grantee's employment or service, as applicable, at any time, with or without Cause, subject to the provisions of any employment or consulting agreement between the Grantee and the Company or any Subsidiary, or in the case of a Nonemployee Director, to the charter and bylaws of the Company, as the same may be in effect from time to time.

15. Nonalienation of Benefits. Except as provided in Section 8, (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of the Grantee or other person entitled to such benefits.

16. Governing Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Colorado. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

17. Construction. References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules appended hereto, including the Plan. All references to "Sections" in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Plan Administrator upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

18. Rules by Plan Administrator. The rights of the Grantee and the obligations of the Company hereunder will be subject to such reasonable rules and regulations as the Plan Administrator may adopt from time to time.

19. Entire Agreement. This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and the Grantee regarding the subject matter hereof. The Grantee and the Company hereby declare and represent that no promise or agreement not herein expressed has been made and that this Agreement contains the entire agreement between the

parties hereto with respect to the Award and replaces and makes null and void any prior agreements between the Grantee and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 and 15, this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

20. Grantee Acknowledgment. The Grantee will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company.

21. Code Section 409A Compliance. To the extent that Section 409A of the Code or the related regulations and Treasury pronouncements (“Section 409A”) are applicable to the Grantee in connection with the Award, this Award is subject to the provisions of Section 10.17 of the Plan regarding Section 409A.

22. Administrative Blackouts. In addition to its other powers under the Plan, the Plan Administrator has the authority to suspend (i) the exercise of Options and (ii) any other transactions under the Plan as it deems necessary or appropriate for administrative reasons.

23. Stock Ownership Guidelines. This Award may be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

Schedule I
to Liberty Interactive Corporation
Nonqualified Stock Option Agreement
NND _____

Grant Date: _____, 201_

Issuer/Company: Liberty Interactive Corporation, a Delaware corporation

Plan: Liberty Interactive Corporation 2016 Omnibus Incentive Plan, as may be further amended from time to time

Plan Administrator: The Board of Directors of the Company

Common Stock: Series A QVC Group Common Stock (“QVCA Common Stock”); and/or Series A Liberty Ventures Common Stock (“LVNTA Common Stock”), as applicable.

Option Termination Date: The [7th][10th] anniversary of the Grant Date.

Base Price: QVCA Common Stock: \$ _____
LVNTA Common Stock: \$ _____

Vesting Percentage: _____%

Vesting Dates: _____

Company Notice Address: Liberty Interactive Corporation
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

CERTIFICATION

I, Gregory B. Maffei, certify that:

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

Date: November 9, 2017

/s/ GREGORY B. MAFFEI

Gregory B. Maffei

President and Chief Executive Officer

CERTIFICATION

I, Mark D. Carleton, certify that:

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

Date: November 9, 2017

/s/ MARK D. CARLETON

Mark D. Carleton
Chief Financial Officer

Certification

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

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

The Quarterly Report on Form 10-Q for the period ended September 30, 2017 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2017

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Date: November 9, 2017

/s/ MARK D. CARLETON

Mark D. Carleton
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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

Unaudited Attributed Financial Information for Tracking Stock Groups

The information herein relates to Liberty Interactive Corporation and its controlled subsidiaries (collectively “Liberty,” the “Company,” “Consolidated Liberty,” “us,” “we,” or “our” unless the context otherwise requires).

The following tables present our assets and liabilities as of September 30, 2017, revenue and expenses for three and nine months ended September 30, 2017 and 2016 and cash flows for the nine months ended September 30, 2017 and 2016. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the QVC Group and the Ventures Group, respectively. The financial information in this Exhibit should be read in conjunction with our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2017 included in this Quarterly Report on Form 10-Q.

The QVC Group common stock is intended to reflect the separate performance of our QVC Group which is comprised of our consolidated subsidiaries, QVC, Inc. (“QVC”) and zulily, llc (“zulily”), and our approximate 38% interest in HSN, Inc. (“HSN”). Liberty Ventures common stock is intended to reflect the separate performance of our Ventures Group which is comprised primarily of our interests in Evite, Inc. (“Evite”), CommerceHub, Inc. (“CommerceHub”) (through July 22, 2016) (see note 3 of the accompanying condensed consolidated financial statements) and Bodybuilding.com, LLC (“Bodybuilding”) (through November 4, 2016) (see note 3 of the accompanying condensed consolidated financial statements). The Ventures Group also holds ownership interests in FTD Companies, Inc. (“FTD”), HSN and LendingTree, Inc. (“LendingTree”), which we account for as equity method investments; an interest in Liberty Broadband Corporation (“Liberty Broadband”), which we account for at fair value; and investments and related financial instruments in public companies such as Charter Communications, Inc. (“Charter”), ILG, Inc. (“ILG”) and Time Warner Inc. (“Time Warner”), which are accounted for at their respective fair market values.

