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

FORM 10-Q

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

For the quarterly period ended **March 31, 2014**

OR

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

For the transition period from _____ to _____

Commission File Number **001-33982**

LIBERTY INTERACTIVE CORPORATION

(Exact name of Registrant as specified in its charter)

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

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

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

80112
(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of outstanding shares of Liberty Interactive Corporation's common stock as of April 30, 2014 was:

	<u>Series A</u>	<u>Series B</u>
Liberty Interactive common stock	461,939,684	28,880,870
Liberty Ventures common stock	70,799,973	2,885,538



LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(unaudited)

	March 31, 2014	December 31, 2013
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,484	1,256
Trade and other receivables, net of allowance for doubtful accounts of \$88 million and \$89 million	1,040	1,274
Inventory, net	1,213	1,135
Short term marketable securities (note 5)	682	543
Other current assets	110	218
Total current assets	4,529	4,426
Investments in available-for-sale securities and other cost investments (note 6)	1,470	1,501
Investments in affiliates, accounted for using the equity method (note 7)	1,244	1,237
Property and equipment, at cost	2,329	2,256
Accumulated depreciation	(1,057)	(1,009)
	1,272	1,247
Intangible assets not subject to amortization (note 8):		
Goodwill	9,338	9,332
Trademarks	4,345	4,343
	13,683	13,675
Intangible assets subject to amortization, net (note 8)	2,352	2,492
Other assets, at cost, net of accumulated amortization	112	98
Total assets	\$ 24,662	24,676

(continued)

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Continued)

(unaudited)

	March 31, 2014	December 31, 2013
	amounts in millions, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 724	660
Accrued liabilities	746	998
Current portion of debt (note 9)	983	978
Deferred income tax liabilities	897	925
Other current liabilities	236	195
Total current liabilities	<u>3,586</u>	<u>3,756</u>
Long-term debt, including \$2,365 million and \$2,355 million measured at fair value (note 9)	6,608	6,406
Deferred income tax liabilities	2,831	2,844
Other liabilities	271	235
Total liabilities	<u>13,296</u>	<u>13,241</u>
<i>Equity</i>		
Stockholders' equity (note 10):		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Liberty Interactive common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 464,806,904 shares at March 31, 2014 and 471,625,030 shares at December 31, 2013	5	5
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 28,884,103 shares at March 31, 2014 and 28,884,103 shares at December 31, 2013	—	—
Series A Liberty Ventures common stock, \$.01 par value. Authorized 200,000,000 shares; issued and outstanding 70,786,768 shares at March 31, 2014 and 70,761,208 shares at December 31, 2013	1	1
Series B Liberty Ventures common stock, \$.01 par value. Authorized 7,500,000 shares; issued and outstanding 2,885,378 shares at March 31, 2014 and 2,885,378 shares at December 31, 2013	—	—
Additional paid-in capital	948	1,146
Accumulated other comprehensive earnings (loss), net of taxes	112	99
Retained earnings	5,767	5,685
Total stockholders' equity	<u>6,833</u>	<u>6,936</u>
Noncontrolling interests in equity of subsidiaries	4,533	4,499
Total equity	<u>11,366</u>	<u>11,435</u>
Commitments and contingencies (note 11)		
Total liabilities and equity	<u>\$ 24,662</u>	<u>24,676</u>

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Operations

(unaudited)

	Three months ended	
	March 31,	
	2014	2013
	amounts in millions	
Revenue:		
Net retail sales	\$ 2,447	2,434
Other revenue	281	230
Total revenue	2,728	2,664
Operating costs and expenses:		
Cost of sales (exclusive of depreciation shown separately below)	1,566	1,553
Operating, including stock-based compensation (note 3)	265	244
Selling, general and administrative, including stock-based compensation (note 3)	389	366
Depreciation and amortization	232	230
	2,452	2,393
Operating income	276	271
Other income (expense):		
Interest expense	(99)	(111)
Share of earnings (losses) of affiliates, net (note 7)	(2)	(11)
Realized and unrealized gains (losses) on financial instruments, net (note 5)	(25)	(73)
Other, net	8	(38)
	(118)	(233)
Earnings (loss) before income taxes	158	38
Income tax (expense) benefit	(48)	15
Net earnings (loss)	110	53
Less net earnings (loss) attributable to the noncontrolling interests	28	26
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 82	27
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:		
Liberty Interactive common stock	\$ 110	95
Liberty Ventures common stock	(28)	(68)
	\$ 82	27
Basic net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Interactive common stock	\$ 0.22	0.18
Series A and Series B Liberty Ventures common stock	\$ (0.38)	(0.94)
Diluted net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 4):		
Series A and Series B Liberty Interactive common stock	\$ 0.22	0.18
Series A and Series B Liberty Ventures common stock	\$ (0.38)	(0.94)

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Comprehensive Earnings (Loss)

(unaudited)

	Three months ended March 31,	
	2014	2013
Net earnings (loss)	\$ 110	53
Other comprehensive earnings (loss), net of taxes:		
Foreign currency translation adjustments	25	(97)
Other comprehensive earnings (loss)	25	(97)
Comprehensive earnings (loss)	135	(44)
Less comprehensive earnings (loss) attributable to the noncontrolling interests	40	11
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 95	(55)
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:		
Liberty Interactive common stock	\$ 123	10
Liberty Ventures common stock	(28)	(65)
	\$ 95	(55)

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements Of Cash Flows

(unaudited)

	Three months ended March 31,	
	2014	2013
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ 110	53
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	232	230
Stock-based compensation	42	42
Cash payments for stock-based compensation	(4)	(3)
Excess tax benefit from stock-based compensation	(19)	(3)
Share of (earnings) losses of affiliates, net	2	11
Cash receipts from returns on equity investments	10	7
Realized and unrealized (gains) losses on financial instruments, net	25	73
Deferred income tax expense (benefit)	(47)	(219)
Other, net	1	11
Changes in operating assets and liabilities		
Current and other assets	145	206
Payables and other liabilities	29	(308)
Net cash provided (used) by operating activities	526	100
Cash flows from investing activities:		
Cash proceeds from dispositions of investments	25	37
Investments in and loans to cost and equity investees	(18)	(38)
Capital expended for property and equipment	(88)	(59)
Purchases of short term and other marketable securities	(310)	(707)
Sales of short term and other marketable securities	165	49
Other investing activities, net	(8)	(36)
Net cash provided (used) by investing activities	(234)	(754)
Cash flows from financing activities:		
Borrowings of debt	1,553	1,387
Repayments of debt	(1,362)	(1,703)
Repurchases of Liberty Interactive common stock	(213)	(252)
Minimum withholding taxes on net settlements of stock-based compensation	(26)	(11)
Excess tax benefit from stock-based compensation	19	3
Other financing activities, net	(35)	(37)
Net cash provided (used) by financing activities	(64)	(613)
Effect of foreign currency exchange rates on cash		
Net increase (decrease) in cash and cash equivalents	228	(1,290)
Cash and cash equivalents at beginning of period	1,256	2,660
Cash and cash equivalents at end of period	\$ 1,484	1,370

See accompanying notes to condensed consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement Of Equity

(unaudited)

Three months ended March 31, 2014

Stockholders' Equity										
	Liberty Interactive		Liberty Ventures		Additional paid-in capital	Accumulated other comprehensive earnings	Retained Earnings	Noncontrolling interest in equity of subsidiaries	Total equity	
	Preferred Stock	Series A	Series B	Series A						Series B
amounts in millions										
Balance at January 1, 2014	\$ —	5	—	1	—	1,146	99	5,685	4,499	11,435
Net earnings (loss)	—	—	—	—	—	—	—	82	28	110
Other comprehensive earnings (loss)	—	—	—	—	—	—	13	—	12	25
Stock-based compensation	—	—	—	—	—	25	—	—	14	39
Issuance of common stock upon exercise of stock options	—	—	—	—	—	2	—	—	—	2
Series A Liberty Interactive stock repurchases	—	—	—	—	—	(213)	—	—	—	(213)
Shares issued by subsidiary	—	—	—	—	—	(5)	—	—	5	—
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	(26)	—	—	—	(26)
Excess tax benefit from stock-based compensation	—	—	—	—	—	19	—	—	—	19
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(25)	(25)
Balance at March 31, 2014	\$ —	5	—	1	—	948	112	5,767	4,533	11,366

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" or the "Company" unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation.

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

The accompanying (a) condensed consolidated balance sheet as of December 31, 2013, 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, 2013.

