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**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, 2015

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  Smaller reporting company   
(do not check if smaller reporting company)

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

The number of outstanding shares of Liberty Interactive Corporation's common stock as of April 30, 2015 was:

	<u>Series A</u>	<u>Series B</u>
Liberty Interactive	443,321,805	29,263,775
Liberty Ventures	134,623,906	7,092,111

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**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**(unaudited)**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2015</b>	<b>2014</b>
	<b>amounts in millions</b>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 2,350	2,306
Trade and other receivables, net of allowance for doubtful accounts of \$90 million and \$92 million, respectively	867	1,232
Inventory, net	1,119	1,049
Short term marketable securities (note 6)	860	889
Other current assets	75	72
Total current assets	<u>5,271</u>	<u>5,548</u>
Investments in available-for-sale securities and other cost investments (note 7)	1,236	1,224
Investments in affiliates, accounted for using the equity method (note 8)	1,419	1,633
Property and equipment, at cost	1,966	2,030
Accumulated depreciation	(928)	(937)
	<u>1,038</u>	<u>1,093</u>
Intangible assets not subject to amortization (note 9):		
Goodwill	5,355	5,404
Trademarks	2,489	2,489
	<u>7,844</u>	<u>7,893</u>
Intangible assets subject to amortization, net (note 9)	1,122	1,185
Other assets, at cost, net of accumulated amortization	72	65
Total assets	<u>\$ 18,002</u>	<u>18,641</u>

(continued)

See accompanying notes to condensed consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets (Continued)**  
**(unaudited)**

	March 31, 2015	December 31, 2014
	amounts in millions, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 639	735
Accrued liabilities	591	743
Current portion of debt (note 10)	939	946
Deferred income tax liabilities	991	972
Other current liabilities	236	343
Total current liabilities	3,396	3,739
Long-term debt, including \$2,502 million and \$2,574 million measured at fair value (note 10)	6,981	7,105
Deferred income tax liabilities	1,739	1,849
Other liabilities	181	168
Total liabilities	12,297	12,861
<i>Equity</i>		
Stockholders' equity (note 11):		
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 444,595,005 shares at March 31, 2015 and 447,451,702 shares at December 31, 2014	5	5
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,275,775 shares at March 31, 2015 and 28,877,554 shares at December 31, 2014	—	—
Series A Liberty Ventures common stock, \$.01 par value. Authorized 200,000,000 shares; issued and outstanding 134,566,440 shares at March 31, 2015 and 134,525,874 shares at December 31, 2014	1	1
Series B Liberty Ventures common stock, \$.01 par value. Authorized 7,500,000 shares; issued and outstanding 7,092,111 shares at March 31, 2015 and 6,991,127 shares at December 31, 2014	—	—
Additional paid-in capital	—	4
Accumulated other comprehensive earnings (loss), net of taxes	(210)	(94)
Retained earnings	5,813	5,757
Total stockholders' equity	5,609	5,673
Noncontrolling interests in equity of subsidiaries	96	107
Total equity	5,705	5,780
Commitments and contingencies (note 12)		
Total liabilities and equity	\$ 18,002	18,641

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
Net retail sales	\$ 2,214	2,434
Operating costs and expenses:		
Cost of sales (exclusive of depreciation shown separately below)	1,415	1,556
Operating	191	213
Selling, general and administrative, including stock-based compensation (note 4)	204	256
Depreciation and amortization	168	163
	<u>1,978</u>	<u>2,188</u>
Operating income	236	246
Other income (expense):		
Interest expense	(95)	(95)
Share of earnings (losses) of affiliates, net (note 8)	3	(2)
Realized and unrealized gains (losses) on financial instruments, net (note 6)	(4)	(25)
Other, net	15	7
	<u>(81)</u>	<u>(115)</u>
Earnings (loss) from continuing operations before income taxes	155	131
Income tax (expense) benefit	(3)	(40)
Net earnings (loss) from continuing operations	152	91
Earnings (loss) from discontinued operations, net of taxes	—	19
Net earnings (loss)	152	110
Less net earnings (loss) attributable to the noncontrolling interests	9	28
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	<u>\$ 143</u>	<u>82</u>
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:		
Liberty Interactive common stock	\$ 151	110
Liberty Ventures common stock	(8)	(28)
	<u>\$ 143</u>	<u>82</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended	
	March 31,	
	2015	2014
Basic net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 5):		
Series A and Series B Liberty Interactive common stock	\$ 0.32	0.23
Series A and Series B Liberty Ventures common stock	\$ (0.06)	(0.45)
Diluted net earnings (losses) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 5):		
Series A and Series B Liberty Interactive common stock	\$ 0.31	0.23
Series A and Series B Liberty Ventures common stock	\$ (0.06)	(0.45)
Basic net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 5):		
Series A and Series B Liberty Interactive common stock	\$ 0.32	0.22
Series A and Series B Liberty Ventures common stock	\$ (0.06)	(0.38)
Diluted net earnings (losses) attributable to Liberty Interactive Corporation shareholders per common share (note 5):		
Series A and Series B Liberty Interactive common stock	\$ 0.31	0.22
Series A and Series B Liberty Ventures common stock	\$ (0.06)	(0.38)

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
Net earnings (loss)	\$ 152	110
Other comprehensive earnings (loss), net of taxes:		
Foreign currency translation adjustments	(102)	17
Share of other comprehensive earnings (losses) of equity affiliates	(14)	—
Share of other comprehensive earnings (losses) of discontinued operations	—	8
Other comprehensive earnings (loss)	(116)	25
Comprehensive earnings (loss)	36	135
Less comprehensive earnings (loss) attributable to the noncontrolling interests	9	40
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 27	95
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:		
Liberty Interactive common stock	\$ 35	123
Liberty Ventures common stock	(8)	(28)
	\$ 27	95

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,	
	2015	2014
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ 152	110
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Earnings) loss from discontinued operations	—	(19)
Depreciation and amortization	168	163
Stock-based compensation	15	25
Cash payments for stock-based compensation	(2)	(4)
Excess tax benefit from stock-based compensation	(13)	(8)
Share of (earnings) losses of affiliates, net	(3)	2
Cash receipts from returns on equity investments	13	10
Realized and unrealized (gains) losses on financial instruments, net	4	25
Deferred income tax expense (benefit)	(54)	(32)
Other, net	(8)	—
Changes in operating assets and liabilities		
Current and other assets	258	176
Payables and other liabilities	(310)	(51)
Net cash provided (used) by operating activities	220	397
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	(20)	—
Cash proceeds from dispositions of investments	—	25
Investments in and loans to cost and equity investees	(45)	(18)
Cash receipts from returns of equity investments	200	—
Capital expended for property and equipment	(44)	(41)
Purchases of short term and other marketable securities	(287)	(106)
Sales of short term and other marketable securities	313	68
Other investing activities, net	(44)	(8)
Net cash provided (used) by investing activities	73	(80)
Cash flows from financing activities:		
Borrowings of debt	531	1,551
Repayments of debt	(642)	(1,352)
Repurchases of Liberty Interactive common stock	(123)	(213)
Minimum withholding taxes on net settlements of stock-based compensation	(11)	(8)
Excess tax benefit from stock-based compensation	13	8
Other financing activities, net	(7)	(37)
Net cash provided (used) by financing activities	(239)	(51)
Net cash provided (used) by discontinued operations:		
Operating	—	129
Investing	—	(154)
Financing	—	(13)
Change in available cash held by discontinued operations	—	32
Net cash provided (used) by discontinued operations	—	(6)
Effect of foreign currency exchange rates on cash	(10)	—
Net increase (decrease) in cash and cash equivalents	44	260
Cash and cash equivalents at beginning of period	2,306	902
Cash and cash equivalents at end of period	\$ 2,350	1,162

See accompanying notes to condensed consolidated financial statements.



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statement Of Equity**  
**(unaudited)**  
**Three months ended March 31, 2015**

	Stockholders' Equity									Total equity	
	Preferred stock	Common stock				Additional paid-in capital	Accumulated other		Retained earnings		Noncontrolling interest in equity of subsidiaries
		Liberty Interactive		Liberty Ventures			comprehensive earnings	earnings			
		Series A	Series B	Series A	Series B						
amounts in millions											
Balance at January 1, 2015	\$ —	5	—	1	—	4	(94)	5,757	107	5,780	
Net earnings (loss)	—	—	—	—	—	—	—	143	9	152	
Other comprehensive earnings (loss)	—	—	—	—	—	—	(116)	—	—	(116)	
Stock-based compensation	—	—	—	—	—	14	—	—	—	14	
Series A Liberty Interactive common stock repurchases	—	—	—	—	—	(123)	—	—	—	(123)	
Stock issued upon exercise of stock options	—	—	—	—	—	16	—	—	—	16	
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	(11)	—	—	—	(11)	
Excess tax benefit from stock-based compensation	—	—	—	—	—	13	—	—	—	13	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(20)	(20)	
Other (note 1)	—	—	—	—	—	87	—	(87)	—	—	
Balance at March 31, 2015	<u>\$ —</u>	<u>5</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>(210)</u>	<u>5,813</u>	<u>96</u>	<u>5,705</u>	

See accompanying notes to condensed consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(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, 2014, 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, 2014.

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.

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a retrospective or cumulative effect transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016 but a proposal has been issued to extend the effective date to those fiscal years beginning after December 31, 2017. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its revenue recognition but does not believe that the standard will significantly impact its financial statements and related disclosures.

In April 2015, the FASB issued new accounting guidance on the presentation of debt issuance costs, which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the debt liability. The new guidance intends to simplify the presentation of debt issuance costs. This standard will more closely align the presentation of debt issuance costs under GAAP with the presentation under comparable International Financial Reporting Standards. The new standard is effective for the Company on January 1, 2016. Early application is permitted. The standard requires the use of the retrospective transition method. The Company is evaluating the effect that the new guidance will have on its consolidated financial statements and related disclosures. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

As a result of the TripAdvisor Holdings Spin-Off (defined in note 3) and repurchases of Series A Liberty Interactive common stock, the Company's additional paid-in capital balance was in a deficit position as of March 31, 2015. In order to maintain a zero balance in the additional paid-in capital account, we reclassified the amount of the deficit (\$87 million) to retained earnings as of March 31, 2015.

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

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

**(unaudited)**

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 was reimbursable to LMC for each of the three months ended March 31, 2015 and 2014. Additionally, the Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and LMC and other agreements related to tax matters.

**(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 QVC Group and the Ventures Group, respectively.

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

On October 3, 2014, Liberty announced that its board of directors approved the change in attribution from the QVC Group (referred to as the "Interactive Group" prior to the reattribution) to the Ventures Group of certain of its Digital Commerce companies (defined below) and cash, which was provided by QVC, Inc. ("QVC") as a result of a draw-down of QVC's credit facility. In return, holders of Liberty Interactive common stock received a dividend of approximately 67.7 million shares of Liberty Ventures common stock, or 0.14217 of a Liberty Ventures share for each share of Liberty Interactive common stock outstanding on October 13, 2014, the record date of the dividend. The distribution date for the dividend was October 20, 2014, and the Liberty Interactive common stock began trading ex-dividend on October 15, 2014. The reattributed Digital Commerce companies were comprised of Liberty's consolidated subsidiaries Backcountry.com, Bodybuilding.com, LLC, Provide Commerce, Inc. ("Provide"), CommerceHub, Evite, Inc. and LMC Right Start, Inc. (collectively, the "Digital Commerce" companies). The reattribution of the Digital Commerce companies is presented on a prospective basis from the date of the reattribution in Liberty's condensed consolidated financial statements and attributed financial information, with October 1, 2014 used as a proxy for the date of the reattribution. In connection with the reattribution, the Liberty Interactive tracking stock trading symbol "LINTA" was changed to "QVCA" and the "LINTB" trading symbol was changed to "QVCB," effective October 7, 2014. Other than the issuance of Liberty Ventures shares in the fourth quarter of 2014, the reattribution of tracking stock groups had no consolidated impact on Liberty.

Provide was included in the Digital Commerce companies prior to the sale of Provide to FTD Companies, Inc. ("FTD") on December 31, 2014 in exchange for cash and shares of FTD common stock representing approximately 35% of the combined company (see note 8 for additional information related to this transaction). Subsequent to this transaction,

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

the Company's interest in FTD, accounted for under the equity method, is included in the Digital Commerce companies. Given Liberty's significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the Company's condensed consolidated financial statements.

The term "QVC Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. Following the reattribution, the QVC Group is primarily comprised of our merchandise-focused televised-shopping programs, Internet and mobile application businesses and has attributed to it our wholly-owned subsidiary QVC and our approximate 38% interest in HSN, Inc., along with cash and certain liabilities that reside with QVC as well as certain liabilities related to our corporate indebtedness (see note 10) and certain deferred tax liabilities. As of March 31, 2015, the QVC Group has cash and cash equivalents of approximately \$530 million, which includes subsidiary cash.

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. Following the reattribution, the Ventures Group is primarily comprised of our Digital Commerce businesses and interests in Expedia, Inc., Interval Leisure Group, Inc. and LendingTree, Inc., available-for-sale securities in Time Warner Inc. and Time Warner Cable Inc., as well as cash and cash equivalents of approximately \$1,820 million at March 31, 2015. The Ventures Group also has attributed to it certain liabilities related to our Exchangeable Debentures (see note 10) and certain deferred tax liabilities. The Ventures Group is primarily focused on the maximization of the value of these investments and investing in new business opportunities.