As discussed in note 1 of the accompanying condensed consolidated financial statements, on July 22, 2016, Liberty completed the spin-off (the “CommerceHub Spin-Off”) of its former wholly-owned subsidiary, CommerceHub. See discussion in note 3 of the accompanying condensed consolidated financial statements regarding discontinued operations treatment for the CommerceHub Spin-Off.

As discussed in note 1 of the accompanying condensed consolidated financial statements, on November 4, 2016, Liberty completed the split-off (the “Expedia Holdings Split-Off”) of Liberty Expedia Holdings, Inc. (“Expedia Holdings”). At the time of the Expedia Holdings Split-Off, Expedia Holdings was comprised of, among other things, Liberty’s former interest in Expedia, Inc., Liberty’s former wholly-owned subsidiary Bodybuilding and \$350 million in indebtedness. See discussion in note 3 of the accompanying condensed consolidated financial statements regarding discontinued operations treatment for the Expedia Holdings Split-Off.

As discussed in note 2 of the accompanying condensed consolidated financial statements, on April 4, 2017, Liberty entered into an Agreement and Plan of Reorganization (the “GCI Reorganization Agreement” and the transactions contemplated thereby, the “Transactions”) with General Communication, Inc. (“GCI”), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty (“LI LLC”), whereby Liberty will acquire GCI through a reorganization in which certain Ventures Group assets and liabilities will be contributed to GCI in exchange for a controlling interest in GCI. Liberty and LI LLC will contribute to GCI Liberty (as defined below) its entire equity interest in Liberty Broadband and Charter, along with, subject to certain exceptions, Liberty’s entire equity interests in FTD and LendingTree, together with the Evite operating business and certain other assets and liabilities, in exchange for (a) the issuance to LI LLC of (i) a number of shares of reclassified GCI Class A Common Stock and a number of shares of reclassified GCI Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, and (ii) cash, and (b) the assumption of certain liabilities by GCI Liberty (the “Contribution”).

Liberty will then effect a tax-free separation of its controlling interest in the combined company (to be named GCI Liberty, Inc. (“GCI Liberty”)) to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock, leaving QVC Group common stock as the only outstanding common stock of Liberty. Holders of GCI Class A Common Stock and GCI Class B Common Stock each will receive (i) 0.63 of a share of reclassified GCI Class A Common Stock and (ii) 0.20 of a share of new GCI Series A preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of \$32.50 per share for the existing GCI common stock, comprised of \$27.50 per share in reclassified GCI Class A Common Stock and \$5.00 per share in newly issued GCI Preferred Stock, and a Liberty Ventures reference price of \$43.65 (with no additional premium paid for shares of GCI Class B Common Stock). The Series A preferred shares will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing.

At the closing of the Transactions, Liberty will reattribute certain assets and liabilities from the Ventures Group to the QVC Group (the “Reattribution”). The reattributed assets and liabilities, if effected as of the date hereof, would include cash, Liberty’s interest in ILG, Inc., certain green energy investments, LI LLC’s exchangeable debentures and certain tax benefits. Pursuant to a recent amendment to the reorganization agreement, LI LLC’s 1.75% Exchangeable Debentures due 2046 (the “1.75% Exchangeable Debentures”) will not be subject to a pre-closing exchange offer and will instead be reattributed to the QVC Group, along with (i) an amount of cash equal to

the net present value of the adjusted principal amount of such 1.75% Exchangeable Debentures (determined as if paid on October 5, 2023) and stated interest payments on the 1.75% Exchangeable Debentures to October 5, 2023 and (ii) an indemnity obligation from GCI Liberty with respect to any payments made by LI LLC in excess of stated principal and interest to any holder that exercises its exchange right under the terms of the debentures through October 5, 2023. The cash reattributed to the QVC Group will be funded by available cash attributable to Liberty's Ventures Group and the proceeds of a margin loan facility in an initial principal amount of up to \$1 billion. Within six months of the closing, Liberty, LI LLC and GCI Liberty will cooperate with, and reasonably assist each other with respect to, the commencement and consummation of a purchase offer (the "Purchase Offer") whereby LI LLC will offer to purchase, either pursuant to privately negotiated transactions or a tender offer, the 1.75% Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify LI LLC for each 1.75% Exchangeable Debenture repurchased by LI LLC in the Purchase Offer in an amount equal to the difference between (x) the purchase price paid by LI LLC to acquire such 1.75% Exchangeable Debenture in the Purchase Offer and (y) the sum of the amount of cash reattributed with respect to such purchased 1.75% Exchangeable Debenture in the reattribution plus the amount of certain tax benefits attributable to such 1.75% Exchangeable Debenture so purchased. GCI Liberty's indemnity obligation with respect to payments made upon a holder's exercise of its exchange right will be eliminated as to any 1.75% Exchangeable Debentures purchased in the Purchase Offer. Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated during the first quarter of 2018, subject to the satisfaction of customary closing conditions and the requisite stockholder approvals.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the QVC 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 QVC Group 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 QVC Group common stock and Liberty Ventures common stock does not affect the rights of our creditors or creditors of our subsidiaries.