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

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

Liberty has entered into certain agreements with Liberty Media Corporation ("LMC"), 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 \$4 million were reimbursable to LMC for the three months ended March 31, 2014 and 2013, respectively. The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and Starz and other agreements related to tax matters.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

On October 10, 2013, Liberty announced that its board has authorized management to pursue a plan to recapitalize its Interactive Group tracking stock into two new tracking stocks, one (currently the Liberty Interactive common stock) to be renamed the QVC Group common stock and the other to be designated as the Liberty Digital Commerce common stock. The Digital Commerce Group would have attributed to it Liberty's subsidiaries Provide Commerce, Inc. ("Provide"), Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), CommerceHub and the Evite.com business, which is currently a part of Liberty's subsidiary Celebrate Interactive Holdings, LLC ("Celebrate"), along with cash and certain liabilities. The QVC Group, which is currently known as the Interactive Group, would have attributed to it Liberty's subsidiary QVC, Inc. and its approximate 38% interest in HSN, Inc., along with cash and certain liabilities. Management continues to review the proposed recapitalization and no assurance can be given as to when or if the transaction will be completed.

Additionally, on October 10, 2013, Liberty announced that its board has also authorized management to pursue a plan to spin-off to holders of its Liberty Ventures common stock shares of a newly formed company called Liberty TripAdvisor Holdings, Inc. ("Trip Holdings"). Trip Holdings would be comprised of, among other things, Liberty's 22% economic and 57% voting interest in TripAdvisor, as well as Liberty's Celebrate retail business, which is currently a part of Liberty's subsidiary Celebrate, and an anticipated initial corporate level net debt balance of \$350 million.

(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—Liberty Interactive common stock and Liberty Ventures common stock, which are intended to track and reflect the economic performance of the Interactive Group and Ventures Group, respectively. While the Interactive Group and the Ventures Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group's stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

The term "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Ventures Group is primarily comprised of TripAdvisor, a consolidated subsidiary, and interests in Expedia, Inc., Interval Leisure Group, Inc., Tree.com, Inc., investments in Time Warner Inc. and Time Warner Cable Inc., as well as cash and cash equivalents of approximately \$802 million (at March 31, 2014). The Ventures Group also has attributed to it certain liabilities related to our corporate indebtedness (see note 9) and certain deferred tax liabilities. The Ventures Group is primarily focused on the maximization of the value of these investments and investing in new business opportunities.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Interactive Group is primarily focused on video and e-commerce operating businesses and has attributed to it the remainder of Liberty's businesses and assets, including operating subsidiaries QVC, Inc. ("QVC"), Provide, Backcountry, Bodybuilding, Celebrate and CommerceHub as well as interests in HSN, Inc., and cash and cash equivalents of approximately \$682 million (at March 31, 2014), which includes subsidiary cash. The Interactive Group has attributed to it liabilities that reside with QVC and the other entities listed as well as certain liabilities related to our corporate indebtedness (see note 9) and certain deferred tax liabilities.

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

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(3) Stock-Based Compensation

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

Included in the accompanying condensed consolidated statements of operations are the following amounts of stock-based compensation, a portion of which relates to TripAdvisor as discussed below:

	Three months ended March 31,	
	2014	2013
	(amounts in millions)	
Operating expense	\$ 7	8
Selling, general and administrative expense	35	34
	<u>\$ 42</u>	<u>42</u>

During the three months ended March 31, 2014, Liberty granted, primarily to QVC employees, 1.8 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$12.06 per share and vest semi-annually over the 4 year vesting period.

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

Liberty—Outstanding Awards

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

	Liberty Interactive			
	Series A (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2014	30,607	\$ 17.98		
Granted	1,810	\$ 29.21		
Exercised	(1,522)	\$ 14.91		
Forfeited/Cancelled	(88)	\$ 20.30		
Outstanding at March 31, 2014	<u>30,807</u>	\$ 18.78	5.1 years	\$312
Exercisable at March 31, 2014	<u>13,700</u>	\$ 16.69	4.4 years	\$167

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Liberty Ventures			
	Series A (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2014	1,932	\$ 28.71		
Granted	1	\$ 73.05		
Exercised	(80)	\$ 25.94		
Forfeited/Cancelled	—	\$ —		
Outstanding at March 31, 2014	1,853	\$ 28.84	4.9 years	\$67
Exercisable at March 31, 2014	913	\$ 27.91	4.6 years	\$34

There was no activity during the period for the outstanding Series B awards.

As of March 31, 2014, the total unrecognized compensation cost related to unvested Liberty outstanding equity Awards was approximately \$146 million, including compensation associated with the option exchange that occurred in December 2012. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.0 years.

TripAdvisor - Stock-based Compensation

TripAdvisor has outstanding options and restricted stock which are exercisable into their common stock. During the three months ended March 31, 2014, TripAdvisor issued approximately 477 thousand of primarily service based stock options under their 2011 Incentive Plan with a weighted average exercise price per option of \$96.62 and a weighted average estimated grant-date fair value per option of \$47.36. Approximately 599 thousand equity awards were exercised during the period at a weighted average exercise price of \$34.63. As of March 31, 2014, TripAdvisor has 9.3 million options outstanding of which 4.2 million are exercisable with weighted average exercise prices of \$43.40 and \$31.54, respectively. The aggregate intrinsic value of these outstanding and exercisable options was \$440 million and \$247 million, respectively. TripAdvisor stock-based compensation for the three months ended March 31, 2014 and 2013 was approximately \$17 million and \$17 million, respectively. As of March 31, 2014, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately \$110 million and will be recognized over a weighted average period of approximately 3.2 years.

Additionally, during the three months ended March 31, 2014, TripAdvisor granted approximately 460 thousand service based RSUs under their 2011 Incentive Plan for which the fair value was measured based on the quoted price of TripAdvisor common stock at the date of grant. As of March 31, 2014, the total unrecognized compensation cost related to 1.3 million unvested TripAdvisor RSUs was approximately \$62 million and will be recognized over a weighted average period of approximately 3.4 years.

Other

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

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(4)Earnings (Loss) Per Common Share

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

Series A and Series B Liberty Interactive Common Stock

Excluded from diluted EPS, for the three months ended March 31, 2014, are 2 million potential common shares because their inclusion would be antidilutive.

	Liberty Interactive Common Stock	
	Three months ended March 31, 2014	Three months ended March 31, 2013
	number of shares in millions	
Basic EPS	494	535
Potentially dilutive shares	10	7
Diluted EPS	504	542

Series A and Series B Liberty Ventures Common Stock

As discussed in note 10, Liberty completed a two for one stock split on April 11, 2014 therefore all prior period outstanding share amounts have been retroactively adjusted for comparability. Excluded from diluted EPS, for the three months ended March 31, 2014, are less than a million potential common shares because their inclusion would be antidilutive.

	Liberty Ventures Common Stock	
	Three months ended March 31, 2014	Three months ended March 31, 2013
	number of shares in millions	
Basic EPS	73	72
Potentially dilutive shares	1	—
Diluted EPS	74	72

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(5) Assets and Liabilities Measured at Fair Value

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

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

Description	Fair Value Measurements at March 31, 2014			Fair Value Measurements at December 31, 2013		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
amounts in millions						
Cash equivalents	\$ 1,055	1,055	—	918	\$ 918	\$ —
Short term marketable securities	\$ 682	95	587	543	\$ 62	\$ 481
Available-for-sale securities	\$ 1,466	1,037	429	1,497	\$ 1,047	\$ 450
Debt	\$ 2,365	—	2,365	2,355	\$ —	\$ 2,355

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

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Three months ended March 31,	
	2014	2013
amounts in millions		
Fair Value Option Securities	\$ (10)	224
Exchangeable senior debentures	(15)	(310)
Other financial instruments	—	13
	\$ (25)	(73)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). In prior years, Liberty entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges were reflected in Liberty's 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 elected the fair value option for those of its AFS securities which it considered to be non-strategic ("Fair Value Option Securities"). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying 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:

	March 31, 2014	December 31, 2013
	amounts in millions	
Interactive Group		
Other cost investments	\$ 4	4
Total attributed Interactive Group	4	4
Ventures Group		
Time Warner Inc.	287	306
Time Warner Cable Inc.	750	741
TripAdvisor AFS securities	284	188
Other AFS investments	145	262
Total attributed Ventures Group	1,466	1,497
Consolidated Liberty	\$ 1,470	1,501

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount, fair value, and percentage ownership of the more significant investments in affiliates at March 31, 2014 and the carrying amount at December 31, 2013:

	Percentage ownership	March 31, 2014		December 31, 2013	
		Fair value (Level 1)	Carrying amount	Carrying amount	Carrying amount
dollars in millions					
Interactive Group					
HSN, Inc.	38%	\$ 1,196	\$ 311	\$ 293	
Other	various	NA	51	50	
Total Interactive Group			362	343	
Ventures Group					
Expedia, Inc.	18%	1,673	467	477	
Other	various	NA	415	417	
Total Ventures Group			882	894	
Consolidated Liberty			\$ 1,244	\$ 1,237	

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

	Three months ended March 31,	
	2014	2013
amounts in millions		
Interactive Group		
HSN, Inc.	\$ 22	20
Other	(1)	(4)
Total Interactive Group	21	16
Ventures Group		
Expedia, Inc.	(6)	(20)
Other	(17)	(7)
Total Ventures Group	(23)	(27)
Consolidated Liberty	\$ (2)	(11)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(8) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	E-commerce	TripAdvisor	Total
	amounts in millions			
Balance at January 1, 2014	\$ 5,312	560	3,460	9,332
Foreign currency translation adjustments	10	—	—	10
Other	—	(4)	—	(4)
Balance at March 31, 2014	<u>\$ 5,322</u>	<u>556</u>	<u>3,460</u>	<u>9,338</u>

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$190 million and \$192 million for the three months ended March 31, 2014 and 2013, respectively. Based on its amortizable intangible assets as of March 31, 2014, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2014	\$ 561
2015	\$ 665
2016	\$ 550
2017	\$ 374
2018	\$ 80

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

(9) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal at March 31, 2014	Carrying value	
		March 31, 2014	December 31, 2013
amounts in millions			
Interactive Group			
Corporate level notes and debentures			
8.5% Senior Debentures due 2029	\$ 287	285	285
8.25% Senior Debentures due 2030	504	501	501
1% Exchangeable Senior Debentures due 2043	400	422	423
Subsidiary level notes and facilities			
QVC 7.5% Senior Secured Notes due 2019	769	761	761
QVC 3.125% Senior Secured Notes due 2019	400	399	—
QVC 7.375% Senior Secured Notes due 2020	500	500	500
QVC 5.125% Senior Secured Notes due 2022	500	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.850% Senior Secured Notes due 2024	600	600	—
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC Bank Credit Facilities	124	124	922
Other subsidiary debt	145	145	141
Total Interactive Group	\$ 5,279	5,287	5,083
Ventures Group			
Corporate level debentures			
4% Exchangeable Senior Debentures due 2029	\$ 439	284	284
3.75% Exchangeable Senior Debentures due 2030	438	276	270
3.5% Exchangeable Senior Debentures due 2031	359	316	316
0.75% Exchangeable Senior Debentures due 2043	850	1,067	1,062
Subsidiary level facilities			
TripAdvisor Debt Facilities	361	361	369
Total Ventures Group debt	\$ 2,447	2,304	2,301
Total consolidated Liberty debt	\$ 7,726	7,591	7,384
Less current classification		(983)	(978)
Total long-term debt		\$ 6,608	6,406

QVC Senior Secured Notes

On March 18, 2014, QVC, Inc. ("QVC"), an indirect wholly-owned subsidiary of Liberty Interactive Corporation, issued \$400 million principal amount of new 3.125% senior secured notes due 2019 at an issue price of 99.828% and \$600 million principal amount of new 4.85% senior secured notes due 2024 at an issue price of 99.927% (collectively, the "Notes"). The Notes are secured by a first-priority lien on the capital stock of QVC, which is the same collateral that secures QVC's existing secured indebtedness. The net proceeds from the offering was used to repay indebtedness.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

under QVC's senior secured credit facility and for working capital and other general corporate purposes. QVC was in compliance with all of its debt covenants related to its outstanding senior secured notes at March 31, 2014.

QVC Bank Credit Facilities

The interest rate on borrowings outstanding under the QVC Bank Credit Facilities was 1.9% at March 31, 2014. Availability under the QVC Amended and Restated Credit Agreement at March 31, 2014 was \$1,876 million. QVC was in compliance with all debt covenants related to the Amended and Restated Credit Agreement at March 31, 2014.

Exchangeable Senior Debentures

Liberty has elected to account for the 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. Liberty will review 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. As of March 31, 2014 the balance of the 4% Exchangeable Senior Debentures due 2029, the 3.75% Exchangeable Senior Debentures due 2030 and the 3.5% Exchangeable Senior Debentures due 2031 have been classified as current.

Other Subsidiary Debt

Other subsidiary debt at March 31, 2014 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Fair Value of Debt

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities (Level 2). The fair value of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at March 31, 2014 are as follows (amounts in millions):

Senior debentures	\$	869
QVC senior secured notes	\$	3,946

Due to the variable rate nature, Liberty believes that the carrying amount of its other debt, not discussed above, approximated fair value at March 31, 2014.

(10) Stockholders' Equity

As of March 31, 2014, Liberty reserved for issuance upon exercise of outstanding stock options approximately 30.8 million shares of Series A Liberty Interactive common stock, 432 thousand shares of Series B Liberty Interactive common stock, 1.9 million shares of Series A Liberty Ventures common stock and 44 thousand shares of Series B Liberty Ventures common stock.

In addition to the Series A and Series B Liberty Interactive and Liberty Ventures common stock there are 4 billion shares of Series C Liberty Interactive and 200 million shares of Series C Liberty Ventures common stock authorized for issuance. As of March 31, 2014, no shares of any Series C Liberty Interactive or Liberty Ventures common stock were issued or outstanding.

On February 27, 2014, Liberty's board approved a two for one stock split of Series A and Series B Liberty Ventures common stock, effected by means of a dividend. The stock split was done in order to bring Liberty into compliance with a Nasdaq listing requirement regarding the minimum number of publicly held shares of the Series B Liberty Ventures common stock. In the stock split, a dividend was paid on April 11, 2014 of one share of Series A or Series B Liberty Ventures common stock to holders of each share of Series A or Series B Liberty Ventures common

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

stock, respectively, held by them as of 5:00 pm, New York City time, on April 4, 2014. Due to the Liberty Ventures common stock split being completed prior to the issuance of these financial statements the stock split was recorded retroactively for all periods presented.

(11) Commitments and Contingencies

Litigation

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

(12) Information About Liberty's Operating Segments

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce industries. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual 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, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses excluding 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 and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the three months ended March 31, 2014, Liberty has identified the following consolidated subsidiaries as its reportable segments:

- QVC - consolidated subsidiary that markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications.
- TripAdvisor, Inc. - a consolidated subsidiary that is an online travel research company that empowers users to plan and maximize their travel experience.

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

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

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

Liberty's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the Company's summary of significant accounting policies in the Annual Report on Form 10-K for the year ended December 31, 2013.

Performance Measures

	Three months ended March 31,			
	2014		2013	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
amounts in millions				
Interactive Group				
QVC	\$ 1,986	412	1,974	404
E-commerce	461	23	460	39
Corporate and other	—	(4)	—	(6)
Total Interactive Group	2,447	431	2,434	437
Ventures Group				
TripAdvisor, Inc.	281	122	230	109
Corporate and other	—	(3)	—	(3)
Total Ventures Group	281	119	230	106
Consolidated Liberty	\$ 2,728	550	2,664	543

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Other Information

	March 31, 2014		
	Total assets	Investments in affiliates	Capital expenditures
amounts in millions			
Interactive Group			
QVC	\$ 12,898	51	29
E-commerce	1,212	—	12
Corporate and other	470	311	—
Total Interactive Group	14,580	362	41
Ventures Group			
TripAdvisor	7,151	—	47
Corporate and other	3,090	882	—
Total Ventures Group	10,241	882	47
Inter-group eliminations	(159)	—	—
Consolidated Liberty	\$ 24,662	1,244	88

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

	Three months ended March 31,	
	2014	2013
amounts in millions		
Consolidated segment Adjusted OIBDA	\$ 550	543
Stock-based compensation	(42)	(42)
Depreciation and amortization	(232)	(230)
Interest expense	(99)	(111)
Share of earnings (loss) of affiliates, net	(2)	(11)
Realized and unrealized gains (losses) on financial instruments, net	(25)	(73)
Other, net	8	(38)
Earnings (loss) before income taxes	\$ 158	38

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; the proposed creation of the QVC Group and Liberty Digital Commerce Group tracking stocks; the proposed spin-off of our interest in TripAdvisor, Inc.; 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 non-material impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our networks;
- 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 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;
- general economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- advertising spending levels;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping programs;
- rapid technological changes;
- failure to protect the security of personal information about our customers, subjecting us to costly government enforcement actions or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world; and
- fluctuations in foreign currency exchange rates and political unrest in international markets.