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

**(3) Discontinued Operations**

On August 27, 2014, Liberty completed the spin-off to holders of its Liberty Ventures common stock shares of its former wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. ("TripAdvisor Holdings") (the "TripAdvisor Holdings Spin-Off"). TripAdvisor Holdings is comprised of Liberty's former 22% economic and 57% voting interest in TripAdvisor, Inc. as well as BuySeasons, Inc., Liberty's former wholly-owned subsidiary, and a corporate level net debt balance of \$350 million. In connection with the TripAdvisor Holdings Spin-Off during August 2014, TripAdvisor Holdings drew down \$400 million in margin loans and distributed approximately \$350 million to Liberty. This transaction has been recorded at historical cost due to the pro rata nature of the distribution. Following the completion of the TripAdvisor Holdings Spin-Off, Liberty and TripAdvisor Holdings operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. The condensed consolidated financial statements of Liberty have been prepared to reflect TripAdvisor Holdings as discontinued operations. Accordingly, the revenue, costs and expenses, and cash flows of the businesses, assets and liabilities owned by TripAdvisor Holdings at the time of the TripAdvisor Holdings Spin-Off have been excluded from the respective captions in the accompanying condensed consolidated statements of operations, comprehensive earnings and cash flows in such condensed consolidated financial statements. Additionally, TripAdvisor, Inc. and BuySeasons, Inc. are no longer reflected in the segment financial information for all periods presented.

In connection with the TripAdvisor Holdings Spin-off, Liberty and TripAdvisor Holdings entered into a tax sharing agreement (the "Tax Sharing Agreement"). The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and TripAdvisor Holdings and other agreements related to tax matters. Among other things, pursuant to the Tax Sharing Agreement, TripAdvisor Holdings has agreed to indemnify Liberty, subject to certain limited exceptions, for losses and taxes resulting from the TripAdvisor Holdings Spin-Off to the extent such losses or taxes result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by TripAdvisor Holdings (applicable to actions or failures to act by TripAdvisor Holdings and its subsidiaries following the completion of the TripAdvisor Holdings Spin-Off).

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

In October 2014, the IRS completed its examination of the TripAdvisor Holdings Spin-Off and notified Liberty that it agreed with the nontaxable characterization of the transaction. Liberty expects to execute a closing agreement with the IRS documenting this conclusion during 2015.

Certain combined financial information for TripAdvisor Holdings, which is included in earnings (loss) from discontinued operations, is as follows (amounts in millions, except per share amounts):

	<b>Three months ended</b>
	<b>March 31, 2014</b>
Revenue	\$ 294
Earnings (loss) before income taxes	\$ 27
Earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 1

*Earnings per share of discontinued operations*

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

	<b>Three months</b>
	<b>ended</b>
	<b>March 31, 2014</b>
Basic earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 5):	
Series A and Series B Liberty Interactive common stock	\$ (0.01)
Series A and Series B Liberty Ventures common stock	\$ 0.07
Diluted earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 5):	
Series A and Series B Liberty Interactive common stock	\$ (0.01)
Series A and Series B Liberty Ventures common stock	\$ 0.07

The assets and liabilities included in the TripAdvisor Holdings Spin-Off, and their resulting impacts on the attributed statements of operations, were included in discontinued operations based on which group owned the assets at the time of the TripAdvisor Holdings Spin-Off.

**(4) Stock-Based Compensation**

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

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are \$15 million and \$25 million of stock-based compensation during the three months ended March 31, 2015 and 2014, respectively.

During the three months ended March 31, 2015, Liberty granted 1.9 million options to QVC employees to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$11.92 per share and vest semi-annually over 4 years.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

Also during the three months ended March 31, 2015, Liberty granted to Liberty employees 1.1 million and 308 thousand options to purchase shares of Series A Liberty Interactive common stock and Series A Liberty Ventures common stock, respectively. Such options had a weighted average grant-date fair value of \$12.20 and \$17.65 per share, respectively, and each grant contains options that vest over two different periods, annually over three years and 50% on each of December 31, 2019 and 2020.

In connection with our CEO's employment agreement, Liberty also granted 132 thousand and 135 thousand performance-based options of Series B Liberty Interactive common stock and Series B Liberty Ventures common stock, respectively, and 182 thousand and 13 thousand performance-based restricted stock units of Series B Liberty Interactive common stock and Series B Liberty Ventures common stock, respectively. Such options had a weighted average grant-date fair value of \$10.10 per share and \$17.16 per share, respectively. The restricted stock units had a weighted average grant-date fair value of \$29.41 per share and \$42.33 per share, respectively. The options and restricted stock units cliff vest in one year, subject to satisfaction of certain performance objectives.

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, 2015	24,900	\$ 17.49		
Granted	2,963	\$ 29.59		
Exercised	(1,928)	\$ 15.77		
Forfeited/Cancelled	(338)	\$ 22.49		
Outstanding at March 31, 2015	25,597	\$ 18.95	4.5 years	\$ 263
Exercisable at March 31, 2015	16,175	\$ 16.64	3.9 years	\$ 203

	Liberty Interactive			
	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2015	1,044	\$ 24.78		
Granted	132	\$ 29.41		
Exercised	(398)	\$ 16.51		
Outstanding at March 31, 2015	778	\$ 29.79	6.8 years	\$ —
Exercisable at March 31, 2015	—	\$ —	— years	\$ —

**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, 2015	3,997	\$ 19.10		
Granted	308	\$ 40.07		
Exercised	(195)	\$ 19.56		
Forfeited/Cancelled	(2)	\$ 25.03		
Outstanding at March 31, 2015	<u>4,108</u>	\$ 20.65	4.2 years	\$ 88
Exercisable at March 31, 2015	<u>2,951</u>	\$ 18.84	3.9 years	\$ 68

	Liberty Ventures			
	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2015	1,507	\$ 36.24		
Granted	135	\$ 42.33		
Exercised	(101)	\$ 16.82		
Outstanding at March 31, 2015	<u>1,541</u>	\$ 38.04	6.8 years	\$ 4
Exercisable at March 31, 2015	<u>—</u>	\$ —	— years	\$ —

As of March 31, 2015, the total unrecognized compensation cost related to unvested Awards was approximately \$107 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 2.4 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.

**(5) Earnings (Loss) Per Common Share**

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

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)***Series A and Series B Liberty Interactive Common Stock*

Excluded from diluted EPS, for the three months ended March 31, 2015 and 2014, are 4 million and 2 million potential common shares, respectively, because their inclusion would be antidilutive.

	<b>Liberty Interactive Common Stock</b>	
	<b>Three months ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>number of shares in millions</b>	
Basic EPS	473	494
Potentially dilutive shares	7	10
Diluted EPS	480	504

*Series A and Series B Liberty Ventures Common Stock*

As discussed in note 11, Liberty completed a two for one stock split on April 11, 2014 on its Series A and Series B Liberty Ventures common stock. Therefore, all prior period outstanding share amounts have been retroactively adjusted for comparability. Excluded from diluted EPS, for all periods presented, are less than a million potential common shares because their inclusion would be antidilutive.

	<b>Liberty Ventures Common Stock</b>	
	<b>Three months ended</b>	
	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>number of shares in millions</b>	
Basic EPS	141	73
Potentially dilutive shares	2	1
Diluted EPS	143	74

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

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



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

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

Description	Fair Value Measurements at March 31, 2015			Fair Value Measurements at December 31, 2014		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	\$2,230	2,230	—	2,147	2,147	—
Short term marketable securities	\$ 860	254	606	889	277	612
Available-for-sale securities	\$1,207	1,186	21	1,220	1,203	17
Debt	\$2,502	—	2,502	2,574	—	2,574

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. The fair values for such instruments are derived from a typical model using observable market data as the significant inputs.

**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,	
	2015	2014
	amounts in millions	
Fair Value Option Securities	\$ (17)	(10)
Exchangeable senior debentures	13	(15)
	\$ (4)	(25)

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

All marketable equity and debt securities held by the Company are classified as available-for-sale ("AFS") and are carried at fair value based on quoted market prices. GAAP permits entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity's statement of operations (the "fair value option"). In prior years, Liberty has historically 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.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

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

	March 31, 2015	December 31, 2014
amounts in millions		
<b>QVC Group</b>		
Other cost investments	\$ 4	4
Total attributed QVC Group	<u>4</u>	<u>4</u>
<b>Ventures Group</b>		
Time Warner Inc.	371	375
Time Warner Cable Inc.	803	815
Other AFS investments	58	30
Total attributed Ventures Group	<u>1,232</u>	<u>1,220</u>
Consolidated Liberty	<u>\$ 1,236</u>	<u>1,224</u>

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount, fair value, and percentage ownership of the more significant investments in affiliates at March 31, 2015 and the carrying amount at December 31, 2014:

	Percentage ownership	March 31, 2015		December 31, 2014	
		Fair value (Level 1)	Carrying amount	Carrying amount	Carrying amount
dollar amounts in millions					
<b>QVC Group</b>					
HSN, Inc. (1)	38 %	\$ 1,366	\$ 146	328	328
Other	various	NA	47	47	47
Total QVC Group			<u>193</u>	<u>375</u>	<u>375</u>
<b>Ventures Group</b>					
Expedia, Inc.	18 %	\$ 2,197	496	514	514
FTD Companies, Inc.	35 %	305	350	355	355
Other	various	NA	380	389	389
Total Ventures Group			<u>1,226</u>	<u>1,258</u>	<u>1,258</u>
Consolidated Liberty			<u>\$ 1,419</u>	<u>1,633</u>	<u>1,633</u>

- (1) As further discussed in note 10, HSN, Inc. ("HSNi") declared a special dividend during January 2015 of \$10 per share from which Liberty received approximately \$200 million in cash during February 2015. Accordingly, the carrying amount of Liberty's investment in HSNi was reduced by this return of our investment during the period.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

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

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>amounts in millions</b>	
<b>QVC Group</b>		
HSN, Inc.	\$ 25	22
Other	(1)	(1)
Total QVC Group	24	21
<b>Ventures Group</b>		
Expedia, Inc.	4	(6)
FTD Companies, Inc. (1)	(2)	NA
Other	(23)	(17)
Total Ventures Group	(21)	(23)
Consolidated Liberty	\$ 3	(2)

- (1) On December 31, 2014, Liberty announced the closing of the acquisition by FTD Companies, Inc. ("FTD") of Provide, which was one of Liberty's wholly-owned Digital Commerce businesses (as defined in note 2). Under the terms of the transaction, Liberty received approximately 10.2 million shares of FTD common stock representing approximately 35% of the combined company and approximately \$145 million in cash (the "FTD Transaction"). Subsequent to completion of the transaction, Liberty accounts for FTD as an equity-method affiliate based on the ownership level and board representation.

**(9) Intangible Assets**

*Goodwill*

Changes in the carrying amount of goodwill are as follows:

	<b>QVC</b>	<b>Digital Commerce</b>	<b>Total</b>
	<b>amounts in millions</b>		
Balance at January 1, 2015	\$ 5,206	198	5,404
Foreign currency translation adjustments	(58)	—	(58)
Other	—	9	9
Balance at March 31, 2015	\$ 5,148	207	5,355

*Intangible Assets Subject to Amortization*

Amortization expense for intangible assets with finite useful lives was \$129 million and \$124 million for the three months ended March 31, 2015 and 2014, respectively. Based on its amortizable intangible assets as of March 31, 2015, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2015	\$ 347
2016	437
2017	276
2018	20
2019	13

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(10) Long-Term Debt**

Debt is summarized as follows:

	Outstanding principal at March 31, 2015	Carrying value	
		March 31, 2015	December 31, 2014
amounts in millions			
<b>QVC Group</b>			
Corporate level 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	346	400	444
Subsidiary level notes and facilities			
QVC 3.125% Senior Secured Notes due 2019	400	399	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	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC Bank Credit Facilities	450	450	508
Other subsidiary debt	65	65	75
Total QVC Group debt	\$ 5,702	5,748	5,860
<b>Ventures Group</b>			
Corporate level debentures			
4% Exchangeable Senior Debentures due 2029	\$ 438	292	294
3.75% Exchangeable Senior Debentures due 2030	438	293	291
3.5% Exchangeable Senior Debentures due 2031	351	331	325
0.75% Exchangeable Senior Debentures due 2043	850	1,186	1,220
Subsidiary level notes and facilities			
	70	70	61
Total Ventures Group debt	\$ 2,147	2,172	2,191
Total consolidated Liberty debt	\$ 7,849	7,920	8,051
Less current classification		(939)	(946)
Total long-term debt		\$ 6,981	7,105

***QVC Senior Secured Notes***

QVC was in compliance with all of its debt covenants related to its outstanding senior secured notes at March 31, 2015.

***QVC Bank Credit Facilities***

On March 9, 2015, QVC entered into a second amended and restated senior secured credit agreement (the "Second Amended and Restated Credit Agreement") which is a multi-currency facility that provides for a \$2.25 billion revolving credit facility with a \$250 million sub-limit for standby letters of credit and \$1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. QVC may elect that the loans extended under the senior secured credit facility bear interest at a rate per annum equal to the ABR Rate or LIBOR, as each is defined in the senior secured credit facility agreement, plus a margin of 0.25% to 1.75% depending on various factors. Each loan may be prepaid in whole or in part without penalty other than customary breakage costs. Any amounts prepaid on the revolving facility may

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

be reborrowed. Payment of the loans may be accelerated following certain customary events of default. The senior secured credit facility is secured by the capital stock of QVC. The purpose of the amendment was to, among other things, extend the maturity of QVC's senior secured credit facility to March 9, 2020 and lower the interest rate on borrowings.

The interest rate on borrowings outstanding under the QVC Bank Credit Facilities was 1.6% at March 31, 2015. Availability under the Second Amended and Restated Credit Agreement at March 31, 2015 was \$1.8 billion.

The Second Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on QVC and each of its restricted subsidiaries (subject to certain exceptions) with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; dissolving, consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; restricting subsidiary distributions; and limiting QVC's consolidated leverage ratio. QVC was in compliance with all debt covenants related to the Second Amended and Restated Credit Agreement at March 31, 2015.

***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 reviews the terms of the debentures on a quarterly basis to determine whether a triggering event has occurred to require current classification of the exchangeables upon a call event. As of March 31, 2015 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.

As discussed in note 8, HSNi declared a special dividend during January 2015 of \$10 per share from which Liberty received approximately \$200 million in cash during February 2015. Pursuant to the terms of the 1% Exchangeable Senior Debentures due 2043 (the "HSNi Exchangeables"), a portion of the special dividend was passed through to the holders of the notes (\$54 million) and the outstanding principal balance of the HSNi Exchangeables was reduced during March 2015. Additionally, the portion of the quarterly dividend in excess of the regular cash dividend of \$0.18 per share was passed through to bondholders during the three months ended March 31, 2015.