On July 6, 2017, Liberty announced that it had entered into an Agreement and Plan of Merger, dated as of July 5, 2017 (the "HSN Merger Agreement"), by and among Liberty, Liberty Horizon, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Liberty ("Merger Sub"), and HSN. Pursuant to the terms of the HSN Merger Agreement, Merger Sub will merge with and into HSN, with HSN surviving as a wholly-owned subsidiary of Liberty (the "HSN Merger"). As a result of the HSN Merger, Liberty will acquire the approximately 62% of HSN it does not already own in an all-stock transaction, making HSN a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. Liberty currently owns approximately 38% of HSN. HSN shareholders (other than Liberty) will receive fixed consideration of 1.65 shares of Series A QVC Group common stock for each share of HSN common stock. Based on the Series A QVC Group common stock's closing price as of July 5, 2017 and the number of HSN undiluted shares outstanding as of May 1, 2017, this equates to a total enterprise value for HSN of \$2.6 billion, an equity value of \$2.1 billion, and consideration of \$40.36 per HSN share, representing a premium of approximately 29% to HSN shareholders, based on HSN's closing price on July 5, 2017. Liberty intends to issue 53.4 million shares of Series A QVC Group common stock to HSN shareholders.

The HSN Merger is expected to be completed by the fourth quarter of 2017. The completion of the acquisition is subject to certain customary conditions, including approval by a majority of the outstanding voting power of HSN shareholders. A voting agreement has been obtained from Liberty to vote its HSN shares in favor of the transaction. Approval of the Liberty stockholders is not required, and is not being sought, for the HSN Merger. Upon closing, Liberty's board of directors will be expanded by one to include a director from HSN's board of directors; this director will be selected by Liberty.

As discussed above, the Transactions are expected to close in the first quarter of 2018. Simultaneous with that closing, QVC Group, including wholly-owned subsidiaries QVC, Inc., zulily and HSN (or, if the HSN acquisition has not yet closed, following such closing), will become an asset-backed stock and Liberty will be renamed QVC Group, Inc. Neither the Transactions nor the HSN Merger is conditioned on the completion of the other, and no assurance can be given as to which of these transactions will be completed first.

SUMMARY ATTRIBUTED FINANCIAL DATA

QVC Group

	September 30, 2017		December 31, 2016		
	amounts in millions				
Summary balance sheet data:					
Current assets	\$	2,567		2,642	
Investments in affiliates, accounted for using the equity method	\$	236		224	
Intangible assets not subject to amortization, net	\$	9,396		9,325	
Total assets	\$	13,980		14,357	
Long-term debt, including current portion	\$	6,175		6,375	
Deferred income tax liabilities	\$	1,024		1,116	
Net assets attributable to QVC Group common stock shareholders	\$	4,871		4,860	
	Three months ended		Nine months ended		
	September 30,		September 30,		
	2017	2016	2017	2016	
	amounts in millions				
Summary operations data:					
Revenue	\$	2,375	2,303	7,044	7,094
Cost of sales		1,554	1,504	4,553	4,577
Operating expenses		156	152	452	462
Selling, general and administrative expenses (1)		267	261	738	786
Depreciation and amortization		180	219	592	642
Operating income (loss)		218	167	709	627
Interest expense		(73)	(73)	(222)	(220)
Share of earnings (losses) of affiliates, net		11	8	31	38
Realized and unrealized gains (losses) on financial instruments, net		1	(6)	—	(2)
Other income (expense), net		5	6	(5)	31
Income tax benefit (expense)		(31)	(32)	(159)	(161)
Net earnings (loss)		131	70	354	313
Less net earnings (loss) attributable to noncontrolling interests		12	9	33	28
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$	119	61	321	285

(1) Includes stock-based compensation of \$18 million and \$20 million for the three months ended September 30, 2017 and 2016, respectively, and \$48 million and \$57 million for the nine months ended September 30, 2017 and 2016, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA (Continued)

Ventures Group

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	amounts in millions	
Summary balance sheet data:		
Cash and cash equivalents	\$ 512	487
Investments in available-for-sale securities and other cost investments	\$ 2,477	1,918
Investments in affiliates, accounted for using the equity method	\$ 337	357
Investment in Liberty Broadband measured at fair value	\$ 4,068	3,161
Total assets	\$ 7,467	5,998
Long-term debt, including current portion	\$ 1,886	1,667
Deferred income tax liabilities	\$ 2,991	2,520
Net assets attributable to Liberty Ventures common stock shareholders	\$ 2,583	1,912