For additional risk factors, please see Part I, Item 1 of the Annual Report on Form 10-K for the year ended December 31, 2013. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2013.

Overview

We own controlling and non-controlling interests in a broad range of video and on-line commerce companies. Our largest business, which is also our principal reportable segment, is QVC, Inc. ("QVC"). QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications. We also own a controlling interest in TripAdvisor, Inc. ("TripAdvisor"), a separate reportable segment, which is an online travel company that empowers users to plan and maximize their travel experience by aggregating reviews and opinions of members about destinations, accommodations, restaurants and activities throughout the world. Additionally, we own entire or majority interests in consolidated subsidiaries which operate on-line commerce businesses in a broad range of retail categories. The more significant of these include Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), Celebrate Interactive Holdings, LLC ("Celebrate"), Provide Commerce, Inc. ("Provide") and CommerceHub. Backcountry operates websites offering sports gear and clothing for outdoor and active individuals in a variety of categories. Bodybuilding manages websites related to sports nutrition, body building and fitness. Celebrate operates websites that offer costumes, accessories, décor, party supplies and invitations. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts. CommerceHub operates a drop-ship solution which allows different software systems from both sides of the transaction to more easily access the data necessary to fulfill orders.

Our "Corporate and Other" category includes our corporate ownership interests in other unconsolidated businesses and corporate expenses. We hold ownership interests in Expedia, Inc., HSN, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. which we account for as equity method investments; and we continue to maintain investments and related financial instruments in public companies such as Time Warner Inc. and Time Warner Cable Inc., which are accounted for at their respective fair market values and are included in "Corporate and Other."

The term "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Ventures Group is comprised primarily of our consolidated subsidiary TripAdvisor and interests in Expedia, Inc., Interval Leisure Group, Inc., Tree.com, Inc., investments in Time Warner Inc. and Time Warner Cable Inc., as well as cash and cash equivalents in the amount of approximately \$802 million (at March 31, 2014). The Ventures Group also has attributed to it certain liabilities related to our corporate level indebtedness (see note 9 in the accompanying 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.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Interactive Group is primarily focused on our video and e-commerce operating businesses and has attributed to it the remainder of our businesses and assets, including our operating subsidiaries QVC, Provide, Backcountry, Bodybuilding, Celebrate and CommerceHub as well as our interest in HSN, Inc. and cash and cash equivalents of approximately \$682 million (at March 31, 2014), including subsidiary cash. The Interactive Group has attributed to it liabilities that reside with QVC and the other entities listed as well certain liabilities related to our corporate level indebtedness (see note 9 in the accompanying financial statements) and certain deferred tax liabilities.

Results of Operations—Consolidated

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

Operating Results

	Three months ended March 31,	
	2014	2013
amounts in millions		
<i>Revenue</i>		
Interactive Group		
QVC	\$ 1,986	1,974
E-commerce	461	460
Total Interactive Group	2,447	2,434
Ventures Group		
TripAdvisor	281	230
Total Ventures Group	281	230
Consolidated Liberty	\$ 2,728	2,664
<i>Adjusted OIBDA</i>		
Interactive Group		
QVC	\$ 412	404
E-commerce	23	39
Corporate and other	(4)	(6)
Total Interactive Group	431	437
Ventures Group		
TripAdvisor	122	109
Corporate and other	(3)	(3)
Total Ventures Group	119	106
Consolidated Liberty	\$ 550	543
<i>Operating Income (Loss)</i>		
Interactive Group		
QVC	\$ 260	260
E-commerce	(1)	19
Corporate and other	(15)	(19)
Total Interactive Group	244	260
Ventures Group		
TripAdvisor	36	15
Corporate and other	(4)	(4)
Total Ventures Group	32	11
Consolidated Liberty	\$ 276	271

Revenue. Our consolidated revenue increased 2.4% or \$64 million for the three months ended March 31, 2014, as compared to the corresponding period in the prior year. The three month increase was primarily due to the increased revenue at TripAdvisor (\$51 million), increased revenue at QVC (\$12 million) and the E-commerce companies (\$1 million). See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses excluding 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 12 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to Earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased 1.3% or \$7 million for the three months ended March 31, 2014, as compared to the corresponding period in the prior year. The overall Adjusted OIBDA growth for the three months ended March 31, 2014 was primarily due to the increased operating results at TripAdvisor of \$13 million and increased QVC results of \$8 million. These increases were partially offset by a decline in the E-commerce results of \$16 million. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

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

We recorded \$42 million of stock-based compensation expense for each of the three month periods ended March 31, 2014 and 2013.

As of March 31, 2014, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$146 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.0 years. Additionally, as of March 31, 2014, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately \$110 million and will be recognized over a weighted average period of approximately 3.2 years.

Operating income. Our consolidated operating income increased 1.8% or \$5 million for the three months ended March 31, 2014, as compared to the corresponding period in the prior year. The overall increase in operating income for the three months ended March 31, 2014 was due to the increased results at TripAdvisor of \$21 million, a portion of which was due to reduced amortization of intangibles from purchase accounting during the period, and Corporate and other of \$4 million, partially offset by the decline in operating income at the E-commerce companies of \$20 million. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of certain of our subsidiaries.

Other Income and Expense

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

	Three months ended March 31,	
	2014	2013
amounts in millions		
<i>Interest expense</i>		
Interactive Group	\$ (77)	(84)
Ventures Group	(22)	(27)
Consolidated Liberty	(99)	(111)
<i>Share of earnings (losses) of affiliates</i>		
Interactive Group	21	16
Ventures Group	(23)	(27)
Consolidated Liberty	(2)	(11)
<i>Realized and unrealized gains (losses) on financial instruments, net</i>		
Interactive Group	1	13
Ventures Group	(26)	(86)
Consolidated Liberty	(25)	(73)
<i>Other, net</i>		
Interactive Group	1	(40)
Ventures Group	7	2
Consolidated Liberty	8	(38)
Consolidated Liberty other income (expense)	\$ (118)	(233)

Interest expense. Interest expense decreased for the three months ended March 31, 2014, as compared to the corresponding period in the prior year. The decrease in the Interactive Group interest expense is attributable to the retirement of the 5.7% Senior Notes due May 2013 and the QVC 7.125% Senior Secured Notes due 2017 during 2013. The decrease in the Ventures Group interest expense is attributable to the retirement of the 3.125% exchangeable senior debentures due 2023 during 2013 and lower average borrowings on the other exchangeable senior debentures during the current year as compared to the corresponding periods in the prior year. Additionally, TripAdvisor had lower average borrowings on its debt facilities during the current year as compared to the corresponding period in the prior year.

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

	Three months ended March 31,	
	2014	2013
amounts in millions		
<i>Interactive Group</i>		
HSN, Inc.	\$ 22	20
Other	(1)	(4)
Total Interactive Group	21	16
<i>Ventures Group</i>		
Expedia, Inc.	(6)	(20)
Other	(17)	(7)
Total Ventures Group	(23)	(27)
Consolidated Liberty	\$ (2)	(11)

The share of loss in the other category of the Ventures Group, in both periods, is primarily related to our investments in alternative energy solution entities. These entities typically operate at a loss and because we account for these investments as equity method affiliates 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. Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Three months ended March 31,	
	2014	2013
amounts in millions		
Fair Value Option Securities	\$ (10)	224
Exchangeable senior debentures	(15)	(310)
Other derivatives	—	13
	\$ (25)	(73)

The changes in realized and unrealized gains (losses) on financial instruments is due to market activity through the period on the various financial instruments that are marked to market on a periodic basis.

Other, net. QVC retired approximately \$355 million of its Senior Secured Notes during the three months ended March 31, 2013. The notes were redeemed at a premium which resulted in an approximate \$41 million loss on the extinguishment of such instruments.

Income taxes. We had an income tax expense of \$48 million and an income tax benefit of \$15 million for the three months ended March 31, 2014 and 2013, respectively. Income tax amounts were lower than the U.S. statutory tax rate of 35%, in both periods, primarily due to tax credits and favorable tax attributes generated by our alternative energy investments and earnings in foreign jurisdictions subject to tax rates lower than the U.S. statutory tax rate.