***Other Subsidiary Debt***

Other subsidiary debt at March 31, 2015 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, 2015 are as follows (amounts in millions):

Senior debentures	\$ 884
QVC senior secured notes	\$4,151

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, 2015.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**(11) Stockholders' Equity**

As of March 31, 2015, Liberty reserved for issuance upon exercise of outstanding stock options approximately 25.6 million shares of Series A Liberty Interactive common stock, 778 thousand shares of Series B Liberty Interactive common stock, 4.1 million shares of Series A Liberty Ventures common stock and 1.5 million 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, 2015, 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 stock, respectively, held by them as of 5:00 pm, New York City time, on April 4, 2014. The stock split has been recorded retroactively for all periods presented for comparability purposes.

Additionally, as discussed in note 2, on October 3, 2014, Liberty attributed from the QVC Group to the Ventures Group its Digital Commerce companies. Holders of Liberty Interactive common shares received 0.14217 of a Liberty Ventures share for each share of Liberty Interactive common shares held, as of the record date. The shares issued and subsequently distributed to Liberty Interactive common stock shareholders in the form of a dividend did not require retroactive treatment.

**(12) 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.

**(13) 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

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

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, 2015, Liberty has identified the following consolidated subsidiary as its reportable segment:

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

Additionally, for presentation purposes, Liberty is providing financial information of the Digital Commerce businesses on an aggregated basis. The consolidated Digital 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.

- Digital 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), active lifestyle gear and clothing (Backcountry), fitness and health goods (Bodybuilding), digital invitations (Evite) and a drop-ship solutions company (CommerceHub). Due to the FTD Transaction (discussed in note 8), the results of Provide are only included in the Company's results through December 31, 2014.

Liberty's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments are the same as those described in the Company's summary of significant accounting policies in the Annual Report on Form 10-K for the year ended December 31, 2014.

**Performance Measures**

	Three months ended March 31,			
	2015		2014	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions			
QVC Group				
QVC	\$ 1,938	407	1,986	412
Digital Commerce	NA	NA	448	29
Corporate and other	—	(6)	—	(4)
Total QVC Group	1,938	401	2,434	437
Ventures Group				
Digital Commerce	276	22	NA	NA
Corporate and other	—	(4)	—	(3)
Total Ventures Group	276	18	—	(3)
Consolidated Liberty	\$ 2,214	419	2,434	434

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements (Continued)**

(unaudited)

**Other Information**

	March 31, 2015		
	Total assets	Investments In affiliates	Capital expenditures
amounts in millions			
QVC Group			
QVC	\$ 12,074	46	31
Corporate and other	407	147	—
Total QVC Group	12,481	193	31
Ventures Group			
Digital Commerce	1,011	352	13
Corporate and other	4,715	874	—
Total Ventures Group	5,726	1,226	13
Inter-group eliminations	(205)	—	—
Consolidated Liberty	\$ 18,002	1,419	44

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

	Three months ended March 31,	
	2015	2014
amounts in millions		
Consolidated segment Adjusted OIBDA	\$ 419	434
Stock-based compensation	(15)	(25)
Depreciation and amortization	(168)	(163)
Interest expense	(95)	(95)
Share of earnings (loss) of affiliates, net	3	(2)
Realized and unrealized gains (losses) on financial instruments, net	(4)	(25)
Other, net	15	7
Earnings (loss) before income taxes	\$ 155	131



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

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

- customer demand for our products and services and our ability to adapt to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic to our businesses' websites and our ability to convert visitors into customers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends;
- consumer spending levels, including the availability and amount of individual consumer debt;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping programming;
- rapid technological changes;
- failure to protect the security of personal information, subjecting us to potentially costly government enforcement actions and/or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world; and
- fluctuations in foreign currency exchange rates.

For additional risk factors, please see Part I, Item 1A of the Annual Report on Form 10-K for the year ended December 31, 2014. 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, 2014.

## **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. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications. Additionally, we own entire or majority interests in consolidated subsidiaries which operate on-line commerce businesses in a broad range of retail categories (the "Digital Commerce" businesses). The more significant of these include Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), Evite, Inc. ("Evite"), LMC Right Start, Inc. ("Right Start") 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. Evite operates websites that offer invitations. Right Start is a high-quality online and brick-and-mortar retailer of products for infants and toddlers. CommerceHub provides a Software-as-a-Service platform for online retailers and their suppliers (manufacturers, and distributors) to sell products to consumers without physically owning inventory, or managing the fulfillment of those products.

Liberty's former wholly-owned subsidiary, Provide Commerce, Inc. ("Provide") was included in the Digital Commerce companies prior to the sale of Provide to FTD Companies, Inc. ("FTD") on December 31, 2014 in exchange for cash and shares of FTD common stock representing approximately 35% of the combined company (the "FTD Transaction"). Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts. FTD is a premier floral and gifting company that provides floral, gift and related products and services to consumers, retail florists, and other retail locations and companies in need of floral and gifting solutions. Subsequent to the FTD Transaction, Liberty accounts for FTD as an equity-method affiliate based on the ownership level and board representation and FTD is included in the Digital Commerce companies. Given Liberty's significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the Company's condensed consolidated financial statements.

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 LendingTree, 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."

As discussed in note 3 to the accompanying condensed consolidated financial statements, on August 27, 2014, Liberty completed the spin-off to holders of its Liberty Ventures common stock shares of its former wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. ("TripAdvisor Holdings") (the "TripAdvisor Holdings Spin-Off"). TripAdvisor Holdings is comprised of Liberty's former 22% economic and 57% voting interest in TripAdvisor, Inc., as well as BuySeasons, Liberty's former wholly-owned subsidiary, and a corporate level net debt balance of \$350 million. The accompanying condensed consolidated financial statements of Liberty have been prepared to reflect TripAdvisor Holdings as discontinued operations. Accordingly, the revenue, costs and expenses, and cash flows of the businesses, assets and liabilities owned by TripAdvisor Holdings at the time of the TripAdvisor Holdings Spin-Off have been reclassified from the respective captions in the accompanying condensed consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such condensed consolidated financial statements. Additionally, TripAdvisor, Inc. and BuySeasons, Inc. are no longer reflected in the segment financial information for all periods presented.

On October 3, 2014, Liberty reattributed from the QVC Group to the Ventures Group its Digital Commerce companies, which were valued at \$1.5 billion, and approximately \$1 billion in cash. In connection with the reattribution, each holder of Liberty Interactive common stock received 0.14217 of a share of the corresponding series of Liberty Ventures common stock for each share of Liberty Interactive common stock held as of the record date, with cash paid in lieu of fractional shares. The distribution date for the dividend was October 20, 2014, and the Liberty Interactive common stock began trading ex-dividend on October 15, 2014 which resulted in an aggregate of 67.7 million shares of Series A and Series B Liberty Ventures common stock being issued. The reattribution of the Digital Commerce companies is presented on a prospective basis from the date of the reattribution in Liberty's condensed consolidated financial statements and attributed financial information, with October 1, 2014 used as a proxy for the date of the reattribution. Other than the issuance of Liberty Ventures shares in the fourth quarter of 2014, the reattribution had no consolidated impact on Liberty.

The term "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. As of March 31, 2015, the Ventures Group is comprised of the Digital Commerce companies and our interests in Expedia, Inc., Interval Leisure Group, Inc., LendingTree, Inc., investments in Time Warner Inc. and Time Warner Cable Inc., as well as cash and cash equivalents in the amount of approximately \$1,820 million. The Ventures Group also has attributed to it certain liabilities related to our corporate level indebtedness (see note 10 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 "QVC Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. As of March 31, 2015, the QVC Group is primarily focused on our video operating businesses and has attributed to it the remainder of our businesses and assets, including our operating subsidiary QVC as well as our 38% interest in HSN, Inc. and cash and cash equivalents of approximately \$530 million, including subsidiary cash. The QVC Group has attributed to it liabilities that reside with QVC as well certain liabilities related to our corporate level indebtedness (see note 10 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 Digital 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,	
	2015	2014
	amounts in millions	
<i>Revenue</i>		
QVC Group		
QVC	\$ 1,938	1,986
Digital Commerce	NA	448
Total QVC Group	<u>1,938</u>	<u>2,434</u>
Ventures Group		
Digital Commerce	276	NA
Total Ventures Group	<u>276</u>	<u>NA</u>
Consolidated Liberty	<u>\$ 2,214</u>	<u>2,434</u>
<i>Adjusted OIBDA</i>		
QVC Group		
QVC	\$ 407	412
Digital Commerce	NA	29
Corporate and other	(6)	(4)
Total QVC Group	<u>401</u>	<u>437</u>
Ventures Group		
Digital Commerce	22	NA
Corporate and other	(4)	(3)
Total Ventures Group	<u>18</u>	<u>(3)</u>
Consolidated Liberty	<u>\$ 419</u>	<u>434</u>
<i>Operating Income (Loss)</i>		
QVC Group		
QVC	\$ 246	260
Digital Commerce	NA	5
Corporate and other	(9)	(15)
Total QVC Group	<u>237</u>	<u>250</u>
Ventures Group		
Digital Commerce	5	NA
Corporate and other	(6)	(4)
Total Ventures Group	<u>(1)</u>	<u>(4)</u>
Consolidated Liberty	<u>\$ 236</u>	<u>246</u>

**Revenue.** Our consolidated revenue decreased 9.0% or \$220 million for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The decrease was primarily due to the deconsolidation of Provide as a result of the FTD Transaction (\$198 million) and decreased revenue at QVC (\$48 million) as a result of foreign currency rate fluctuations during the period, offset slightly by growth in revenue at the remaining Digital Commerce companies. 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 13 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 decreased 3.5% or \$15 million for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The overall decline in Adjusted OIBDA was primarily due to the deconsolidation of Provide as a result of the FTD Transaction (\$12 million), offset slightly by Adjusted OIBDA growth at the remaining Digital Commerce companies, a decrease at QVC of \$5 million and a \$3 million decrease in corporate and other. 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 and performance-based restricted stock unit grants.

We recorded \$15 million and \$25 million of stock-based compensation for the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$107 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.4 years.

**Operating income.** Our consolidated operating income decreased 4.1% or \$10 million for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The overall decrease in operating income was due to a decrease in operating income at QVC of \$14 million, offset slightly by an improvement in corporate and other, primarily due to reduced stock-based compensation expense, discussed above. 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,	
	2015	2014
	amounts in millions	
<i>Interest expense</i>		
QVC Group	\$ (75)	(76)
Ventures Group	(20)	(19)
Consolidated Liberty	\$ (95)	(95)
<i>Share of earnings (losses) of affiliates</i>		
QVC Group	\$ 24	21
Ventures Group	(21)	(23)
Consolidated Liberty	\$ 3	(2)
<i>Realized and unrealized gains (losses) on financial instruments, net</i>		
QVC Group	\$ (10)	1
Ventures Group	6	(26)
Consolidated Liberty	\$ (4)	(25)
<i>Other, net</i>		
QVC Group	\$ 8	1
Ventures Group	7	6
Consolidated Liberty	\$ 15	7
Consolidated Liberty other income (expense)	\$ (81)	(115)

**Interest expense.** Interest expense remained flat for the three months ended March 31, 2015, as compared to the corresponding period in the prior year. The slight decrease in the QVC Group interest expense is attributable to QVC's refinancing activities resulting in a lower average interest rate and the reattribution of interest expense attributable to the Digital Commerce companies from the QVC Group to the Ventures Group. The slight increase in the Ventures Group interest expense during the three months ended March 31, 2015 as compared to the corresponding period in the prior year is primarily due to the reattribution of the Digital Commerce companies from the QVC Group to the Ventures Group on October 1, 2014.

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

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
<b>QVC Group</b>		
HSN, Inc.	\$ 25	22
Other	(1)	(1)
Total QVC Group	24	21
<b>Ventures Group</b>		
Expedia, Inc.	4	(6)
FTD	(2)	NA
Other	(23)	(17)
Total Ventures Group	(21)	(23)
Consolidated Liberty	\$ 3	(2)

The share of loss in the other category of the Ventures Group, in all periods, is primarily related to our investments in alternative energy solution entities. These entities typically operate at a loss and 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,	
	2015	2014
	amounts in millions	
Fair Value Option Securities	\$ (17)	(10)
Exchangeable senior debentures	13	(15)
	<u>\$ (4)</u>	<u>(25)</u>

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

**Other, net.** Other, net for the QVC Group is primarily attributable to foreign currency gains at QVC. The gain for the three months ended March 31, 2015 was driven by a large United Kingdom (“U.K.”) royalty prepayment to the U.S. in December 2014 which was denominated in the local currency of the U.K. Additionally, certain loans between QVC and its subsidiaries are deemed to be short-term in nature, and accordingly, the translation of these loans is recorded in the condensed consolidated statements of operations. The change in foreign currency gain (loss) was also due to variances in interest and operating payables balances between QVC and its international subsidiaries denominated in the currency of the subsidiary and the effects of currency exchange rate changes on those balances.

**Income taxes.** We had income tax expense of \$3 million and \$40 million for the three months ended March 31, 2015 and 2014, respectively. Income tax expense was lower than the U.S. statutory tax rate of 35% in 2015 due to the receipt of a taxable dividend that under current U.S. tax law is subject to a dividends received deduction and to tax credits generated by our alternative energy investments. Income tax expense was lower than the U.S. statutory tax rate of 35% in 2014 due to tax credits generated by our alternative energy investments.