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	amounts in millions			
Summary operations data:				
Revenue	\$ 6	109	16	391
Cost of sales	—	71	—	245
Operating	4	13	9	50
Selling, general and administrative expenses (1)	12	29	39	106
Depreciation and amortization	—	6	2	21
Operating income (loss)	(10)	(10)	(34)	(31)
Interest expense	(15)	(19)	(45)	(57)
Share of earnings (losses) of affiliates, net	(97)	(30)	(153)	(59)
Realized and unrealized gains (losses) on financial instruments, net	368	612	1,186	944
Other, net	2	(14)	6	99
Income tax benefit (expense)	(71)	(158)	(303)	(279)
Earnings (loss) from continuing operations	177	381	657	617
Earnings (loss) from discontinued operations, net of taxes	—	27	—	14
Net earnings (loss)	177	408	657	631
Less net earnings (loss) attributable to noncontrolling interests	—	—	—	—
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 177	408	657	631

- (1) Includes stock-based compensation of \$4 million and zero for the three months ended September 30, 2017 and 2016, respectively, and \$11 million and \$18 million for the nine months ended September 30, 2017 and 2016, respectively.

BALANCE SHEET INFORMATION

September 30, 2017

(unaudited)

	<u>Attributed (note 1)</u>		<u>Consolidated Liberty</u>
	<u>QVC Group</u>	<u>Ventures Group</u>	
	amounts in millions		
Assets			
Current assets:			
Cash and cash equivalents	\$ 383	512	895
Trade and other receivables, net	908	37	945
Inventory, net	1,197	—	1,197
Other current assets	79	2	81
Total current assets	2,567	551	3,118
Investments in available-for-sale securities and other cost investments (note 2)	4	2,477	2,481
Investments in affiliates, accounted for using the equity method (note 3)	236	337	573
Investment in Liberty Broadband measured at fair value (note 3)	—	4,068	4,068
Property and equipment, net	1,116	1	1,117
Intangible assets not subject to amortization	9,396	29	9,425
Intangible assets subject to amortization, net	631	4	635
Other assets, at cost, net of accumulated amortization	30	—	30
Total assets	\$ 13,980	7,467	21,447
Liabilities and Equity			
Current liabilities:			
Intergroup payable (receivable) (note 7)	\$ 46	(46)	—
Accounts payable	833	—	833
Accrued liabilities	621	20	641
Current portion of debt (note 4)	17	994	1,011
Other current liabilities	158	3	161
Total current liabilities	1,675	971	2,646
Long-term debt (note 4)	6,158	892	7,050
Deferred income tax liabilities	1,024	2,991	4,015
Other liabilities	137	40	177
Total liabilities	8,994	4,894	13,888
Equity/Attributed net assets (liabilities)	4,871	2,583	7,454
Noncontrolling interests in equity of subsidiaries	115	(10)	105
Total liabilities and equity	\$ 13,980	7,467	21,447

STATEMENT OF OPERATIONS INFORMATION

Three months ended September 30, 2017

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
Total revenue, net	\$ 2,375	6	2,381
Operating costs and expenses:			
Cost of sales	1,554	—	1,554
Operating	156	4	160
Selling, general and administrative, including stock-based compensation (note 5)	267	12	279
Depreciation and amortization	180	—	180
	<u>2,157</u>	<u>16</u>	<u>2,173</u>
Operating income (loss)	218	(10)	208
Other income (expense):			
Interest expense	(73)	(15)	(88)
Share of earnings (losses) of affiliates, net (note 3)	11	(97)	(86)
Realized and unrealized gains (losses) on financial instruments, net	1	368	369
Other, net	5	2	7
	<u>(56)</u>	<u>258</u>	<u>202</u>
Earnings (loss) from continuing operations before income taxes	162	248	410
Income tax benefit (expense)	(31)	(71)	(102)
Net earnings (loss)	131	177	308
Less net earnings (loss) attributable to noncontrolling interests	12	—	12
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ <u>119</u>	<u>177</u>	<u>296</u>

STATEMENT OF OPERATIONS INFORMATION

Three months ended September 30, 2016

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
Total revenue, net	\$ 2,303	109	2,412
Operating costs and expenses:			
Cost of sales	1,504	71	1,575
Operating	152	13	165
Selling, general and administrative, including stock-based compensation (note 5)	261	29	290
Depreciation and amortization	219	6	225
	<u>2,136</u>	<u>119</u>	<u>2,255</u>
Operating income (loss)	167	(10)	157
Other income (expense):			
Interest expense	(73)	(19)	(92)
Share of earnings (losses) of affiliates, net (note 3)	8	(30)	(22)
Realized and unrealized gains (losses) on financial instruments, net	(6)	612	606
Other, net	6	(14)	(8)
	<u>(65)</u>	<u>549</u>	<u>484</u>
Earnings (loss) from continuing operations before income taxes	102	539	641
Income tax benefit (expense)	(32)	(158)	(190)
Net earnings (loss) from continuing operations	70	381	451
Earnings (loss) from discontinued operations	—	27	27
Net earnings (loss)	70	408	478
Less net earnings (loss) attributable to noncontrolling interests	9	—	9
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 61	408	469