Net earnings. We had net earnings of \$110 million and \$53 million for the three month periods ended March 31, 2014 and 2013, 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 Interactive 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 March 31, 2014, 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, cash generated by the operating activities of our privately-owned subsidiaries (to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted), proceeds from asset sales, monetization of our public investment portfolio, debt (including availability under the QVC Bank Credit Facility) and equity issuances, and dividend and interest receipts.

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

As of March 31, 2014, Liberty's liquidity position consisted of the following:

	Cash and Cash Equivalents	Marketable securities	Fair Value Option AFS Securities
	amounts in millions		
QVC	\$ 558	—	—
E-commerce	57	—	—
Corporate and other	67	—	—
Total Interactive Group	682	—	—
TripAdvisor	319	142	284
Corporate and other	483	540	1,182
Total Ventures Group	802	682	1,466
Total Liberty	\$ 1,484	682	1,466

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 \$1,876 million under the QVC credit facility at March 31, 2014. The Company has a controlling interest in TripAdvisor which has significant operating cash flows, although due to TripAdvisor being a separate public company and the significant noncontrolling interest, we do not have ready access to such cash flows. As of March 31, 2014, TripAdvisor and QVC had approximately \$231 million and \$284 million, respectively, of cash and cash equivalents held in foreign subsidiaries.

Additionally, our operating businesses have provided, 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.

Cash Flow Information	Three months ended March 31,	
	2014	2013
	amounts in millions	
Net cash provided (used) by operating activities	\$ 526	100
Net cash provided (used) by investing activities	\$ (234)	(754)
Net cash provided (used) by financing activities	\$ (64)	(613)

During the three months ended March 31, 2014, Liberty's primary uses of cash were \$1,362 million of repayments on outstanding debt, repurchases of Series A Liberty Interactive common stock of \$213 million, and net purchases of short term and other marketable securities of \$145 million. These activities were funded primarily from borrowings of \$1,553 million, cash from the sale of investments of \$25 million, cash provided by operating activities and cash on hand.

The projected uses of Liberty cash are the continued capital improvement spending of approximately \$230 million in capital expenditures for the remainder of the year, approximately \$250 million for interest payments on outstanding debt, the potential buyback of common stock under the approved share buyback program (subsequent to quarter end we made additional repurchases of approximately 2.9 million shares of Series A Liberty Interactive common stock for approximately \$85 million through April 30, 2014) 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, Inc. is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications. In the United States, QVC's live programming is distributed via its nationally televised shopping program 24 hours per day, 364 days per year ("QVC-U.S."). Internationally, QVC's program services are based in Japan ("QVC-Japan"), Germany ("QVC-Germany"), the United Kingdom ("QVC-U.K.") and Italy ("QVC-Italy"). QVC-Japan distributes live programming 24 hours per day, QVC-Germany distributes its program 24 hours per day with 17 hours of live programming and QVC-U.K. distributes its program 24 hours per day with 17 hours of live programming. QVC-Italy distributes programming live for 17 hours per day on satellite and digital terrestrial television and an additional seven hours per day of recorded programming on satellite and seven hours per day of general interest programming on digital terrestrial television.

QVC also has a joint venture with China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"), with a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS distributes live programming for 15 hours per day and recorded programming for nine hours per day. This joint venture is accounted for as an equity method investment.

On April 16, 2014, QVC announced plans to expand its global presence into France. Similar to its other markets, QVC plans to offer a highly immersive digital shopping experience, with strong integration across e-commerce, TV, mobile and social platforms, with the launch scheduled for the second quarter of 2015.

QVC's operating results were as follows:

	Three months ended March 31,	
	2014	2013
amounts in millions		
Net revenue	\$ 1,986	1,974
Costs of goods sold	1,256	1,252
Gross profit	730	722
Operating expenses:		
Operating	178	173
SG&A expenses (excluding stock-based compensation)	140	145
Adjusted OIBDA	412	404
Stock-based compensation	8	10
Depreciation	33	30
Amortization of intangible assets	111	104
Operating income	\$ 260	260

Net revenue was generated in the following geographical areas:

	Three months ended March 31,	
	2014	2013
amounts in millions		
QVC-U.S.	\$ 1,305	1,297
QVC-Japan	234	256
QVC-Germany	250	250
QVC-U.K.	165	140
QVC-Italy	32	31
Consolidated QVC	\$ 1,986	1,974

QVC's consolidated net revenue increased 0.6% for the three months ended March 31, 2014 as compared to the corresponding period in the prior year. The increase in net revenue was primarily comprised of \$24 million due to a 1.1% increase in consolidated average selling price per unit ("ASP") and a decrease in estimated product returns in Germany of \$12 million. These amounts were partially offset by a \$20 million increase in estimated product returns in the U.S. The decrease in estimated product returns in Germany was primarily due to changes in prior period estimates based on actual experience, and to a lesser extent, lower rates in all categories except electronics. The increase in the

U.S. was primarily due to higher rates in electronics, home and accessories. Consolidated returns as a percent of gross product revenue was 20.1% compared to 19.9% in the prior year as a result of the above mentioned factors. Additionally, net revenue was negatively impacted by \$6 million in unfavorable foreign currency rates due to declines in the value of the Japanese Yen, which was partially offset by favorable foreign currency rates in the other markets.

During the three months ended March 31, 2014 and 2013, the changes in revenue and expenses were affected by changes in the exchange rates for the Japanese Yen, the Euro and the U.K. Pound Sterling. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

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

	Three months ended March 31, 2014	
	U.S. Dollars	Local currency
QVC-U.S.	0.6 %	0.6 %
QVC-Japan	(8.6)%	1.6 %
QVC-Germany	— %	(3.9)%
QVC-U.K.	17.9 %	10.3 %
QVC-Italy	3.2 %	2.5 %

QVC-U.S. net revenue growth was primarily due to a 1.2% increase in units shipped and a 0.6% increase in ASP, partially offset by the increase in estimated product returns as discussed in the above paragraph. QVC-U.S. experienced shipped sales growth in all categories except electronics. QVC-Japan's shipped sales in local currency improved primarily in the jewelry, home and beauty categories, partially offset by declines in accessories. QVC-Germany's shipped sales in local currency declined in all categories, partially offset by a decrease in estimated product returns as discussed in the above paragraph. QVC-U.K.'s shipped sales growth in local currency was primarily the result of increased sales in the home, beauty and accessories categories. QVC-Italy's shipped sales in local currency improved primarily in the beauty and accessories categories, partially offset by declines in home.

QVC's future net revenue growth will primarily depend on international expansion, sales growth from e-commerce and mobile platforms, additions of new customers from households already receiving QVC's television programming and 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.

QVC's gross profit percentage was 36.8% and 36.6% for the three months ended March 31, 2014 and 2013, respectively. The increase in gross profit percentage was primarily due to higher product margins in the U.S. and the U.K.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expenses and production costs. Operating expenses increased \$5 million or 2.9% for the three months ended March 31, 2014. The increase was primarily due to a \$3 million increase in commissions expense as a result of higher programming distribution expenses in Japan.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses decreased \$5 million, and as a percent of net revenue, from 7.3% to 7.0% for the three months ended March 31, 2014 due to a variety of factors. The variance was primarily due to a \$9 million decrease in personnel expenses due to a decrease in U.S. bonus expense and a prior year personnel tax accrual in Germany. This amount was offset by an increase of \$5 million in U.S. marketing expenses primarily as a result of online campaigns.