**Net earnings.** We had net earnings of \$152 million and \$110 million for the three months ended March 31, 2015 and 2014, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

**Material Changes in Financial Condition**

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

As of March 31, 2015, 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 such that, in the case of QVC, a leverage ratio of less than 3.25 to 1.0 must be maintained), 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, 2015, Liberty's liquidity position consisted of the following:

	Cash and cash equivalents	Marketable securities	Available-for-Sale Securities
	amounts in millions		
QVC	\$ 400	—	—
Corporate and other	130	9	4
Total QVC Group	530	9	4
Digital Commerce	15	—	—
Corporate and other	1,805	851	1,232
Total Ventures Group	1,820	851	1,232
Total Liberty	\$ 2,350	860	1,236

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 \$1.8 billion under the QVC credit facility at March 31, 2015. As of March 31, 2015, QVC had approximately \$115 million of cash and cash equivalents held in foreign subsidiaries which certain tax consequences could reduce the amount of cash that would be available for domestic purposes.

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

	Three months ended March 31,	
	2015	2014
	amounts in millions	
<b>Cash Flow Information</b>		
QVC Group net cash provided (used) by operating activities	\$ 227	180
Ventures Group net cash provided (used) by operating activities	(7)	217
Net cash provided (used) by operating activities	\$ 220	397
QVC Group net cash provided (used) by investing activities	136	(50)
Ventures Group net cash provided (used) by investing activities	(63)	(30)
Net cash provided (used) by investing activities	\$ 73	(80)
QVC Group net cash provided (used) by financing activities	(245)	(40)
Ventures Group net cash provided (used) by financing activities	6	(11)
Net cash provided (used) by financing activities	\$ (239)	(51)



*QVC Group*

During the three months ended March 31, 2015, the QVC Group uses of cash were primarily the repayment of certain debt obligations of approximately \$466 million and the repurchase of Series A Liberty Interactive common stock of \$123 million. Additionally, the QVC Group had approximately \$31 million of capital expenditures during the three months ended March 31, 2015. These uses of cash were funded by cash provided by operating activities, additional borrowings of debt and the receipt of approximately \$200 million in cash from a special dividend declared by HSNi. Approximately \$54 million in cash from the special dividend received from HSNi was passed through to the HSNi exchangeable bond holders.

The projected uses of QVC Group cash for the remainder of 2015 are the cost to service outstanding debt, approximately \$190 million in interest payments on QVC and corporate level debt, anticipated capital improvement spending of approximately \$175 million and the continued buyback of Liberty Interactive common stock under the approved share buyback program.

*Ventures Group*

During the three months ended March 31, 2015, the Ventures Group uses of cash were primarily the investment in cost and equity investees. These uses of cash for the Ventures Group were funded by the refinancing of certain debt obligations and the net sale of short term and other marketable securities.

The projected uses of Ventures Group cash for the remainder of 2015 are approximately \$30 million in interest payments to service outstanding debt and further investments in existing or new businesses through continued acquisition activity and potential buyback of Liberty Ventures common stock under the approved share buyback program.

*Consolidated*

During the three months ended March 31, 2015, Liberty's primary uses of cash were \$642 million of repayments on outstanding debt and repurchases of Series A Liberty Interactive common stock of \$123 million. These activities were funded primarily from borrowings of \$531 million, cash provided by operating activities and cash on hand.

The projected uses of Liberty cash for the remainder of 2015 are the continued capital improvement spending of approximately \$200 million for the remainder of the year, the repayment of certain debt obligations, approximately \$220 million for interest payments on outstanding debt, the potential buyback of common stock under the approved share buyback program and additional investments in existing or new businesses. We also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities. We expect that cash on hand and cash provided by operating activities and borrowing capacity in future periods will be sufficient to fund projected uses of cash.

**Results of Operations—Businesses**

**QVC.** QVC, 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 Germany ("QVC-Germany"), Japan ("QVC-Japan"), the United Kingdom ("QVC-U.K.") and Italy ("QVC-Italy"). QVC-Germany distributes its program 24 hours per day with 17 hours of live programming, QVC-Japan distributes live programming 24 hours per day and QVC-U.K. distributes its program 24 hours per day with 17 hours of live programming. However, as of March 9, 2015, QVC-U.K. has reduced its total live programming from 17 hours to 16 hours during the 1 a.m. to 2 a.m. hour on a trial basis. 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's Japanese operations are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui") for a television and multimedia retailing service in Japan. QVC-Japan is owned 60% by QVC and 40% by Mitsui. QVC and Mitsui share in all profits and losses based on their respective ownership interests. During the three months ended March 31, 2015 and 2014, QVC-Japan paid dividends to Mitsui of \$20 million and \$25 million, respectively. These dividends are reflected as a distribution to noncontrolling interests in the condensed consolidated statements of cash flows and stockholders' equity.

Additionally, QVC has a joint venture with CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"). QVC owns a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS operates a retail business in China through a shopping television channel with an associated website. Live programming is distributed for 17 hours per day and recorded programming for seven hours per day. This joint venture is accounted for as an equity method investment recorded as equity in share of earnings (losses) of affiliates in the condensed consolidated statements of operations.

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 expected in the summer of 2015.

QVC's operating results were as follows:

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
Net revenue	\$ 1,938	1,986
Costs of goods sold	1,221	1,256
Gross profit	717	730
Operating expenses:		
Operating	168	178
SG&A expenses (excluding stock-based compensation)	142	140
Adjusted OIBDA	407	412
Stock-based compensation	8	8
Depreciation	33	33
Amortization of intangible assets	120	111
Operating income	\$ 246	260

Net revenue was generated in the following geographical areas:

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
QVC-U.S.	\$ 1,342	1,305
QVC-Germany	212	250
QVC-Japan	199	234
QVC-U.K.	156	165
QVC-Italy	29	32
Consolidated QVC	\$ 1,938	1,986

QVC's consolidated net revenue decreased 2.4% for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The decrease in net revenue of \$48 million was primarily comprised of \$97 million in unfavorable foreign currency rates in all countries, an increase in estimated product returns of \$26 million primarily in the U.S. and Germany and a decrease in shipping and handling revenue of \$9 million. These amounts were partially offset by \$66 million due to a 2.9% increase in units sold and \$22 million due to a 0.9% increase in the consolidated average selling price per unit ("ASP"). The increase in estimated product returns in the U.S. and Germany was primarily due to the sales increases including a shift in the product mix to apparel, which typically returns at a higher rate, and changes in prior period estimates based on actual experience. Germany also experienced higher return rates in the apparel category due to the introduction of new brands. As expected, shipping and handling revenue decreased in the U.S. as a result of the new shipping and handling pricing which became effective February 2, 2015 that provides for changes in standard shipping rates and a change in QVC's shipping and handling refund policy.

During the three months ended March 31, 2015 and 2014, 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

continues to strengthen 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, 2015	
	U.S. Dollars	Local currency
QVC-U.S.	2.8 %	2.8 %
QVC-Germany	(15.2)%	3.1 %
QVC-Japan	(15.0)%	(1.7)%
QVC-U.K.	(5.5)%	3.6 %
QVC-Italy	(9.4)%	9.1 %

QVC-U.S.' net revenue growth was primarily due to a 3.1% increase in units shipped and a 1.4% increase in ASP, offset by the increase in estimated product returns and lower shipping and handling revenue as discussed in the above paragraph. QVC-U.S. experienced shipped sales growth in all categories except electronics. QVC-Germany's shipped sales in local currency increased primarily in home, apparel and accessories, partially offset by a decline in electronics and the increase in estimated product returns as discussed in the above paragraph. QVC-Japan's shipped sales in local currency declined in apparel, accessories and jewelry, offset to a lesser extent by increases in electronics, home and beauty. The declines in QVC-Japan's shipped sales in local currency were primarily due to the impact of the local consumption tax increase that became effective April 1, 2014. QVC-U.K.'s shipped sales growth in local currency increased primarily in beauty and jewelry, partially offset by a decline in electronics. QVC-Italy's shipped sales growth in local currency increased primarily in the beauty and apparel categories.

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 37.0% and 36.8% for the three months ended March 31, 2015 and 2014, respectively. The increase in gross profit percentage was primarily due to improved product margins in the U.S., Germany 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 decreased \$10 million or 5.6% for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014.

For the three months ended March 31, 2015, operating expenses decreased due to foreign currency exchange rate impacts of \$11 million and a \$1 million decrease in programming and production costs, partially offset by a \$2 million increase in credit card processing fees. The decrease in programming and production costs was primarily due to fewer promotional events compared to the prior year. The increase in credit card processing fees was primarily due to the U.S. sales increase.

QVC's SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased \$2 million and as a percent of net revenue, from 7.0% to 7.3% for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014 as a result of a variety of factors.

The increase was primarily due to \$15 million in personnel costs for severance, merit and benefits primarily in the U.S. and staffing for the France start-up. Additionally, there was a \$1 million increase in outside consultancy services and \$1 million of software expense. These amounts were partially offset by the impact of foreign currency exchange rates of \$10 million and a \$5 million increase in credit card income due to favorable economics of the Q Card portfolio in the U.S.

Depreciation and amortization consisted of the following:

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
Affiliate agreements	\$ 37	38
Customer relationships	43	43
Acquisition related amortization	80	81
Property and equipment	33	33
Software amortization	29	21
Channel placement amortization and related expenses	11	9
Total depreciation and amortization	<u>\$ 153</u>	<u>144</u>

**Digital Commerce businesses.** Our Digital Commerce businesses are comprised primarily of Backcountry, Bodybuilding, Provide (through December 31, 2014, see discussion below), Evite, Right Start and CommerceHub. Revenue for the Digital Commerce businesses is seasonal due to certain holidays and seasons, which drive a significant portion of the Digital Commerce businesses' revenue. The third quarter is generally lower, as compared to the other three quarters, due to fewer holidays.

As discussed above, on October 3, 2014, Liberty reattributed from the QVC Group (formerly known as the Interactive Group prior to the reattribution) to the Ventures Group its Digital Commerce companies, which were valued at \$1.5 billion, and approximately \$1 billion in cash. The results of the Digital Commerce businesses are reflected in the Ventures Group prospectively from the date of the reattribution. The results of the Digital Commerce businesses below reflects the consolidated results of the Digital Commerce businesses, as included in the QVC Group for the three months ended March 31, 2014 and the Ventures Group for the three months ended March 31, 2015. Additionally, due to the FTD Transaction on December 31, 2014, Provide's results are not included in the consolidated results for the three months ended March 31, 2015. In order to better understand the results of the remaining Digital Commerce businesses we have separately disclosed Provide's prior period financial performance. Provide is not treated as a discontinued operation due to our continuing involvement in FTD.

	Three months ended	
	March 31,	
	2015	2014
	amounts in millions	
<b>Revenue</b>		
Digital Commerce businesses - continuing	\$ 276	250
Provide	NA	198
	<u>\$ 276</u>	<u>448</u>
<b>Adjusted OIBDA</b>		
Digital Commerce businesses - continuing	\$ 22	17
Provide	NA	12
	<u>\$ 22</u>	<u>29</u>
<b>Operating Income (Loss)</b>		
Digital Commerce businesses - continuing	\$ 5	4
Provide	NA	1
	<u>\$ 5</u>	<u>5</u>

**Digital Commerce businesses - continuing.** Revenue for the continuing consolidated Digital Commerce businesses increased \$26 million for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The increase in revenue was due to increases at most of our subsidiaries the most significant being Backcountry (\$10 million), Bodybuilding (\$10 million) and CommerceHub (\$6 million). Backcountry revenue increased as a result of

increased average order value on fairly flat order volume. A larger percentage of Backcountry sales came through their main websites versus the discounted flash websites. The increase in Bodybuilding revenue was primarily due to increased order volume on slightly decreased average order values. A portion of the decreased average order values for Bodybuilding was due to international sales and the foreign exchange impacts. CommerceHub revenue growth was primarily attributed to growth in active customers (vendors and suppliers) which increased the number of aggregate transactions processed through the CommerceHub platform.

Adjusted OIBDA for the continuing Digital Commerce businesses increased \$5 million for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The growth in Adjusted OIBDA was primarily the result of increased revenue, as discussed above with the most noticeable increase being at Backcountry. Adjusted OIBDA represented 8.0% of revenue for the three months ended March 31, 2015, as compared to 6.8% of revenue during the same period in 2014. Most of our subsidiaries experienced flat to slightly increased Adjusted OIBDA as a percentage of sales for the three months ended March 31, 2015 and 2014 which was primarily the result of improved product margins and cost containment efforts offset by increased marketing and promotional spend.

Operating income for the continuing Digital Commerce businesses increased \$1 million for the three months ended March 31, 2015 as compared to the corresponding period in the prior year. The increase in operating income was primarily due to the increases discussed above offset by slightly increased compensation and depreciation and amortization.

**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, 2015, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted average interest rate	Principal amount	Weighted average interest rate
dollar amounts in millions				
<i>QVC Group</i>				
QVC	\$ 450	1.6 %	\$ 4,115	5.0 %
Corporate and other	\$ —	— %	\$ 1,137	6.1 %
<i>Ventures Group</i>				
Corporate and other	\$ 60	2.4 %	\$ 2,087	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, 2015, the fair value of our AFS equity securities was \$1,207 million. Had the market price of such securities been 10% lower at March 31, 2015, the aggregate value of such securities would have been \$120.7 million lower.

Our investments in Expedia, Inc., HSN, Inc. and FTD Companies, 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 \$3,868 million at March 31, 2015 and had the market price of such securities been 10% lower at March 31, 2015, the aggregate value of such securities would have been \$387 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 decreases in interest rates generally result in higher liabilities and unrealized losses in our statement of operations.

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

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

#### **Item 4. Controls and Procedures.**

##### **Disclosure Controls and Procedures**

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2015 because of the material weakness in our internal control over financial reporting as discussed in more detail in our Form 10-K for the year ended December 31, 2014 under Part II, Item 9A. Management has begun implementation of the remediation plan described in our 10-K for the year ended December 31, 2014 and updated below to address this material weakness and is monitoring that implementation.