STATEMENT OF OPERATIONS INFORMATION

Nine months ended September 30, 2017

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
Total revenue, net	\$ 7,044	16	7,060
Operating costs and expenses:			
Cost of sales	4,553	—	4,553
Operating, including stock-based compensation (note 5)	452	9	461
Selling, general and administrative, including stock-based compensation (note 5)	738	39	777
Depreciation and amortization	592	2	594
	6,335	50	6,385
Operating income (loss)	709	(34)	675
Other income (expense):			
Interest expense	(222)	(45)	(267)
Share of earnings (losses) of affiliates, net (note 3)	31	(153)	(122)
Realized and unrealized gains (losses) on financial instruments, net	—	1,186	1,186
Other, net	(5)	6	1
	(196)	994	798
Earnings (loss) from continuing operations before income taxes	513	960	1,473
Income tax benefit (expense)	(159)	(303)	(462)
Net earnings (loss)	354	657	1,011
Less net earnings (loss) attributable to noncontrolling interests	33	—	33
Net earnings (loss) attributable to Liberty stockholders	\$ 321	657	978

STATEMENT OF OPERATIONS INFORMATION

Nine months ended September 30, 2016

(unaudited)

	<u>Attributed (note 1)</u>		<u>Consolidated Liberty</u>
	<u>QVC Group</u>	<u>Ventures Group</u>	
	amounts in millions		
Total revenue, net	\$ 7,094	391	7,485
Operating costs and expenses:			
Cost of sales	4,577	245	4,822
Operating, including stock-based compensation	462	50	512
Selling, general and administrative, including stock-based compensation (note 5)	786	106	892
Depreciation and amortization	642	21	663
	<u>6,467</u>	<u>422</u>	<u>6,889</u>
Operating income (loss)	627	(31)	596
Other income (expense):			
Interest expense	(220)	(57)	(277)
Share of earnings (losses) of affiliates, net (note 3)	38	(59)	(21)
Realized and unrealized gains (losses) on financial instruments, net	(2)	944	942
Other, net	31	99	130
	<u>(153)</u>	<u>927</u>	<u>774</u>
Earnings (loss) from continuing operations before income taxes	474	896	1,370
Income tax benefit (expense)	(161)	(279)	(440)
Net earnings (loss) from continuing operations	313	617	930
Net earnings (loss) from discontinued operations	—	14	14
Net earnings (loss)	313	631	944
Less net earnings (loss) attributable to noncontrolling interests	28	—	28
Net earnings (loss) attributable to Liberty stockholders	<u>\$ 285</u>	<u>631</u>	<u>916</u>

STATEMENT OF CASH FLOWS INFORMATION
Nine months ended September 30, 2017

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	\$ 354	657	1,011
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	592	2	594
Stock-based compensation	48	11	59
Share of (earnings) losses of affiliates, net	(31)	153	122
Cash receipts from return on equity investments	21	—	21
Realized and unrealized (gains) losses on financial instruments, net	—	(1,186)	(1,186)
Deferred income tax (benefit) expense	(115)	471	356
Other, net	7	1	8
Intergroup tax allocation	167	(167)	—
Intergroup tax (payments) receipts	(231)	231	—
Changes in operating assets and liabilities			
Current and other assets	152	9	161
Payables and other current liabilities	(63)	(4)	(67)
Net cash provided (used) by operating activities	<u>901</u>	<u>178</u>	<u>1,079</u>
Cash flows from investing activities:			
Investment in and loans to cost and equity investees	—	(140)	(140)
Capital expended for property and equipment	(124)	(2)	(126)
Other investing activities, net	(35)	(1)	(36)
Net cash provided (used) by investing activities	<u>(159)</u>	<u>(143)</u>	<u>(302)</u>
Cash flows from financing activities:			
Borrowings of debt	1,689	—	1,689
Repayments of debt	(1,906)	(11)	(1,917)
Repurchases of QVC Group common stock	(452)	—	(452)
Withholding taxes on net settlements of stock-based compensation	(13)	(1)	(14)
Other financing activities, net	(28)	2	(26)
Net cash provided (used) by financing activities	<u>(710)</u>	<u>(10)</u>	<u>(720)</u>
Effect of foreign currency rates on cash	13	—	13
Net increase (decrease) in cash and cash equivalents	45	25	70
Cash and cash equivalents at beginning of period	338	487	825
Cash and cash equivalents at end period	<u>\$ 383</u>	<u>512</u>	<u>895</u>