Depreciation and amortization consisted of the following:

	Three months ended March 31, 2014	
	2014	2013
amounts in millions		
Affiliate agreements	\$ 38	38
Customer relationships	43	43
Acquisition related amortization	81	81
Property and equipment	33	30
Software amortization	21	19
Channel placement amortization and related expenses	9	4
Total depreciation and amortization	<u>\$ 144</u>	<u>134</u>

TripAdvisor, Inc. Our economic ownership interest in TripAdvisor is 22% but Liberty's results include the consolidation of TripAdvisor's entire operations with 78% of TripAdvisor's net income (loss), including purchase accounting adjustments, being attributed to the noncontrolling interest in such line item in the condensed consolidated statement of operations. TripAdvisor is a separate publicly traded company and additional information about TripAdvisor can be obtained through its website and its public filings. We believe a discussion of TripAdvisor's stand alone results promotes a better understanding of overall results of their business. TripAdvisor's revenue, Adjusted OIBDA and operating income on a standalone basis for the three months ended March 31, 2014 and 2013 were as follows (see tables below for a reconciliation of TripAdvisor's standalone results to those amounts reported by Liberty):

	Three months ended March 31,	
	2014	2013
amounts in millions		
Revenue	\$ 281	230
Operating expense	40	26
SG&A	119	95
Adjusted OIBDA	122	109
Stock-based compensation	14	14
Depreciation and amortization	12	7
Operating income (loss) as reported by TripAdvisor	<u>\$ 96</u>	<u>88</u>

Revenue

Revenue increased \$51 million during the three months ended March 31, 2014 when compared to the same period in 2013, primarily due to an increase in click-based advertising revenue of \$28 million. The primary driver of the increase in click-based advertising revenue was an increase in hotel shoppers, which refers to users who view a listing of hotels in a city or visitors who view a specific hotel page as tracked by TripAdvisor, of 14% and an increase in revenue per hotel shopper of 1% for the three months ended March 31, 2014. Display-based advertising increased by \$7 million during the three months ended March 31, 2014, primarily as a result of a 30% increase in the number of impressions sold due to increased sales productivity coupled with TripAdvisor's Delayed Ad Call product and worldwide growth particularly in emerging markets when compared to the same period in 2013, partially offset by a 1% decrease in pricing for the three months ended March 31, 2014. Subscription, transaction and other revenue increased by \$16 million during the three months ended March 31, 2014, primarily due to growth in TripAdvisor's Business Listings and Vacation Rentals products.

Adjusted OIBDA

Operating expense

The most significant driver of operating expense is technology and content costs which increased \$9 million or 31% during the three months ended March 31, 2014 when compared to the same period in 2013, primarily due to increased personnel costs from increased headcount to support business growth, including international expansion, enhanced site features and additional personnel costs related to employees acquired through recent business acquisitions.

Selling, general and administrative

Direct sales and marketing costs increased \$13 million or 25% during the three months ended March 31, 2014 when compared to the same period in 2013, primarily due to increased search engine marketing costs and other traffic acquisition costs, partially offset by a decrease in spending in social media and brand advertising costs. Personnel and overhead costs increased \$9 million or 32% during the three months ended March 31, 2014 when compared to the same period in 2013, primarily due to an increase in headcount to support business growth, including international expansion and employees acquired through recent business acquisitions.

General and administrative costs increased \$3 million or 13% during the three months ended March 31, 2014, when compared to the same period in 2013, primarily due to increased personnel costs from increased headcount to support business growth.

Operating Income (Loss)

Operating income was impacted by the above explanations impacting Adjusted OIBDA in addition to an increase in the depreciation on property and equipment and amortization of intangible assets, acquired in recent acquisitions, during the three months ended March 31, 2014, on a standalone basis as compared to the corresponding period in the prior year. The increase in operating income on a consolidated basis (as reconciled below) was the result of a decrease in amortization associated with purchase accounting adjustments due the anticipated utilization of such intangibles acquired.

The following is a reconciliation of the results as reported by TripAdvisor, used for comparison purposes as discussed above, for a greater understanding of the standalone operations of TripAdvisor to the results reported by Liberty (amounts in millions):

	Three months ended March 31, 2014		
	As Reported By TripAdvisor	Purchase Accounting Adjustments	As Reported By Liberty
Revenue	\$ 281	—	281
Operating expense	40	—	40
SG&A	119	—	119
Adjusted OIBDA	122	—	122
Stock-based compensation	14	3	17
Depreciation and amortization	12	57	69
Operating income (loss)	\$ 96	(60)	36

	Three months ended March 31, 2013		
	As Reported By TripAdvisor	Purchase Accounting Adjustments	As Reported By Liberty
Revenue	\$ 230	—	230
Operating expense	26	—	26
SG&A	95	—	95
Adjusted OIBDA	109	—	109
Stock-based compensation	14	3	17
Depreciation and amortization	7	70	77
Operating income (loss)	\$ 88	(73)	15

E-commerce businesses. Our E-commerce businesses are comprised primarily of Provide, Backcountry, Bodybuilding, Celebrate and CommerceHub. Revenue for the E-commerce businesses is seasonal due to certain holidays and seasons, which drive a significant portion of the e-commerce businesses' revenue. The third quarter is generally lower, as compared to the other three quarters, due to fewer holidays.

Revenue was flat for the three months ended March 31, 2014, as compared to the corresponding period in the prior year. Certain operational issues primarily delivery issues as a result of inclement weather around Valentine's Day contributed to a decrease in revenue for the current period related to the Provide business. Backcountry and Bodybuilding both had lower than anticipated revenue growth due to sluggish first quarter demand for their products and lower average order value.

Adjusted OIBDA for the E-commerce businesses decreased \$16 million for the three months ended March 31, 2014, as compared to the corresponding period in the prior year, representing 5.0% of revenue for the three months ended March 31, 2014, as compared to 8.5% for the three months ended March 31, 2013. The decrease in Adjusted OIBDA as a percentage of revenue for the three months ended March 31, 2014, as compared to the corresponding period in the prior year, was due to increased technology and personnel costs at these subsidiaries to support anticipated revenue growth which did not materialize in the first quarter, slightly lower product margins, somewhat due to increased packaging costs, during the period and increased marketing spend in the first quarter that did not yield anticipated sales.

Operating income decreased \$20 million for the three months ended March 31, 2014, as compared to the corresponding period in the prior year. The decrease in operating income was primarily attributable to the items discussed above as well as higher stock based compensation during the period and slightly higher amortization and depreciation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of March 31, 2014, 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>Liberty Interactive</i>				
QVC	\$ 124	1.9%	\$ 3,895	5.5%
Corporate and other	\$ 56	2.5%	\$ 1,204	5.9%
<i>Liberty Ventures</i>				
TripAdvisor	\$ 361	2.0%	\$ —	—%
Corporate and other	\$ —	—%	\$ 2,086	2.5%

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

At March 31, 2014, the fair value of our AFS equity securities was \$1,470 million. Had the market price of such securities been 10% lower at March 31, 2014, the aggregate value of such securities would have been \$147 million lower. Our investments in Expedia and HSN, Inc. 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 \$2,869 million at March 31, 2014 and had the market price of such securities been 10% lower at March 31, 2014, the aggregate value of such securities would have been \$287 million lower. Such changes in value are not directly reflected in our statement of operations. Additionally, our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the stock price of the respective underlying security and increases 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.

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

Item 4. Controls and Procedures.

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of March 31, 2014 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

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 Liberty Interactive common stock. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of \$1 billion of Series A and Series B Liberty Interactive common stock for a total of \$3 billion. These previous authorizations remained effective following the 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.

A summary of the repurchase activity for the three months ended March 31, 2014 is as follows:

Period	Series A Liberty Interactive Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - 31, 2014	2,580,792	\$ 28.42	2,580,792	\$97 million
February 1 - 28, 2014	2,294,838	\$ 27.22	2,294,838	\$1,034 million
March 1- 31, 2014	2,645,304	\$ 29.02	2,645,304	\$957 million
Total	<u>7,520,934</u>		<u>7,520,934</u>	

In addition to the shares listed in the table above, 109,719 shares of Series A Liberty Interactive common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended March 31, 2014.

Item 6. Exhibits

(a) Exhibits

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

- 3.1 Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-K (File No. 001-33982) as filed on February 28, 2014).
- 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

EXHIBIT INDEX

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QuickLinks

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

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

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

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

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

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

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

[Item 4. Controls and Procedures .](#)

[LIBERTY INTERACTIVE CORPORATION](#)

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

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[SIGNATURES](#)

[EXHIBIT INDEX](#)

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Interactive Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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: May 8, 2014

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liberty Interactive Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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: May 8, 2014

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean
Senior Vice President and Chief Financial Officer

Certification

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

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

The Quarterly Report on Form 10-Q for the period ended March 31, 2014 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2014

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Date: May 8, 2014

/s/ CHRISTOPHER W. SHEAN

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

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

Unaudited Attributed Financial Information for Tracking Stock Groups

Our Liberty Interactive common stock is intended to reflect the separate performance of our Interactive Group which is comprised of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, Inc., CommerceHub and our interest in HSN, Inc. Our Liberty Ventures common stock is intended to reflect the separate performance of our Ventures Group which consists of all of our businesses not included in the Interactive Group including our consolidated subsidiary, TripAdvisor, Inc., and our interests in equity method investments of Expedia, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. and available-for-sale securities Time Warner Inc. and Time Warner Cable Inc.

The following tables present our assets and liabilities as of March 31, 2014, revenue and expenses for the three months ended March 31, 2014 and 2013 and cash flows for the three months ended March 31, 2014 and 2013. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive 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 months ended March 31, 2014 included in this Quarterly Report on Form 10-Q.