##### **Changes in Internal Control over Financial Reporting**

During the first quarter of 2015, we have reviewed the design of QVC's controls, made adjustments and are in the process of implementing manual controls to initially alleviate the control deficiencies. In addition, QVC is working on implementing a new suite of products to automate and better control user access. Other than these items, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

##### **Remediation Plan for Material Weakness in Internal Control over Financial Reporting**

In response to the material weakness identified in Management's Report on Internal Control over Financial Reporting as set forth in Part II, Item 9A in our Form 10-K for the year ended December 31, 2014, the Company and QVC have

developed a plan with oversight from the Audit Committee of the Board of Directors to remediate the material weakness. The remediation efforts expected to be implemented include the following:

- Establish a more comprehensive review and approval process at QVC for authorizing user access to information technology systems and monitoring user access to ensure that all information technology controls designed to restrict access to operating systems, applications and data, and the ability to make program changes, are operating in a manner that provides the Company and QVC with assurance that such access is properly restricted to the appropriate personnel.
- Evaluate QVC's staffing levels and responsibilities to provide for appropriate segregation of duties among the personnel.
- Develop and implement adequate training for QVC personnel to reinforce pre-established and new information technology controls and their financial reporting objectives enabling a better understanding of the internal control environment to improve our ability to detect and prevent potential deficiencies.
- Engage external experts to assess and improve financial application access rights to optimize appropriate segregation of duties and to perform a code review of relevant software applications.

Throughout the process, the Company and QVC management has been closely monitoring the implementation of these initiatives and have been making necessary changes to the overall design to ensure operational effectiveness. As described above, QVC is currently in the process of implementing a new suite of products to automate and better control user access and testing manual controls QVC has put into place. These initiatives are critical to the successful execution of management's remediation initiatives. Under the direction of the Audit Committee, the Company's and QVC's management will continue to review and make necessary changes to the overall design of QVC's internal control environment to improve the overall effectiveness of internal control over financial reporting.

Once fully implemented, the Company and QVC believe the foregoing efforts will effectively remediate the material weakness. Because the reliability of the internal control process requires repeatable execution, the successful remediation of this material weakness will require review and evidence of effectiveness prior to concluding that the controls are effective and there is no assurance that additional remediation steps will not be necessary.

Although no assurance can be given as to when the remediation plan will be completed, the Company and QVC believe the remediation efforts will be completed during the third quarter of 2015 and will test and re-evaluate the effectiveness of QVC's information technology general controls thereafter.

**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. In connection with the TripAdvisor Holdings Spin-Off during August 2014, the board authorized \$350 million for the repurchase of either the Liberty Interactive or Liberty Ventures tracking stocks. In October 2014, the board authorized the repurchase of an additional \$650 million of Series A and Series B Liberty Ventures common stock.

A summary of the repurchase activity for the three months ended March 31, 2015 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, 2015	2,037,608	\$ 28.23	2,037,608	\$ 677 million
February 1 - 28, 2015	1,433,225	\$ 27.92	1,433,225	\$ 637 million
March 1 - 31, 2015	889,470	\$ 28.58	889,470	\$ 612 million
Total	4,360,303		4,360,303	

In addition to the shares listed in the table above, 78,355 shares of Series A Liberty Interactive common stock and 16,084 shares of Series A Liberty Ventures 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, 2015.



**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):

10.1	Amendment to Tax Sharing Agreement, dated as of October 3, 2014, between Liberty Interactive Corporation and Liberty TripAdvisor Holdings, Inc.*
10.2	Second Amended and Restated Credit Agreement, dated as of March 9, 2015, among QVC, Inc., as Borrower, J.P. Morgan Securities LLC, as Lead Arranger and Lead Bookrunner, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A., and BNP Paribas, as Syndication Agents, and the parties named therein as Lenders, Issuing Banks, Documentation Agents and Co-Lead Arrangers and Co-Bookrunners (incorporated by reference to Exhibit 4.1 to QVC's Current Report on Form 8-K (File No. 333-184501) as filed on March 13, 2015).
10.3	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015) (the "2012 Plan").*
10.4	Liberty Interactive Corporation Nonemployee Director Deferred Compensation Plan.*
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*

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\* Filed herewith

\*\* Furnished herewith



**EXHIBIT INDEX**

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99.2	Reconciliation of Liberty Interactive Corporation Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings**
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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*

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\* Filed herewith

\*\* Furnished herewith

**FIRST AMENDMENT TO THE TAX SHARING AGREEMENT**

This First Amendment, dated as of October 3, 2014 (this “First Amendment”), to the Tax Sharing Agreement dated as of August 27, 2014 (the “Agreement”), is entered into by and between Liberty Interactive Corporation, a Delaware corporation, and Liberty TripAdvisor Holdings, Inc., a Delaware corporation. Unless otherwise stated herein, capitalized terms used in this First Amendment shall have the meaning ascribed to such terms in the Agreement.

**RECITALS**

WHEREAS, the parties have entered into the Agreement which governs the allocation of liabilities for Taxes arising prior to, as a result of, and subsequent to the Distribution, and certain other matters relating to Taxes; and

WHEREAS, the parties now wish to amend the Agreement in certain respects as provided herein to clarify the intent of the parties with respect to a defined term in the Agreement.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

1. The Agreement is amended by replacing the defined term “Compensatory Equity Interests” (including the related definition) in Section 1 of the Agreement with the following defined term (and related definition):

““Compensatory Equity Interests” means options, stock appreciation rights, restricted stock, stock units or other rights with respect to Distributing Stock or Spinco Stock that are granted on or prior to the Distribution Date by Distributing, Spinco or any of their respective Subsidiaries in connection with employee, independent contractor or director compensation or other employee benefits (including, for the avoidance of doubt, options, stock appreciation rights, restricted stock, stock units or other rights issued in respect of any of the foregoing by reason of the Distribution or any subsequent transaction).”

2. Except as otherwise expressly provided herein, the Agreement shall continue in full force and effect without modification.

3. General Provisions.

Governing Law.

THIS FIRST AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICTS OF LAW THEREOF. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter

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arising out of or in connection with, this First Amendment will be brought exclusively in the Delaware Chancery Court, or, if the Delaware Chancery Court does not have subject matter jurisdiction, in the federal courts located in the State of Delaware. Each of the parties hereby consents to personal jurisdiction in any such action, suit or proceeding brought in any such court (and of the appropriate appellate courts therefrom) and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 8.6 of the Agreement shall be deemed effective service of process on such party.

Counterparts.

This First Amendment may be executed in two or more identical counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same agreement. This First Amendment may be delivered by facsimile transmission of a signed copy thereof.

Effective Time.

This First Amendment is entered into on the date recited above and shall be effective as of the Distribution Date.

Authorization, Etc.

Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and perform this First Amendment, that this First Amendment has been duly authorized by all necessary corporate action on the part of such party, that this First Amendment constitutes a legal, valid and binding obligation of such party and that the execution, delivery and performance of this First Amendment by such party does not contravene or conflict with any provision of law or of its charter or bylaws or any agreement, instrument or order binding such party.

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IN WITNESS WHEREOF, the parties have caused this First Amendment to be executed by the respective officers as of the date set forth above.

LIBERTY INTERACTIVE CORPORATION

By: /s/ Albert Rosenthaler  
Name: Albert Rosenthaler  
Title: Senior Vice President

LIBERTY TRIPADVISOR HOLDINGS, INC.

By: /s/ Tim Lenneman  
Name: Tim Lenneman  
Title: Vice President

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**LIBERTY INTERACTIVE CORPORATION**  
**2012 INCENTIVE PLAN**

(Amended and Restated, as of March 31, 2015)

ARTICLE I

Purpose of Plan; Effective Date

1.1 *Purpose.* The purpose of the Plan is to promote the success of the Company by providing a method whereby (i) eligible employees of the Company and its Subsidiaries and (ii) independent contractors providing services to the Company and its Subsidiaries may be awarded additional remuneration for services rendered and may be encouraged to invest in capital stock of the Company, thereby increasing their proprietary interest in the Company's businesses, encouraging them to remain in the employ or service of the Company or its Subsidiaries, and increasing their personal interest in the continued success and progress of the Company and its Subsidiaries. The Plan is also intended to aid in (i) attracting Persons of exceptional ability to become officers and employees of the Company and its Subsidiaries and (ii) inducing independent contractors to agree to provide services to the Company and its Subsidiaries.

1.2 *Effective Date.* The Plan shall be effective as of November 26, 2012 (the "Effective Date"), subject to the approval of the stockholders of the Company, which was obtained on June 4, 2013. The Plan was amended August 5, 2013 and amended and restated as of March 31, 2015.

ARTICLE II

Definitions

2.1 *Certain Defined Terms.* Capitalized terms not defined elsewhere in the Plan shall have the following meanings (whether used in the singular or plural):

"Account" has the meaning ascribed thereto in Section 8.2.

"Affiliate" of the Company means any corporation, partnership or other business association that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

"Agreement" means a stock option agreement, stock appreciation rights agreement, restricted shares agreement, restricted stock units agreement, cash award agreement or an agreement evidencing more than one type of Award, specified in Section 10.5, as any such Agreement may be supplemented or amended from time to time.

"Approved Transaction" means any transaction in which the Board (or, if approval of the Board is not required as a matter of law, the stockholders of the Company) shall approve (i) any consolidation or merger of the Company, or binding share exchange, pursuant to which shares of Common Stock of the Company would be

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changed or converted into or exchanged for cash, securities, or other property, other than any such transaction in which the common stockholders of the Company immediately prior to such transaction have the same proportionate ownership of the Common Stock of, and voting power with respect to, the surviving corporation immediately after such transaction, (ii) any merger, consolidation or binding share exchange to which the Company is a party as a result of which the Persons who are common stockholders of the Company immediately prior thereto have less than a majority of the combined voting power of the outstanding capital stock of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors immediately following such merger, consolidation or binding share exchange, (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company, or (iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company.

“Award” means a grant of Options, SARs, Restricted Shares, Restricted Stock Units, Performance Awards, Cash Awards and/or cash amounts under the Plan.

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

“Board Change” means, during any period of two consecutive years, individuals who at the beginning of such period constituted the entire Board cease for any reason to constitute a majority thereof unless the election, or the nomination for election, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

“Cash Award” means an Award made pursuant to Section 9.1 of the Plan to a Holder that is paid solely on account of the attainment of one or more Performance Objectives that have been pre-established by the Committee.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Code section shall include any successor section.

“Committee” means the committee of the Board appointed pursuant to Section 3.1 to administer the Plan.

“Common Stock” means each or any (as the context may require) series of the Company’s common stock.

“Company” means Liberty Interactive Corporation, a Delaware corporation.

“Control Purchase” means any transaction (or series of related transactions) in which any person (as such term is defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), corporation or other entity (other than the Company, any Subsidiary of the Company or any employee benefit plan sponsored by the Company or any Subsidiary of the Company or any Exempt Person (as defined below)) shall become the “beneficial owner” (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined



voting power of the then outstanding securities of the Company ordinarily (and apart from the rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) under the Exchange Act in the case of rights to acquire the Company's securities), other than in a transaction (or series of related transactions) approved by the Board. For purposes of this definition, "Exempt Person" means each of (a) the Chairman of the Board, the President and each of the directors of the Company as of the Effective Date, and (b) the respective family members, estates and heirs of each of the Persons referred to in clause (a) above and any trust or other investment vehicle for the primary benefit of any of such Persons or their respective family members or heirs. As used with respect to any Person, the term "family member" means the spouse, siblings and lineal descendants of such Person.

"Disability" means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

"Dividend Equivalents" means, with respect to Restricted Stock Units, to the extent specified by the Committee only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) which are payable to stockholders of record during the Restriction Period on a like number and kind of shares of Common Stock. Notwithstanding any provision of the Plan to the contrary, Dividend Equivalents with respect to a Performance Award may only be paid to the extent the Performance Award is actually paid to the Holder.

"Domestic Relations Order" means a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

"Equity Security" shall have the meaning ascribed to such term in Section 3(a)(11) of the Exchange Act, and an equity security of an issuer shall have the meaning ascribed thereto in Rule 16a-1 promulgated under the Exchange Act, or any successor Rule.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor statute or statutes thereto. Reference to any specific Exchange Act section shall include any successor section.

"Fair Market Value" of a share of any series of Common Stock on any day means (i) for Option and SAR exercise transactions effected on any third-party incentive award administration system provided by the Company, the current high bid price of a share of any series of Common Stock as reported on the consolidated transaction reporting system on the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by OTC Markets Group Inc., or (ii) for all other purposes under the Plan, the closing price of a share of such series of Common Stock on such day (or if such day is not a trading day, on the next preceding trading day) as reported on the

consolidated transaction reporting system for the principal national securities exchange on which shares of such series of Common Stock are listed on such day or if such shares are not then listed on a national securities exchange, then as quoted by OTC Markets Group Inc. If for any day the Fair Market Value of a share of the applicable series of Common Stock is not determinable by any of the foregoing means, or if there is insufficient trading volume in the applicable series of Common Stock on such trading day, then the Fair Market Value for such day shall be determined in good faith by the Committee on the basis of such quotations and other considerations as the Committee deems appropriate.

“Free Standing SAR” has the meaning ascribed thereto in Section 7.1.

“Holder” means a Person who has received an Award under the Plan.

“Option” means a stock option granted under Article VI.

“Performance Award” means an Award made pursuant to Article IX of the Plan to a Holder that is subject to the attainment of one or more Performance Objectives.

“Performance Objective” means a standard established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

“Person” means an individual, corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture or other entity of any kind.

“Plan” means this Liberty Interactive Corporation 2012 Incentive Plan, amended and restated as of March 31, 2015.

“Restricted Shares” means shares of any series of Common Stock awarded pursuant to Section 8.1.

“Restricted Stock Unit” means a unit evidencing the right to receive in specified circumstances one share of the specified series of Common Stock or the equivalent value in cash, which right may be subject to a Restriction Period or forfeiture provisions.

“Restriction Period” means a period of time beginning on the date of each Award of Restricted Shares or Restricted Stock Units and ending on the Vesting Date with respect to such Award.

“Retained Distribution” has the meaning ascribed thereto in Section 8.3.

“SARs” means stock appreciation rights, awarded pursuant to Article VII, with respect to shares of any specified series of Common Stock.