STATEMENT OF CASH FLOWS INFORMATION

Nine months ended September 30, 2016

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	\$ 313	631	944
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	—	(14)	(14)
Depreciation and amortization	642	21	663
Stock-based compensation	57	18	75
Cash payments for stock based compensation	—	(92)	(92)
Share of losses (earnings) of affiliates, net	(38)	59	21
Cash receipts from return on equity investments	21	3	24
Realized and unrealized (gains) losses on financial instruments, net	2	(944)	(942)
Deferred income tax (benefit) expense	(167)	589	422
Other, net	31	(77)	(46)
Intergroup tax allocation	301	(301)	—
Intergroup tax (payments) receipts	(224)	224	—
Changes in operating assets and liabilities			
Current and other assets	312	37	349
Payables and other current liabilities	(357)	(27)	(384)
Net cash provided (used) by operating activities	893	127	1,020
Cash flows from investing activities:			
Cash proceeds from dispositions	—	350	350
Investments in and loans to cost and equity investees	—	(67)	(67)
Capital expended for property and equipment	(158)	(19)	(177)
Purchases of short term and other marketable securities	—	(264)	(264)
Sales of short term and other marketable securities	12	1,162	1,174
Investment in Liberty Broadband	—	(2,400)	(2,400)
Other investing activities, net	(11)	(3)	(14)
Net cash provided (used) by investing activities	(157)	(1,241)	(1,398)
Cash flows from financing activities:			
Borrowings of debt	1,143	1,545	2,688
Repayments of debt	(1,340)	(2,289)	(3,629)
Repurchases of QVC Group common stock	(603)	—	(603)
Withholding taxes on net settlements of stock-based compensation	(15)	(1)	(16)
Other financing activities, net	(6)	(22)	(28)
Net cash provided (used) by financing activities	(821)	(767)	(1,588)
Effect of foreign currency rates on cash	7	—	7
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	—	15	15
Cash provided (used) by investing activities	—	—	—
Cash provided (used) by financing activities	—	—	—
Change in available cash held by discontinued operations	—	—	—
Net cash provided (used) by discontinued operations	—	15	15
Net increase (decrease) in cash and cash equivalents	(78)	(1,866)	(1,944)
Cash and cash equivalents at beginning of period	426	2,023	2,449
Cash and cash equivalents at end period	\$ 348	157	505

Notes to Attributed Financial Information

(unaudited)

- (1) At September 30, 2017, the QVC Group is comprised of our consolidated subsidiaries, QVC and zulily, and our approximate 38% interest in HSN, accounted for under the equity method. Accordingly, the accompanying attributed financial information for the QVC Group includes the foregoing investment, as well as the assets, liabilities, revenue, expenses and cash flows of QVC and zulily. We have also attributed certain of our debt obligations (and related interest expense) to the QVC Group based upon a number of factors, including the cash flow available to the QVC Group and its ability to pay debt service and our assessment of the optimal capitalization for the QVC Group. The specific debt obligations attributed to each of the QVC Group and the Ventures Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the QVC Group and the Ventures Group as described in note 5 below.

At September 30, 2017, the QVC Group is primarily comprised of our merchandise-focused televised shopping programs, Internet and mobile application 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 QVC Group.

At September 30, 2017, the Ventures Group consists of all of our businesses not included in the QVC Group, including Evite, FTD, LendingTree, and Liberty Broadband and available-for-sale securities Charter, ILG, and Time Warner. 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 Evite. 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 QVC Group will be attributed to the Ventures Group.

As discussed in note 1 to the accompanying condensed consolidated financial statements, on May 18, 2016, Liberty completed a \$2.4 billion investment in Liberty Broadband in connection with the merger of Charter and Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of \$5 billion of stock in the new public parent company of the combined enterprises. Liberty, along with third party investors, all of whom invested on the same terms as Liberty, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of \$56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed. Liberty's investment in Liberty Broadband was funded using cash on hand and is attributed to the Ventures Group.

As discussed in note 2 to the accompanying condensed consolidated financial statements, on April 4, 2017, Liberty entered into an Agreement and Plan of Reorganization (the "GCI Reorganization Agreement" and the transactions contemplated thereby, the "Transactions") with General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty ("LI LLC"), whereby Liberty will acquire GCI through a reorganization in which certain Ventures Group assets and liabilities will be contributed to GCI in exchange for a controlling interest in GCI. Liberty and LI LLC will contribute to GCI Liberty (as defined below) its entire equity interest in Liberty Broadband and Charter, along with, subject to certain exceptions Liberty's entire equity interests in FTD and LendingTree, together with the Evite operating business and certain other assets and liabilities, in exchange for (a) the issuance to LI LLC of (i) a number of shares of reclassified GCI Class A Common Stock and a number of shares of reclassified GCI Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, and (ii) cash, and (b) the assumption of certain liabilities by GCI Liberty (the "Contribution").