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

SUMMARY ATTRIBUTED FINANCIAL DATA

Interactive Group

	March 31, 2014	December 31, 2013
	amounts in millions	
Summary balance sheet data:		
Cash and cash equivalents	\$ 682	598
Trade and other receivables, net	\$ 885	1,150
Inventory	\$ 1,213	1,135
Investments in affiliates, accounted for using the equity method	\$ 362	343
Total assets	\$ 14,580	14,862
Long-term debt	\$ 5,251	5,044
Deferred income tax liabilities	\$ 1,151	1,208
Net assets attributable to the Interactive Group shareholders	\$ 6,306	6,378

	Three months ended	
	March 31,	
	2014	2013
	amounts in millions	
Summary operations data:		
Revenue	2,447	2,434
Cost of sales	(1,566)	(1,553)
Operating expenses	(217)	(208)
Selling, general and administrative expenses (1)	(257)	(260)
Depreciation and amortization	(163)	(153)
Operating income (loss)	244	260
Interest expense	(77)	(84)
Share of earnings (losses) of affiliates, net	21	16
Realized and unrealized gains (losses) on financial instruments, net	1	13
Other income (expense), net	1	(40)
Income tax benefit (expense)	(70)	(58)
Net earnings (loss)	120	107
Less net earnings (loss) attributable to noncontrolling interests	10	12
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	110	95

(1) Includes stock-based compensation of \$24 million for each of the three months ended March 31, 2014 and 2013.

SUMMARY ATTRIBUTED FINANCIAL DATA (Continued)

Ventures Group

	March 31, 2014	December 31, 2013
	amounts in millions	
Summary balance sheet data:		
Cash and cash equivalents	\$ 802	658
Investments in available-for-sale securities and other cost investments	\$ 1,466	1,497
Investments in affiliates, accounted for using the equity method	\$ 882	894
Total assets	\$ 10,241	9,984
Long-term debt, including current portion	\$ 2,304	2,301
Deferred income tax liabilities, including current portion	\$ 2,736	2,731
Net assets attributable to the Ventures Group shareholders	\$ 527	558
Noncontrolling interests in equity of subsidiaries	\$ 4,421	4,375
	Three months ended	
	March 31,	
	2014	2013
	amounts in millions	
Summary operations data:		
Revenue	\$ 281	230
Operating expenses (1)	(48)	(36)
Selling, general and administrative expenses (1)	(132)	(106)
Depreciation and amortization	(69)	(77)
Operating income (loss)	32	11
Interest expense	(22)	(27)
Share of earnings (losses) of affiliates, net	(23)	(27)
Realized and unrealized gains (losses) on financial instruments, net	(26)	(86)
Other, net	7	2
Income tax benefit (expense)	22	73
Net earnings (loss)	(10)	(54)
Less net earnings (loss) attributable to noncontrolling interests	18	14
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ (28)	(68)

(1) Included in the Ventures Group statements of operations are the following amounts of stock-based compensation:

	Three months ended	
	March 31,	
	2014	2013
	amounts in millions	
Operating expenses	\$ 7	8
Selling, general and administrative expenses	11	10
	\$ 18	18

BALANCE SHEET INFORMATION

March 31, 2014

(unaudited)

	Attributed (note 1)		Inter-group eliminations	Consolidated Liberty
	Interactive Group	Ventures Group		
amounts in millions				
<i>Assets</i>				
Current assets:				
Cash and cash equivalents	\$ 682	802	—	1,484
Trade and other receivables, net	885	155	—	1,040
Inventory, net	1,213	—	—	1,213
Short term marketable securities	—	682	—	682
Other current assets	248	21	(159)	110
Total current assets	3,028	1,660	(159)	4,529
Investments in available-for-sale securities and other cost investments (note 2)	4	1,466	—	1,470
Investments in affiliates, accounted for using the equity method (note 3)	362	882	—	1,244
Property and equipment, net	1,203	69	—	1,272
Intangible assets not subject to amortization, net	8,393	5,290	—	13,683
Intangible assets subject to amortization, net	1,498	854	—	2,352
Other assets, at cost, net of accumulated amortization	92	20	—	112
Total assets	\$ 14,580	10,241	(159)	24,662
<i>Liabilities and Equity</i>				
Current liabilities:				
Intergroup payable (receivable) (note 7)	\$ 50	(50)	—	—
Accounts payable	650	74	—	724
Accrued liabilities	651	95	—	746
Current portion of debt (note 4)	36	947	—	983
Deferred tax liabilities	—	1,056	(159)	897
Other current liabilities	176	60	—	236
Total current liabilities	1,563	2,182	(159)	3,586
Long-term debt (note 4)	5,251	1,357	—	6,608
Deferred income tax liabilities	1,151	1,680	—	2,831
Other liabilities	197	74	—	271
Total liabilities	8,162	5,293	(159)	13,296
Equity/Attributed net assets (liabilities)	6,306	527	—	6,833
Noncontrolling interests in equity of subsidiaries	112	4,421	—	4,533
Total liabilities and equity	\$ 14,580	10,241	(159)	24,662

STATEMENT OF OPERATIONS INFORMATION

Three months ended March 31, 2014

(unaudited)

	<u>Attributed (note 1)</u>		<u>Consolidated Liberty</u>
	<u>Interactive Group</u>	<u>Ventures Group</u>	
	amounts in millions		
Revenue:			
Net retail sales	\$ 2,447	—	2,447
Other revenue	—	281	281
Total revenue	<u>2,447</u>	<u>281</u>	<u>2,728</u>
Operating costs and expenses:			
Cost of sales	1,566	—	1,566
Operating, including stock-based compensation (note 5)	217	48	265
Selling, general and administrative, including stock-based compensation (note 5)	257	132	389
Depreciation and amortization	163	69	232
	<u>2,203</u>	<u>249</u>	<u>2,452</u>
Operating income (loss)	244	32	276
Other income (expense):			
Interest expense	(77)	(22)	(99)
Share of earnings (losses) of affiliates, net (note 3)	21	(23)	(2)
Realized and unrealized gains (losses) on financial instruments, net	1	(26)	(25)
Other, net	1	7	8
	<u>(54)</u>	<u>(64)</u>	<u>(118)</u>
Earnings (loss) before income taxes	190	(32)	158
Income tax benefit (expense)	(70)	22	(48)
Net earnings (loss)	120	(10)	110
Less net earnings (loss) attributable to noncontrolling interests	10	18	28
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	<u>\$ 110</u>	<u>(28)</u>	<u>82</u>

STATEMENT OF OPERATIONS INFORMATION

Three months ended March 31, 2013

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	Interactive Group	Ventures Group	
amounts in millions			
Revenue:			
Net retail sales	\$ 2,434	—	2,434
Other revenue	—	230	230
Total revenue	2,434	230	2,664
Operating costs and expenses:			
Cost of sales	1,553	—	1,553
Operating	208	36	244
Selling, general and administrative, including stock-based compensation (note 5)	260	106	366
Depreciation and amortization	153	77	230
	2,174	219	2,393
Operating income (loss)	260	11	271
Other income (expense):			
Interest expense	(84)	(27)	(111)
Share of earnings (losses) of affiliates, net (note 3)	16	(27)	(11)
Realized and unrealized gains (losses) on financial instruments, net	13	(86)	(73)
Other, net	(40)	2	(38)
	(95)	(138)	(233)
Earnings (loss) from continuing operations before income taxes	165	(127)	38
Income tax benefit (expense)	(58)	73	15
Net earnings (loss)	107	(54)	53
Less net earnings (loss) attributable to noncontrolling interests	12	14	26
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 95	(68)	27