“Subsidiary” of a Person means any present or future subsidiary (as defined in Section 424(f) of the Code) of such Person or any business entity in which such Person owns, directly or indirectly, 50% or more of the voting, capital or profits interests. An

entity shall be deemed a subsidiary of a Person for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

“Tandem SARs” has the meaning ascribed thereto in Section 7.1.

“Vesting Date,” with respect to any Restricted Shares or Restricted Stock Units awarded hereunder, means the date on which such Restricted Shares or Restricted Stock Units cease to be subject to a risk of forfeiture, as designated in or determined in accordance with the Agreement with respect to such Award of Restricted Shares or Restricted Stock Units pursuant to Article VIII. If more than one Vesting Date is designated for an Award of Restricted Shares or Restricted Stock Units, reference in the Plan to a Vesting Date in respect of such Award shall be deemed to refer to each part of such Award and the Vesting Date for such part. The Vesting Date for a particular Award will be established by the Committee and, for the avoidance of doubt, may be contemporaneous with the date of grant.

### ARTICLE III Administration

3.1 *Committee.* The Plan shall be administered by the Compensation Committee of the Board unless a different committee is appointed by the Board. The Committee shall be comprised of not less than two Persons. The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed, may fill vacancies in the Committee and may remove members of the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it shall deem advisable. A majority of its members shall constitute a quorum and all determinations shall be made by a majority of such quorum. Any determination reduced to writing and signed by all of the members shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held.

3.2 *Powers.* The Committee shall have full power and authority to grant to eligible Persons Options under Article VI of the Plan, SARs under Article VII of the Plan, Restricted Shares under Article VIII of the Plan, Restricted Stock Units under Article VIII of the Plan, Cash Awards under Article IX of the Plan and/or Performance Awards under Article IX of the Plan, to determine the terms and conditions (which need not be identical) of all Awards so granted, to interpret the provisions of the Plan and any Agreements relating to Awards granted under the Plan and to supervise the administration of the Plan. The Committee in making an Award may provide for the granting or issuance of additional, replacement or alternative Awards upon the occurrence of specified events, including the exercise of the original Award. The Committee shall have sole authority in the selection of Persons to whom Awards may be granted under the Plan and in the determination of the timing, pricing and amount of any such Award, subject only to the express provisions of the Plan. In making determinations hereunder, the Committee may take into account the nature of the services rendered by the respective employees and independent contractors, their present and potential contributions to the success of the Company and its Subsidiaries, and such other factors as the Committee in its discretion deems relevant.

3.3 *Interpretation.* The Committee is authorized, subject to the provisions of the Plan, to establish, amend and rescind such rules and regulations as it deems necessary or advisable for the proper administration of the Plan and to take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each action and determination made or taken pursuant to the Plan by the Committee, including any interpretation or construction of the Plan, shall be final and conclusive for all purposes and upon all Persons. No member of the Committee shall be liable for any action or determination made or taken by such member or the Committee in good faith with respect to the Plan.

#### ARTICLE IV Shares Subject to the Plan

4.1 *Number of Shares.* Subject to the provisions of this Article IV, the maximum number of shares of Common Stock with respect to which Awards may be granted during the term of the Plan shall be 47,245,000 shares. Shares of Common Stock will be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market. The shares of Common Stock subject to (i) any Award granted under the Plan that shall expire, terminate or be cancelled or annulled for any reason without having been exercised (or considered to have been exercised as provided in Section 7.2), (ii) any Award of any SARs granted under the Plan the terms of which provide for settlement in cash, and (iii) any Award of Restricted Shares or Restricted Stock Units that shall be forfeited prior to becoming vested (provided that the Holder received no benefits of ownership of such Restricted Shares or Restricted Stock Units other than voting rights and the accumulation of Retained Distributions and unpaid Dividend Equivalents that are likewise forfeited) shall again be available for purposes of the Plan. Notwithstanding the foregoing, the following shares of Common Stock may not again be made available for issuance as Awards under the Plan: (a) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Option or SAR, (b) shares of Common Stock used to pay the purchase price or withholding taxes related to an outstanding Award, or (c) shares of Common Stock repurchased on the open market with the proceeds of an Option purchase price. Except for Awards described in Section 10.1, no Person may be granted in any calendar year Awards covering more than 9,600,000 shares of Common Stock (as such amount may be adjusted from time to time as provided in Section 4.2). No Person shall receive payment for Cash Awards during any calendar year aggregating in excess of \$10 million.

#### 4.2 *Adjustments.*

(a) If the Company subdivides its outstanding shares of any series of Common Stock into a greater number of shares of such series of Common Stock (by stock dividend, stock split, reclassification, or otherwise) or combines its outstanding shares of any series of Common Stock into a smaller number of shares of such series of Common Stock (by reverse stock split, reclassification, or otherwise) or if the Committee determines that any stock dividend, extraordinary cash dividend, reclassification, recapitalization, reorganization, stock redemption, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase such series of Common Stock or other similar corporate event (including mergers or consolidations other than those which constitute Approved Transactions, adjustments with respect to which shall be

governed by Section 10.1(b)) affects any series of Common Stock so that an adjustment is required to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee, in such manner as the Committee, in its sole discretion, deems equitable and appropriate, shall make such adjustments to any or all of (i) the number and kind of shares of stock which thereafter may be awarded, optioned or otherwise made subject to the benefits contemplated by the Plan, (ii) the number and kind of shares of stock subject to outstanding Awards, and (iii) the purchase or exercise price and the relevant appreciation base with respect to any of the foregoing, *provided, however*, that the number of shares subject to any Award shall always be a whole number. The Committee may, if deemed appropriate, provide for a cash payment to any Holder of an Award in connection with any adjustment made pursuant to this Section 4.2.

(b) Notwithstanding any provision of the Plan to the contrary, in the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee shall be authorized, in its discretion, (i) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (ii) to cancel any such Awards and to deliver to the Holders cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or SARs shall be the excess of the Fair Market Value (as determined in sub-section (ii) of the definition of such term) of Common Stock on such date over the purchase price of the Options or the base price of the SARs, as applicable. For the avoidance of doubt, if the purchase price of the Options or base price of the SARs, as applicable, is greater than such Fair Market Value, the Options or SARs may be canceled for no consideration pursuant to this section.

(c) No adjustment or substitution pursuant to this Section 4.2 shall be made in a manner that results in noncompliance with the requirements of Section 409A of the Code, to the extent applicable.

#### ARTICLE V Eligibility

5.1 *General.* The Persons who shall be eligible to participate in the Plan and to receive Awards under the Plan shall, subject to Section 5.2, be such Persons who are employees (including officers and directors) of or independent contractors providing services to the Company or its Subsidiaries as the Committee shall select. Awards may be made to employees or independent contractors who hold or have held Awards under the Plan or any similar or other awards under any other plan of the Company or any of its Affiliates.

5.2 *Ineligibility.* No member of the Committee, while serving as such, shall be eligible to receive an Award.

ARTICLE VI  
Stock Options

6.1 *Grant of Options.* Subject to the limitations of the Plan, the Committee shall designate from time to time those eligible Persons to be granted Options, the time when each Option shall be granted to such eligible Persons, the series and number of shares of Common Stock subject to such Option, and, subject to Section 6.2, the purchase price of the shares of Common Stock subject to such Option.

6.2 *Option Price.* The price at which shares may be purchased upon exercise of an Option shall be fixed by the Committee and may be no less than the Fair Market Value of the shares of the applicable series of Common Stock subject to the Option as of the date the Option is granted.

6.3 *Term of Options.* Subject to the provisions of the Plan with respect to death, retirement and termination of employment, the term of each Option shall be for such period as the Committee shall determine as set forth in the applicable Agreement; provided that such term may not exceed ten years. However, if the term of an Option expires when trading in the Common Stock is prohibited by law or the Company's insider trading policy, then the term of such Option shall expire on the 30th day after the expiration of such prohibition.

6.4 *Exercise of Options.* An Option granted under the Plan shall become (and remain) exercisable during the term of the Option to the extent provided in the applicable Agreement and the Plan and, unless the Agreement otherwise provides, may be exercised to the extent exercisable, in whole or in part, at any time and from time to time during such term; *provided, however,* that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may accelerate the time or times at which such Option may be exercised in whole or in part (without reducing the term of such Option).

6.5 *Manner of Exercise.*

(a) *Form of Payment.* An Option shall be exercised by written notice to the Company upon such terms and conditions as the Agreement may provide and in accordance with such other procedures for the exercise of Options as the Committee may establish from time to time. The method or methods of payment of the purchase price for the shares to be purchased upon exercise of an Option and of any amounts required by Section 10.9 shall be determined by the Committee and may consist of (i) cash, (ii) check, (iii) promissory note (subject to applicable law), (iv) whole shares of any series of Common Stock, (v) the withholding of shares of the applicable series of Common Stock issuable upon such exercise of the Option, (vi) the delivery, together with a properly executed exercise notice, of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the purchase price, or (vii) any combination of the foregoing methods of payment, or such other consideration and method of payment as may be permitted for the issuance of shares under the Delaware General Corporation Law. The permitted method or methods of payment of the amounts payable upon exercise of an Option, if other than in cash, shall

be set forth in the applicable Agreement and may be subject to such conditions as the Committee deems appropriate.

(b) *Value of Shares*. Unless otherwise determined by the Committee and provided in the applicable Agreement, shares of any series of Common Stock delivered in payment of all or any part of the amounts payable in connection with the exercise of an Option, and shares of any series of Common Stock withheld for such payment, shall be valued for such purpose at their Fair Market Value as of the exercise date.

(c) *Issuance of Shares*. The Company shall effect the transfer of the shares of Common Stock purchased under the Option as soon as practicable after the exercise thereof and payment in full of the purchase price therefor and of any amounts required by Section 10.9, and within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. Unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Holder or other Person exercising an Option shall have any of the rights of a stockholder of the Company with respect to shares of Common Stock subject to an Option granted under the Plan until due exercise and full payment has been made, and (ii) no adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such due exercise and full payment.

## ARTICLE VII SARs

7.1 *Grant of SARs*. Subject to the limitations of the Plan, SARs may be granted by the Committee to such eligible Persons in such numbers, with respect to any specified series of Common Stock, and at such times during the term of the Plan as the Committee shall determine. A SAR may be granted to a Holder of an Option (hereinafter called a “related Option”) with respect to all or a portion of the shares of Common Stock subject to the related Option (a “Tandem SAR”) or may be granted separately to an eligible employee (a “Free Standing SAR”). Subject to the limitations of the Plan, SARs shall be exercisable in whole or in part upon notice to the Company upon such terms and conditions as are provided in the Agreement.

7.2 *Tandem SARs*. A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option. Tandem SARs shall be exercisable only at the time and to the extent that the related Option is exercisable (and may be subject to such additional limitations on exercisability as the Agreement may provide) and in no event after the complete termination or full exercise of the related Option. Upon the exercise or termination of the related Option, the Tandem SARs with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the related Option was so exercised or terminated. Subject to the limitations of the Plan, upon the exercise of a Tandem SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Tandem SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Tandem SAR was granted on the date of exercise over the related Option

purchase price per share, and (ii) the related Option with respect thereto shall be canceled automatically to the extent of the number of shares of Common Stock with respect to which the Tandem SAR was so exercised.

*7.3 Free Standing SARs.* Free Standing SARs shall be exercisable at the time, to the extent and upon the terms and conditions set forth in the applicable Agreement. The base price of a Free Standing SAR may be no less than the Fair Market Value of the applicable series of Common Stock with respect to which the Free Standing SAR was granted as of the date the Free Standing SAR is granted. Subject to the limitations of the Plan, upon the exercise of a Free Standing SAR and unless otherwise determined by the Committee and provided in the applicable Agreement, the Holder thereof shall be entitled to receive from the Company, for each share of the applicable series of Common Stock with respect to which the Free Standing SAR is being exercised, consideration (in the form determined as provided in Section 7.4) equal in value to the excess of the Fair Market Value of a share of the applicable series of Common Stock with respect to which the Free Standing SAR was granted on the date of exercise over the base price per share of such Free Standing SAR. The term of a Free Standing SAR may not exceed ten years. However, if the term of a Free Standing SAR expires when trading in the Common Stock is prohibited by law or the Company's insider trading policy, then the term of such Free Standing SAR shall expire on the 30th day after the expiration of such prohibition.

*7.4 Consideration.* The consideration to be received upon the exercise of a SAR by the Holder shall be paid in cash, shares of the applicable series of Common Stock with respect to which the SAR was granted (valued at Fair Market Value on the date of exercise of such SAR), a combination of cash and such shares of the applicable series of Common Stock or such other consideration, in each case, as provided in the Agreement. No fractional shares of Common Stock shall be issuable upon exercise of a SAR, and unless otherwise provided in the applicable Agreement, the Holder will receive cash in lieu of fractional shares. Unless the Committee shall otherwise determine, to the extent a Free Standing SAR is exercisable, it will be exercised automatically for cash on its expiration date.

*7.5 Limitations.* The applicable Agreement may provide for a limit on the amount payable to a Holder upon exercise of SARs at any time or in the aggregate, for a limit on the number of SARs that may be exercised by the Holder in whole or in part for cash during any specified period, for a limit on the time periods during which a Holder may exercise SARs, and for such other limits on the rights of the Holder and such other terms and conditions of the SAR, including a condition that the SAR may be exercised only in accordance with rules and regulations adopted from time to time, as the Committee may determine. Unless otherwise so provided in the applicable Agreement, any such limit relating to a Tandem SAR shall not restrict the exercisability of the related Option. Such rules and regulations may govern the right to exercise SARs granted prior to the adoption or amendment of such rules and regulations as well as SARs granted thereafter.

*7.6 Exercise.* For purposes of this Article VII, the date of exercise of a SAR shall mean the date on which the Company shall have received notice from the Holder of the SAR of the exercise of such SAR (unless otherwise determined by the Committee and provided in the applicable Agreement).