Liberty will then effect a tax-free separation of its controlling interest in the combined company (to be named GCI Liberty, Inc. ("GCI Liberty")) to the holders of Liberty Ventures common stock in full redemption of all outstanding

Notes to Attributed Financial Information

(unaudited)

shares of such stock, leaving QVC Group common stock as the only outstanding common stock of Liberty. Holders of GCI Class A Common Stock and GCI Class B Common Stock each will receive (i) 0.63 of a share of reclassified GCI Class A Common Stock and (ii) 0.20 of a share of new GCI Series A preferred stock in exchange for each share of their existing GCI stock. The exchange ratios were determined based on total consideration of \$32.50 per share for the existing GCI common stock, comprised of \$27.50 per share in reclassified GCI Class A Common Stock and \$5.00 per share in newly issued GCI Preferred Stock, and a Liberty Ventures reference price of \$43.65 (with no additional premium paid for shares of GCI Class B Common Stock). The Series A preferred shares will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing.

At the closing of the Transactions, Liberty will reattribute certain assets and liabilities from the Ventures Group to the QVC Group (the "Reattribution"). The reattributed assets and liabilities, if effected as of the date hereof, would include cash, Liberty's interest in ILG, certain green energy investments, LI LLC's exchangeable debentures, and certain tax benefits. Pursuant to a recent amendment to the reorganization agreement, LI LLC's 1.75% Exchangeable Debentures due 2046 (the "1.75% Exchangeable Debentures") will not be subject to a pre-closing exchange offer and will instead be reattributed to the QVC Group, along with (i) an amount of cash equal to the net present value of the adjusted principal amount of such 1.75% Exchangeable Debentures (determined as if paid on October 5, 2023) and stated interest payments on the 1.75% Exchangeable Debentures to October 5, 2023 and (ii) an indemnity obligation from GCI Liberty with respect to any payments made by LI LLC in excess of stated principal and interest to any holder that exercises its exchange right under the terms of the debentures through October 5, 2023. The cash reattributed to the QVC Group will be funded by available cash attributable to Liberty's Ventures Group and the proceeds of a margin loan facility in an initial principal amount of up to \$1 billion. Within six months of the closing, Liberty, LI LLC and GCI Liberty will cooperate with, and reasonably assist each other with respect to, the commencement and consummation of a purchase offer (the "Purchase Offer") whereby LI LLC will offer to purchase, either pursuant to privately negotiated transactions or a tender offer, the 1.75% Exchangeable Debentures on terms and conditions (including maximum offer price) reasonably acceptable to GCI Liberty. GCI Liberty will indemnify LI LLC for each 1.75% Exchangeable Debenture repurchased by LI LLC in the Purchase Offer in an amount equal to the difference between (x) the purchase price paid by LI LLC to acquire such 1.75% Exchangeable Debenture in the Purchase Offer and (y) the sum of the amount of cash reattributed with respect to such purchased 1.75% Exchangeable Debenture in the reattribution plus the amount of certain tax benefits attributable to such 1.75% Exchangeable Debenture so purchased. GCI Liberty's indemnity obligation with respect to payments made upon a holder's exercise of its exchange right will be eliminated as to any 1.75% Exchangeable Debentures purchased in the Purchase Offer.

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated during the first quarter of 2018, subject to the satisfaction of customary closing conditions and the requisite stockholder approvals.

As discussed in note 2 to the accompanying condensed consolidated financial statements, on July 6, 2017, Liberty announced that it had entered into an Agreement and Plan of Merger, dated as of July 5, 2017 (the "HSN Merger Agreement"), by and among Liberty, Liberty Horizon, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Liberty ("Merger Sub"), and HSN. Pursuant to the terms of the HSN Merger Agreement, Merger Sub will merge with and into HSN, with HSN surviving as a wholly-owned subsidiary of Liberty (the "HSN Merger"). As a result of the HSN Merger, Liberty will acquire the approximately 62% of HSN it does not already own in an all-stock transaction, making HSN a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. Liberty currently owns approximately 38% of HSN. HSN shareholders (other than Liberty) will receive fixed consideration of 1.65 shares of Series A QVC Group common stock for each share of HSN common stock. Based on the Series A QVC Group common stock's closing price as of July 5, 2017 and the number of HSN undiluted shares outstanding as of May 1, 2017, this equates to a total enterprise value for HSN of \$2.6 billion, an equity value of \$2.1 billion, and consideration of \$40.36 per HSN share, representing a premium of approximately 29% to HSN shareholders, based

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on HSN's closing price on July 5, 2017. Liberty intends to issue 53.4 million shares of Series A QVC Group common stock to HSN shareholders.

The HSN Merger is expected to be completed by the fourth quarter of 2017. The completion of the acquisition is subject to certain customary conditions, including approval by a majority of the outstanding voting power of HSN shareholders. A voting agreement has been obtained from Liberty to vote its HSN shares in-favor of the transaction. Approval of the Liberty stockholders is not required, and is not being sought, for the HSN Merger. Upon closing, Liberty's board of directors will be expanded by one to include a director from HSN's board of directors; this director will be selected by Liberty.