STATEMENT OF CASH FLOWS INFORMATION

Three months ended March 31, 2014

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	Interactive Group	Ventures Group	
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	\$ 120	(10)	110
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	163	69	232
Stock-based compensation	24	18	42
Cash payments for stock based compensation	(3)	(1)	(4)
Excess tax benefit from stock-based compensation	(8)	(11)	(19)
Share of losses (earnings) of affiliates, net	(21)	23	2
Cash receipts from return on equity investments	5	5	10
Realized and unrealized gains (losses) on financial instruments, net	(1)	26	25
Deferred income tax (benefit) expense	(49)	2	(47)
Other, net	1	—	1
Intergroup tax allocation	50	(50)	—
Intergroup tax payment	(225)	225	—
Changes in operating assets and liabilities			
Current and other assets	178	(33)	145
Payables and other current liabilities	(59)	88	29
Net cash provided (used) by operating activities	175	351	526
Cash flows from investing activities:			
Cash proceeds from dispositions	—	25	25
Investments in and loans to cost and equity investees	—	(18)	(18)
Capital expended for property and equipment	(41)	(47)	(88)
Purchases of short-term and other marketable securities	—	(310)	(310)
Sales of short term and other marketable securities	—	165	165
Other investing activities, net	(10)	2	(8)
Net cash provided (used) by investing activities	(51)	(183)	(234)
Cash flows from financing activities:			
Borrowings of debt	1,551	2	1,553
Repayments of debt	(1,347)	(15)	(1,362)
Intergroup receipts (payments), net	2	(2)	—
Repurchases of Liberty common stock	(213)	—	(213)
Minimum withholding taxes on net settlements of stock-based compensation	(6)	(20)	(26)
Excess tax benefit from stock-based compensation	8	11	19
Other financing activities, net	(35)	—	(35)
Net cash provided (used) by financing activities	(40)	(24)	(64)
Net increase (decrease) in cash and cash equivalents	84	144	228
Cash and cash equivalents at beginning of period	598	658	1,256
Cash and cash equivalents at end period	\$ 682	802	1,484

STATEMENT OF CASH FLOWS INFORMATION

Three months ended March 31, 2013

(unaudited)

	Attributed (note 1)		Consolidated Liberty
	Interactive Group	Ventures Group	
amounts in millions			
Cash flows from operating activities:			
Net earnings (loss)	\$ 107	(54)	53
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	153	77	230
Stock-based compensation	24	18	42
Cash payments for stock based compensation	(2)	(1)	(3)
Excess tax benefits on stock-based compensation	(3)	—	(3)
Share of losses (earnings) of affiliates, net	(16)	27	11
Cash receipts from return on equity investments	4	3	7
Realized and unrealized gains (losses) on financial instruments, net	(13)	86	73
Deferred income tax (benefit) expense	(27)	(192)	(219)
Other, net	11	—	11
Intergroup tax allocation	41	(41)	—
Changes in operating assets and liabilities			
Current and other assets	259	(53)	206
Payables and other current liabilities	(390)	82	(308)
Net cash provided (used) by operating activities	<u>148</u>	<u>(48)</u>	<u>100</u>
Cash flows from investing activities:			
Cash proceeds from dispositions	—	37	37
Investments in and loans to cost and equity investees	—	(38)	(38)
Capital expended for property and equipment	(50)	(9)	(59)
Purchases of short-term and other marketable securities	—	(707)	(707)
Sales of short term and other marketable securities	—	49	49
Other investing activities, net	(30)	(6)	(36)
Net cash provided (used) by investing activities	<u>(80)</u>	<u>(674)</u>	<u>(754)</u>
Cash flows from financing activities:			
Borrowings of debt	1,383	4	1,387
Repayments of debt	(1,251)	(452)	(1,703)
Excess tax benefit from stock-based compensation	3	—	3
Minimum withholding taxes on net settlements of stock-based compensation	(5)	(6)	(11)
Intergroup receipts (payments), net	2	(2)	—
Repurchases of Liberty common stock	(252)	—	(252)
Other financing activities, net	(37)	—	(37)
Net cash provided (used) by financing activities	<u>(157)</u>	<u>(456)</u>	<u>(613)</u>
Effect of foreign currency rates on cash	(23)	—	(23)
Net increase (decrease) in cash and cash equivalents	(112)	(1,178)	(1,290)
Cash and cash equivalents at beginning of period	699	1,961	2,660
Cash and cash equivalents at end period	<u>\$ 587</u>	<u>783</u>	<u>1,370</u>

Notes to Attributed Financial Information

(unaudited)

- (1) The Interactive Group is comprised of our consolidated subsidiaries QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC and Celebrate Interactive Holdings LLC, CommerceHub and our interest in HSN, Inc. Accordingly, the accompanying attributed financial information for the Interactive Group includes the foregoing investments, as well as the assets, liabilities, revenue, expenses and cash flows of those consolidated subsidiaries. We have also attributed certain of our debt obligations (and related interest expense) to the Interactive Group based upon a number of factors, including the cash flow available to the Interactive Group and its ability to pay debt service and our assessment of the optimal capitalization for the Interactive Group. The specific debt obligations attributed to each of the Interactive Group and the Ventures Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the Interactive Group and the Ventures Group as described in note 5 below.

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

The Ventures Group consists of all of our businesses not included in the Interactive Group including our consolidated subsidiary TripAdvisor, Inc. and our interests in equity method investments of Expedia, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. and available-for-sale securities Time Warner Inc. and Time Warner Cable Inc. Accordingly, the accompanying attributed financial information for the Ventures Group includes these investments. In addition, we have attributed to the Ventures Group all of our senior exchangeable debentures (and related interest expense). See note 4 below for the debt obligations attributed to the Ventures Group.

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

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

	March 31, 2014	December 31, 2013
	amounts in millions	
Interactive Group		
Other	\$ 4	4
Total Interactive Group	4	4
Ventures Group		
Time Warner Inc.	287	306
Time Warner Cable Inc.	750	741
TripAdvisor AFS securities	284	188
Other	145	262
Total Ventures Group	1,466	1,497
Consolidated Liberty	\$ 1,470	1,501

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

	March 31, 2014			Share of earnings (losses)	
	Percentage ownership	Carrying value	Market value	Three months ended March 31,	
				2014	2013
dollar amounts in millions					
Interactive Group					
HSN, Inc.	38%	\$ 311	1,196	22	20
Other	various	51	NA	(1)	(4)
Total Interactive Group		362		21	16
Ventures Group					
Expedia, Inc.	18%	467	1,673	(6)	(20)
Other	various	415	NA	(17)	(7)
Total Ventures Group		882		(23)	(27)
Consolidated Liberty		\$ 1,244		(2)	(11)

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

	March 31, 2014	
	Outstanding principal	Carrying value
amounts in millions		
Interactive Group		
8.5% Senior Debentures due 2029	\$ 287	285
8.25% Senior Debentures due 2030	504	501
1% Exchangeable Senior Debentures due 2043	400	422
QVC 7.5% Senior Secured Notes due 2019	769	761
QVC 3.125% Senior Secured Notes due 2019	400	399
QVC 7.375% Senior Secured Notes due 2020	500	500
QVC 5.125% Senior Secured Notes due 2022	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750
QVC 4.850% Senior Secured Notes due 2024	600	600
QVC 5.95% Senior Secured Notes due 2043	300	300
QVC Bank Credit Facilities	124	124
Other subsidiary debt	145	145
Total Interactive Group debt	5,279	5,287
Ventures Group		
4% Exchangeable Senior Debentures due 2029	439	284
3.75% Exchangeable Senior Debentures due 2030	438	276
3.5% Exchangeable Senior Debentures due 2031	359	316
0.75% Exchangeable Senior Debentures due 2043	850	1,067
TripAdvisor Debt Facilities	361	361
Total Ventures Group debt	2,447	2,304
Total consolidated Liberty debt	\$ 7,726	7,591
Less current maturities		(983)
Total long-term debt		\$ 6,608

- (5) Cash compensation expense for our corporate employees will be allocated between the Interactive Group and the Ventures Group based on the estimated percentage of time spent providing services for each group. On a semi-annual basis, estimated time spent will be determined through an interview process and a review of personnel duties unless transactions significantly change the composition of companies and investments in either respective group, which would require a more timely reevaluation of estimated time spent. Other general and administrative expenses will be charged

directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the Interactive Group to the Ventures Group were determined to be \$2 million and \$3 million for the three months ended March 31, 2014 and 2013, 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.

- (6) The Liberty Interactive 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 Liberty Interactive 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 will be convertible into one share of Series A common stock of the same group. At the discretion of our board, the common stock related to one group may be converted into common stock of the same series that is related to the other group.

- (7) The intergroup payable (receivable) is primarily attributable to an allocation of intergroup income taxes payable from the Interactive Group to the Ventures Group.

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

March 31, 2014

(unaudited)

amounts in millions

Liberty Interactive Corporation Net Assets	\$ 11,366
Reconciling items:	
LINT put option obligations	—
LINT LLC Net Assets	<u>\$ 11,366</u>
Liberty Interactive Corporation Net Earnings for the three months ended March 31, 2014	\$ 110
Reconciling items:	
Unrealized gain on LINT put options	—
LINT LLC Net Earnings for the three months ended March 31, 2014	<u>\$ 110</u>