ARTICLE VIII  
Restricted Shares and Restricted Stock Units

8.1 *Grant of Restricted Shares.* Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Shares, shall determine the time when each such Award shall be granted, and shall designate (or set forth the basis for determining) the Vesting Date or Vesting Dates for each Award of Restricted Shares, and may prescribe other restrictions, terms and conditions applicable to the vesting of such Restricted Shares in addition to those provided in the Plan. The Committee shall determine the price, if any, to be paid by the Holder for the Restricted Shares; *provided, however,* that the issuance of Restricted Shares shall be made for at least the minimum consideration necessary to permit such Restricted Shares to be deemed fully paid and nonassessable. All determinations made by the Committee pursuant to this Section 8.1 shall be specified in the Agreement.

8.2 *Issuance of Restricted Shares.* An Award of Restricted Shares shall be registered in a book entry account (the "Account") in the name of the Holder to whom such Restricted Shares shall have been awarded. During the Restriction Period, the Account, any statement of ownership representing the Restricted Shares that may be issued during the Restriction Period and any securities constituting Retained Distributions shall bear a restrictive legend to the effect that ownership of the Restricted Shares (and such Retained Distributions), and the enjoyment of all rights appurtenant thereto, are subject to the restrictions, terms and conditions provided in the Plan and the applicable Agreement.

8.3 *Restrictions with Respect to Restricted Shares.* During the Restriction Period, Restricted Shares shall constitute issued and outstanding shares of the applicable series of Common Stock for all corporate purposes. The Holder will have the right to vote such Restricted Shares, to receive and retain such dividends and distributions, as the Committee may designate, paid or distributed on such Restricted Shares, and to exercise all other rights, powers and privileges of a Holder of shares of the applicable series of Common Stock with respect to such Restricted Shares; except, that, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) the Holder will not be entitled to delivery of the Restricted Shares until the Restriction Period shall have expired and unless all other vesting requirements with respect thereto shall have been fulfilled or waived; (ii) the Company or its designee will retain custody of the Restricted Shares during the Restriction Period as provided in Section 8.2; (iii) other than such dividends and distributions as the Committee may designate, the Company or its designee will retain custody of all distributions ("Retained Distributions") made or declared with respect to the Restricted Shares (and such Retained Distributions will be subject to the same restrictions, terms and vesting, and other conditions as are applicable to the Restricted Shares) until such time, if ever, as the Restricted Shares with respect to which such Retained Distributions shall have been made, paid or declared shall have become vested, and such Retained Distributions shall not bear interest or be segregated in a separate account; (iv) the Holder may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Shares or any Retained Distributions or such Holder's interest in any of them during the Restriction Period; and (v) a breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Restricted Shares or Retained Distributions will cause a forfeiture of such Restricted Shares and any Retained Distributions with respect thereto.

*8.4 Grant of Restricted Stock Units.* Subject to the limitations of the Plan, the Committee shall designate those eligible Persons to be granted Awards of Restricted Stock Units, the value of which is based, in whole or in part, on the Fair Market Value of the shares of any specified series of Common Stock. Subject to the provisions of the Plan, including any rules established pursuant to Section 8.5, Awards of Restricted Stock Units shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules as the Committee may determine in its discretion, which need not be identical for each Award. Such Awards may provide for the payment of cash consideration by the Person to whom such Award is granted or provide that the Award, and any shares of Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration; provided, however, that the issuance of any shares of Common Stock in connection with an Award of Restricted Stock Units shall be for at least the minimum consideration necessary to permit such shares to be deemed fully paid and nonassessable. The determinations made by the Committee pursuant to this Section 8.4 shall be specified in the applicable Agreement.

*8.5 Restrictions with Respect to Restricted Stock Units.* Any Award of Restricted Stock Units, including any shares of Common Stock which are part of an Award of Restricted Stock Units, may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award. A breach of any restrictions, terms or conditions provided in the Plan or established by the Committee with respect to any Award of Restricted Stock Units will cause a forfeiture of such Restricted Stock Units and any Dividend Equivalents with respect thereto.

*8.6 Issuance of Restricted Stock Units.* Restricted Stock Units shall be issued at the beginning of the Restriction Period, shall not constitute issued and outstanding shares of the applicable series of Common Stock, and the Holder shall not have any of the rights of a stockholder with respect to the shares of Common Stock covered by such an Award of Restricted Stock Units, in each case until such shares shall have been issued to the Holder at the end of the Restriction Period. If and to the extent that shares of Common Stock are to be issued at the end of the Restriction Period, the Holder shall be entitled to receive Dividend Equivalents with respect to the shares of Common Stock covered thereby either (i) during the Restriction Period or (ii) in accordance with the rules applicable to Retained Distributions, as the Committee may specify in the Agreement.

*8.7 Cash Payments.* In connection with any Award of Restricted Shares or Restricted Stock Units, an Agreement may provide for the payment of a cash amount to the Holder of such Awards at any time after such Awards shall have become vested. Such cash amounts shall be payable in accordance with such additional restrictions, terms and conditions as shall be prescribed by the Committee in the Agreement and shall be in addition to any other salary, incentive, bonus or other compensation payments which such Holder shall be otherwise entitled or eligible to receive from the Company.

*8.8 Completion of Restriction Period.* On the Vesting Date with respect to each Award of Restricted Shares or Restricted Stock Units and the satisfaction of any other applicable restrictions, terms, and conditions, (i) all or the applicable portion of such Restricted Shares or Restricted Stock Units shall become vested, (ii) any Retained Distributions with respect to such Restricted Shares and any unpaid Dividend Equivalents with respect to such Restricted Stock

Units shall become vested to the extent that the Awards related thereto shall have become vested, and (iii) any cash amount to be received by the Holder with respect to such Restricted Shares or Restricted Stock Units shall become payable, all in accordance with the terms of the applicable Agreement. Any such Restricted Shares, Restricted Stock Units, Retained Distributions, and any unpaid Dividend Equivalents that shall not become vested shall be forfeited to the Company, and the Holder shall not thereafter have any rights (including dividend and voting rights) with respect to such Restricted Shares, Restricted Stock Units, Retained Distributions, and any unpaid Dividend Equivalents that shall have been so forfeited. The Committee may, in its discretion, provide that the delivery of any Restricted Shares, Restricted Stock Units, Retained Distributions, and unpaid Dividend Equivalents that shall have become vested, and payment of any related cash amounts that shall have become payable under this Article VIII, shall be deferred until such date or dates as the recipient may elect. Any election of a recipient pursuant to the preceding sentence shall be filed in writing with the Committee in accordance with such rules and regulations, including any deadline for the making of such an election, as the Committee may provide, and shall be made in compliance with Section 409A of the Code.

## ARTICLE IX

### Cash Awards and Performance Awards

9.1 *Cash Awards.* In addition to granting Options, SARs, Restricted Shares and Restricted Stock Units, the Committee shall, subject to the limitations of the Plan, have authority to grant to eligible Persons Cash Awards. Each Cash Award shall be subject to such terms and conditions, restrictions and contingencies, if any, as the Committee shall determine. Restrictions and contingencies limiting the right to receive a cash payment pursuant to a Cash Award shall be based upon the achievement of single or multiple Performance Objectives over a performance period established by the Committee. The determinations made by the Committee pursuant to this Section 9.1 shall be specified in the applicable Agreement.

9.2 *Designation as a Performance Award.* The Committee shall have the right to designate any Award of Options, SARs, Restricted Shares or Restricted Stock Units as a Performance Award. All Cash Awards shall be designated as Performance Awards.

9.3 *Performance Objectives.* The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives over a performance period established by the Committee based upon one or more of the following business criteria that apply to the Holder, one or more business units, divisions or Subsidiaries of the Company or the applicable sector of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies: increased revenue; net income measures (including income after capital costs and income before or after taxes); stock price measures (including growth measures and total stockholder return); price per share of Common Stock; market share; earnings per share (actual or targeted growth); earnings before interest, taxes, depreciation and amortization (EBITDA); operating income before depreciation and amortization (OIBDA); economic value added (or an equivalent metric); market value added; debt to equity ratio; cash flow measures (including cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities); return measures (including return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); operating measures (including operating income,

funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes and production efficiency); expense measures (including overhead cost and general and administrative expense); margins; stockholder value; total stockholder return; proceeds from dispositions; total market value and corporate values measures (including ethics compliance, environmental and safety). Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Committee shall have the authority to determine whether the Performance Objectives and other terms and conditions of the Award are satisfied, and the Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing.

9.4 *Section 162(m) of the Code.* Notwithstanding the foregoing provisions, if the Committee intends for a Performance Award to be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such Award in accordance with Section 162(m) of the Code, then the Performance Objectives for such particular Performance Award relative to the particular period of service to which the Performance Objectives relate shall be established by the Committee in writing (i) no later than 90 days after the beginning of such period and (ii) prior to the completion of 25% of such period.

9.5 *Waiver of Performance Objectives.* The Committee shall have no discretion to modify or waive the Performance Objectives or conditions to the grant or vesting of a Performance Award unless such Award is not intended to qualify as qualified performance-based compensation under Section 162(m) of the Code and the relevant Agreement provides for such discretion.

## ARTICLE X General Provisions

### 10.1 *Acceleration of Awards.*

(a) *Death or Disability.* If a Holder's employment shall terminate by reason of death or Disability, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each outstanding Option or SAR granted under the Plan shall immediately become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement.

(b) *Approved Transactions; Board Change; Control Purchase*. In the event of any Approved Transaction, Board Change or Control Purchase, notwithstanding any contrary waiting period, installment period, vesting schedule or Restriction Period in any Agreement or in the Plan, unless the applicable Agreement provides otherwise: (i) in the case of an Option or SAR, each such outstanding Option or SAR granted under the Plan shall become exercisable in full in respect of the aggregate number of shares covered thereby; (ii) in the case of Restricted Shares, the Restriction Period applicable to each such Award of Restricted Shares shall be deemed to have expired and all such Restricted Shares and any related Retained Distributions shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement; and (iii) in the case of Restricted Stock Units, the Restriction Period applicable to each such Award of Restricted Stock Units shall be deemed to have expired and all such Restricted Stock Units and any unpaid Dividend Equivalents shall become vested and any related cash amounts payable pursuant to the applicable Agreement shall be adjusted in such manner as may be provided in the Agreement, in each case effective upon the Board Change or Control Purchase or immediately prior to consummation of the Approved Transaction. The effect, if any, on a Cash Award of an Approved Transaction, Board Change or Control Purchase shall be prescribed in the applicable Agreement. Notwithstanding the foregoing, unless otherwise provided in the applicable Agreement, the Committee may, in its discretion, determine that any or all outstanding Awards of any or all types granted pursuant to the Plan will not vest or become exercisable on an accelerated basis in connection with an Approved Transaction if effective provision has been made for the taking of such action which, in the opinion of the Committee, is equitable and appropriate to substitute a new Award for such Award or to assume such Award and to make such new or assumed Award, as nearly as may be practicable, equivalent to the old Award (before giving effect to any acceleration of the vesting or exercisability thereof), taking into account, to the extent applicable, the kind and amount of securities, cash or other assets into or for which the applicable series of Common Stock may be changed, converted or exchanged in connection with the Approved Transaction.

#### 10.2 *Termination of Employment.*

(a) *General*. If a Holder's employment shall terminate prior to an Option or SAR becoming exercisable or being exercised (or deemed exercised, as provided in Section 7.2) in full, or during the Restriction Period with respect to any Restricted Shares or any Restricted Stock Units, then such Option or SAR shall thereafter become or be exercisable, and the Holder's rights to any unvested Restricted Shares, Retained Distributions and related cash amounts and any unvested Restricted Stock Units, unpaid Dividend Equivalents and related cash amounts shall thereafter vest, in each case solely to the extent provided in the applicable Agreement; *provided, however*, that, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) no Option or SAR may be exercised after the scheduled expiration date thereof; (ii) if the Holder's employment terminates by reason of death or Disability, the Option or SAR shall remain exercisable for a period of at least one year following such termination (but not later than the scheduled expiration of such Option or SAR); and (iii) any termination of the Holder's employment for cause will be treated in accordance with the provisions of

Section 10.2(b). The effect on a Cash Award of the termination of a Holder's employment for any reason, other than for cause, shall be prescribed in the applicable Agreement. For the avoidance of doubt, in the discretion of the Committee, an Award may provide that a Holder's employment shall be deemed to have continued for purposes of the Award while an employee provides services to the Company, any Subsidiary, or any former affiliate of the Company or any Subsidiary.

(b) *Termination for Cause.* If a Holder's employment with the Company or a Subsidiary of the Company shall be terminated by the Company or such Subsidiary for "cause" during the Restriction Period with respect to any Restricted Shares or Restricted Stock Units or prior to any Option or SAR becoming exercisable or being exercised in full or prior to the payment in full of any Cash Award (for these purposes, "cause" shall have the meaning ascribed thereto in any employment agreement to which such Holder is a party or, in the absence thereof, shall include insubordination, dishonesty, incompetence, moral turpitude, other misconduct of any kind and the refusal to perform such Holder's duties and responsibilities for any reason other than illness or incapacity; *provided, however,* that if such termination occurs within 12 months after an Approved Transaction or Control Purchase or Board Change, termination for "cause" shall mean only a felony conviction for fraud, misappropriation, or embezzlement), then, unless otherwise determined by the Committee and provided in the applicable Agreement, (i) all Options and SARs and all unpaid Cash Awards held by such Holder shall immediately terminate, and (ii) such Holder's rights to all Restricted Shares, Restricted Stock Units, Retained Distributions, any unpaid Dividend Equivalents and any related cash amounts shall be forfeited immediately.

(c) *Miscellaneous.* The Committee may determine whether any given leave of absence constitutes a termination of employment; *provided, however,* that for purposes of the Plan, (i) a leave of absence, duly authorized in writing by the Company for military service or sickness, or for any other purpose approved by the Company if the period of such leave does not exceed 90 days, and (ii) a leave of absence in excess of 90 days, duly authorized in writing by the Company provided the employee's right to reemployment is guaranteed either by statute or contract, shall not be deemed a termination of employment. Unless otherwise determined by the Committee and provided in the applicable Agreement, Awards made under the Plan shall not be affected by any change of employment so long as the Holder continues to be an employee of the Company.