As discussed above, the Transactions are expected to close in the first quarter of 2018. Simultaneous with that closing, QVC Group, including wholly-owned subsidiaries QVC, Inc., zulily and HSN (or, if the HSN acquisition has not yet closed, following such closing), will become an asset-backed stock and Liberty will be renamed QVC Group, Inc. Neither the Transactions nor the HSN Merger is conditioned on the completion of the other, and no assurance can be given as to which of these transactions will be completed first.

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

	September 30,	December 31,
	2017	2016
	amounts in millions	
QVC Group		
Other	\$ 4	4
Total QVC Group	4	4
Ventures Group		
Charter	1,947	1,543
ILG	445	302
Other	85	73
Total Ventures Group	2,477	1,918
Consolidated Liberty	\$ 2,481	1,922

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(unaudited)

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

	September 30, 2017			Share of earnings (losses)			
	Percentage ownership	Carrying value	Market value	Three months ended		Nine Months Ended	
				September 30,		September 30,	
			2017	2016	2017	2016	
dollar amounts in millions							
QVC Group							
HSN	38 %	\$ 198	782	12	9	35	41
Other	various	38	NA	(1)	(1)	(4)	(3)
Total QVC Group		236		11	8	31	38
Ventures Group							
FTD (1)	37 %	133	133	(81)	(7)	(86)	(8)
LendingTree (2)	27 %	113	788	2	2	5	10
Other	various	91	NA	(18)	(25)	(72)	(61)
Total Ventures Group		337		(97)	(30)	(153)	(59)
Consolidated Liberty		\$ 573		(86)	(22)	(122)	(21)

- (1) The Ventures Group recorded an impairment of \$50 million on its investment in FTD during the third quarter of 2017 which is reflected in the share of earnings (losses) of affiliates line item in the condensed consolidated statement of operations for the three and nine months ended September 30, 2017.
- (2) During the nine months ended September 30, 2017, the Ventures Group purchased an additional 450 thousand shares of LendingTree.

Investment in Liberty Broadband

As discussed in note 1 to the accompanying condensed consolidated financial statements, in connection with the merger of Charter and TWC, on May 18, 2016, Liberty invested \$2.4 billion in Liberty Broadband Series C nonvoting shares. As of September 30, 2017, Liberty has a 23% economic ownership interest in Liberty Broadband. Due to overlapping boards of directors and management, Liberty has been deemed to have significant influence over Liberty Broadband even though Liberty does not have any voting rights. Liberty has elected to apply the fair value option for its investment in Liberty Broadband as it is believed that the Company's investors value this investment based on the trading price of Liberty Broadband. Liberty recognizes changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the accompanying condensed consolidated statements of operations.

Notes to Attributed Financial Information

(unaudited)

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

	September 30, 2017	
	Outstanding principal	Carrying value
	amounts in millions	
QVC Group		
8.5% Senior Debentures due 2029	\$ 287	285
8.25% Senior Debentures due 2030	504	502
QVC 3.125% Senior Secured Notes due 2019	400	399
QVC 5.125% Senior Secured Notes due 2022	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599
QVC 5.45% Senior Secured Notes due 2034	400	399
QVC 5.95% Senior Secured Notes due 2043	300	300
QVC Bank Credit Facilities	1,690	1,690
Other subsidiary debt	177	177
Deferred loan costs		(26)
Total QVC Group debt	<u>6,208</u>	<u>6,175</u>
Ventures Group		
4% Exchangeable Senior Debentures due 2029	435	334
3.75% Exchangeable Senior Debentures due 2030	435	326
3.5% Exchangeable Senior Debentures due 2031	328	331
0.75% Exchangeable Senior Debentures due 2043	1	3
1.75% Exchangeable Senior Debentures due 2046	750	892
Total Ventures Group debt	<u>1,949</u>	<u>1,886</u>
Total consolidated Liberty debt	\$ <u>8,157</u>	<u>8,061</u>
Less current maturities		<u>(1,011)</u>
Total long-term debt		<u>\$ 7,050</u>

- (5) Cash compensation expense for our corporate employees is allocated between the QVC 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 QVC Group to the Ventures Group were determined to be \$15 million and \$12 million for the three months ended September 30, 2017 and 2016, respectively, and \$28 million and \$29 million for the nine months ended September 30, 2017 and 2016, 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.

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.

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- (6) The QVC Group common stock and the Liberty Ventures common 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 are entitled to one vote per share, and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, 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 QVC Group common stock or the approval of the holders of only Series A and Series B Liberty Ventures common stock.

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

- (7) The intergroup payable (receivable) is primarily attributable to intergroup income taxes payable from the QVC Group to the Ventures Group.

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

September 30, 2017

(unaudited)

amounts in millions

Liberty Net Assets	\$	7,559
Reconciling items:		
zulily net assets		(1,334)
Liberty LLC Net Assets	\$	<u>6,225</u>
Liberty Net Earnings	\$	1,011
Reconciling items:		
zulily net (earnings) loss		72
General and administrative expenses		<u>2</u>
Liberty LLC Net Earnings	\$	<u>1,085</u>