10.3 *Right of Company to Terminate Employment.* Nothing contained in the Plan or in any Award, and no action of the Company or the Committee with respect thereto, shall confer or be construed to confer on any Holder any right to continue in the employ of the Company or any of its Subsidiaries or interfere in any way with the right of the Company or any Subsidiary of the Company to terminate the employment of the Holder at any time, with or without cause, subject, however, to the provisions of any employment agreement between the Holder and the Company or any Subsidiary of the Company.

10.4 *Nonalienation of Benefits.* Except as set forth herein, no right or benefit under the Plan shall be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, garnishment, encumbrance or charge, and any attempt to anticipate, alienate,

sell, assign, hypothecate, pledge, exchange, transfer, garnish, encumber or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities or torts of the Person entitled to such benefits.

10.5 *Written Agreement.* Each Award under the Plan shall be evidenced by a written agreement, in such form as the Committee shall approve from time to time in its discretion, specifying the terms and provisions of such Award which may not be inconsistent with the provisions of the Plan; *provided, however,* that if more than one type of Award is made to the same Holder, such Awards may be evidenced by a single Agreement with such Holder. Each grantee of an Option, SAR, Restricted Shares, Restricted Stock Units or Performance Award (including a Cash Award) shall be notified promptly of such grant, and a written Agreement shall be promptly delivered by the Company. Any such written Agreement may contain (but shall not be required to contain) such provisions as the Committee deems appropriate (i) to insure that the penalty provisions of Section 4999 of the Code will not apply to any stock or cash received by the Holder from the Company or (ii) to provide cash payments to the Holder to mitigate the impact of such penalty provisions upon the Holder. Any such Agreement may be supplemented or amended from time to time as approved by the Committee as contemplated by Section 10.7(b).

10.6 *Nontransferability.* Unless otherwise determined by the Committee and expressly provided for in an Agreement, Awards are not transferable (either voluntarily or involuntarily), before or after a Holder's death, except as follows: (a) during the Holder's lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or any applicable Agreement, and in a form acceptable to the Committee; or (b) after the Holder's death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Awards are transferred in accordance with the provisions of the preceding sentence shall take such Awards subject to all of the terms and conditions of the Plan and any applicable Agreement.

10.7 *Termination and Amendment.*

(a) *General.* Unless the Plan shall theretofore have been terminated as hereinafter provided, no Awards may be made under the Plan on or after the fifth anniversary of the Effective Date. The Plan may be terminated at any time prior to such date and may, from time to time, be suspended or discontinued or modified or amended if such action is deemed advisable by the Committee.

(b) *Modification.* No termination, modification or amendment of the Plan may, without the consent of the Person to whom any Award shall theretofore have been granted, adversely affect the rights of such Person with respect to such Award. No modification, extension, renewal or other change in any Award granted under the Plan shall be made after the grant of such Award, unless the same is consistent with the provisions of the Plan. With the consent of the Holder and subject to the terms and conditions of the Plan (including Section 10.7(a)), the Committee may amend outstanding Agreements with any Holder, including any amendment which would (i) accelerate the time or times at which the Award may be exercised and/or (ii) extend the scheduled expiration date of the Award. Without limiting the generality of the

foregoing, the Committee may, but solely with the Holder's consent unless otherwise provided in the Agreement, agree to cancel any Award under the Plan and grant a new Award in substitution therefor, provided that the Award so substituted shall satisfy all of the requirements of the Plan as of the date such new Award is made. Nothing contained in the foregoing provisions of this Section 10.7(b) shall be construed to prevent the Committee from providing in any Agreement that the rights of the Holder with respect to the Award evidenced thereby shall be subject to such rules and regulations as the Committee may, subject to the express provisions of the Plan, adopt from time to time or impair the enforceability of any such provision.

10.8 *Government and Other Regulations.* The obligation of the Company with respect to Awards shall be subject to all applicable laws, rules and regulations and such approvals by any governmental agencies as may be required, including the effectiveness of any registration statement required under the Securities Act of 1933, and the rules and regulations of any securities exchange or association on which the Common Stock may be listed or quoted. For so long as any series of Common Stock are registered under the Exchange Act, the Company shall use its reasonable efforts to comply with any legal requirements (i) to maintain a registration statement in effect under the Securities Act of 1933 with respect to all shares of the applicable series of Common Stock that may be issuable, from time to time, to Holders under the Plan and (ii) to file in a timely manner all reports required to be filed by it under the Exchange Act.

10.9 *Withholding.* The Company's obligation to deliver shares of Common Stock or pay cash in respect of any Award under the Plan shall be subject to applicable federal, state and local tax withholding requirements. Federal, state and local withholding tax due at the time of an Award, upon the exercise of any Option or SAR or upon the vesting of, or expiration of restrictions with respect to, Restricted Shares or Restricted Stock Units or the satisfaction of the Performance Objectives applicable to a Performance Award, as appropriate, may, in the discretion of the Committee, be paid in shares of Common Stock already owned by the Holder or through the withholding of shares otherwise issuable to such Holder, upon such terms and conditions (including the conditions referenced in Section 6.5) as the Committee shall determine. If the Holder shall fail to pay, or make arrangements satisfactory to the Committee for the payment to the Company of, all such federal, state and local taxes required to be withheld by the Company, then the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to such Holder an amount equal to any federal, state or local taxes of any kind required to be withheld by the Company with respect to such Award.

10.10 *Nonexclusivity of the Plan.* The adoption of the Plan by the Board shall not be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including the granting of stock options and the awarding of stock and cash otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

10.11 *Exclusion from Pension and Profit-Sharing Computation.* By acceptance of an Award, unless otherwise provided in the applicable Agreement, each Holder shall be deemed to have agreed that such Award is special incentive compensation that will not be taken into account, in any manner, as salary, compensation or bonus in determining the amount of any payment under any pension, retirement or other employee benefit plan, program or policy of the



Company or any Subsidiary of the Company. In addition, each beneficiary of a deceased Holder shall be deemed to have agreed that such Award will not affect the amount of any life insurance coverage, if any, provided by the Company on the life of the Holder which is payable to such beneficiary under any life insurance plan covering employees of the Company or any Subsidiary of the Company.

10.12 *Unfunded Plan.* Neither the Company nor any Subsidiary of the Company shall be required to segregate any cash or any shares of Common Stock which may at any time be represented by Awards, and the Plan shall constitute an “unfunded” plan of the Company. Except as provided in Article VIII with respect to Awards of Restricted Shares and except as expressly set forth in an Agreement, no employee shall have voting or other rights with respect to the shares of Common Stock covered by an Award prior to the delivery of such shares. Neither the Company nor any Subsidiary of the Company shall, by any provisions of the Plan, be deemed to be a trustee of any shares of Common Stock or any other property, and the liabilities of the Company and any Subsidiary of the Company to any employee pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and the rights of any employee, former employee or beneficiary under the Plan shall be limited to those of a general creditor of the Company or the applicable Subsidiary of the Company, as the case may be. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations of the Company under the Plan, *provided, however,* that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

10.13 *Governing Law.* The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware.

10.14 *Accounts.* The delivery of any shares of Common Stock and the payment of any amount in respect of an Award shall be for the account of the Company or the applicable Subsidiary of the Company, as the case may be, and any such delivery or payment shall not be made until the recipient shall have paid or made satisfactory arrangements for the payment of any applicable withholding taxes as provided in Section 10.9.

10.15 *Legends.* Any statement of ownership evidencing shares of Common Stock subject to an Award shall bear such legends as the Committee deems necessary or appropriate to reflect or refer to any terms, conditions or restrictions of the Award applicable to such shares, including any to the effect that the shares represented thereby may not be disposed of unless the Company has received an opinion of counsel, acceptable to the Company, that such disposition will not violate any federal or state securities laws.

10.16 *Company's Rights.* The grant of Awards pursuant to the Plan shall not affect in any way the right or power of the Company to make reclassifications, reorganizations or other changes of or to its capital or business structure or to merge, consolidate, liquidate, sell or otherwise dispose of all or any part of its business or assets.

10.17 *Section 409A.* It is the intent of the Company that Awards under this Plan comply with the requirements of, or be exempt from the application of, Section 409A of the Code and related regulations and United States Department of the Treasury pronouncements (“Section

409A”), and the provisions of this Plan will be administered, interpreted and construed accordingly. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under the Plan would result in the imposition of an additional tax under Section 409A, that Plan provision or Award will be construed or reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Holder’s rights to an Award.

**LIBERTY INTERACTIVE CORPORATION  
NONEMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN**

1. COVERAGE OF PLAN

The Plan is unfunded and is maintained for the purpose of providing nonemployee directors the opportunity to defer the receipt of certain compensation otherwise payable to such directors in accordance with the terms of the Plan.

2. DEFINITIONS

2.1. “Account” means each of the bookkeeping accounts established pursuant to Section 5.1 and maintained by the Company in the names of the respective Participants, to which all amounts deferred under the Plan and deemed interest, earnings and losses on such amounts shall be credited or debited pursuant to Section 5.2, and from which all amounts distributed under the Plan shall be debited.

2.2. “Active Participant” means each Participant who is actively serving the Company as an Eligible Director.

2.3. “Annual Fees” means the annual fees paid to Eligible Directors in cash (excluding equity awards) pursuant to the Company’s policies regarding the payment of fees to nonemployee directors of the Company.

2.4. “Applicable Interest Rate” means:

2.4.1. For amounts deferred prior to December 31, 2014, 9% per annum, compounded as of the end of each calendar quarter ; or

2.4.2. For amounts deferred on or after January 1, 2015, the sum of the prime rate of interest (as determined in the Wall Street Journal as of the first business day of November of the year prior to each Plan Year) plus 3% per annum, or such other rate as approved by the Committee, compounded as of the end of each calendar quarter .

2.5. “Beneficiary” means such person or persons or legal entity or entities, including, but not limited to, an organization exempt from federal income tax under section 501(c)(3) of the Code, designated by a Participant or Beneficiary to receive benefits pursuant to the terms of the Plan after such Participant’s or Beneficiary’s death. If no Beneficiary is designated by the Participant or Beneficiary, or if no Beneficiary survives the Participant or Beneficiary (as the case may be), the Participant’s Beneficiary shall be the Participant’s estate and the Beneficiary of a Beneficiary shall be the Beneficiary’s estate.

2.6. “Board” means the Board of Directors of the Company.

2.7. “Code” means the Internal Revenue Code of 1986, as amended.

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2.8. “Committee” means the Board or, if the Board so determines, a committee appointed by the Board to administer the Plan.

2.9. “Company” means Liberty Interactive Corporation, a Delaware corporation, including any successor thereto by merger, consolidation, acquisition of all or substantially all the assets thereof, or otherwise.

2.10. “Deceased Participant” means:

2.10.1. A Participant whose service on the Board ceases by reason of death; or

2.10.2. An Inactive Participant who dies following his or her Separation from Service with the Company.

2.11. “Election” means a written election on a form provided by the Company, filed with the Company in accordance with Article 3, pursuant to which an Eligible Director may elect to defer all or any portion of the Eligible Director’s Annual Fees and designate the form of payment of the deferred amounts to which the Election relates.

2.12. “Eligible Director” means the members of the Board who are entitled to compensation under the Company’s policies regarding the payment of compensation to nonemployee directors of the Company.

2.13. “Inactive Participant” means each Participant (other than a Deceased Participant) who is not actively serving as a member of the Board.

2.14. “New Eligible Director” means a member of the Board who becomes an Eligible Director after October 1, 2013.

2.15. “Participant” means each individual who has made an Election, and who has an undistributed amount credited to an Account under the Plan, including an Active Participant, a Deceased Participant and an Inactive Participant.

2.16. “Plan” means the Liberty Interactive Corporation Nonemployee Director Deferred Compensation Plan, as set forth herein, and as may be amended from time to time.

2.17. “Plan Year” means the calendar year.

2.18. “Section 409A” means section 409A of the Code and any Treasury Regulations promulgated under, or other administrative guidance issued with respect to, such Code section, as applicable to the Plan at the relevant time.

2.19. “Separation from Service” means the Participant’s ceasing to be a member of the Board for any reason other than death.

3. ELECTIONS TO DEFER ANNUAL FEES

3.1. Elections. An Election shall be made on the form acceptable to the Committee for the purpose of deferring Annual Fees. Each Eligible Director, by filing an Election at the time and in the form described in this Article 3, shall have the right to defer all or any portion of the Annual Fees that he or she otherwise would be entitled to receive. The Annual Fees of such Eligible Director for a Plan Year shall be reduced in an amount equal to the portion of such compensation deferred by such Eligible Director for such Plan Year pursuant to the Eligible Director's Election. Such reduction shall be effected (a) as to any portion of the Eligible Director's Annual Fees deferred, by reducing the quarterly payment of Annual Fees by the percentage specified in the Election. The amount of any such reduction shall be credited to the Eligible Director's Account in accordance with Article 5.

3.2. Filing of Election. Except as provided in Sections 3.3 and 3.4, no Election shall be effective with respect to Annual Fees unless it is filed with the Company on or before the close of business on December 31 of the Plan Year preceding the Plan Year to which the Election applies. An Election described in the preceding sentence shall become irrevocable on December 31 of the Plan Year preceding the Plan Year to which the Election applies.

3.3. Filing of Election by New Eligible Directors. Notwithstanding Section 3.2, a New Eligible Director may elect to defer all or any portion of his or her Annual Fees paid for the performance of services in the Plan Year in which the New Eligible Director becomes a New Eligible Director, beginning with the next following payment of any Annual Fees after the filing of an Election with the Company and before the close of such Plan Year by making and filing the Election with the Company within 30 days of the date on which such New Eligible Director becomes a New Eligible Director. Any Election by such New Eligible Director for succeeding Plan Years shall be made in accordance with Section 3.2.

3.4. Filing of Election Upon Initial Approval of Plan. Notwithstanding Section 3.2, upon the adoption of this Plan by the Board and the initial eligibility to participate in this Plan by Eligible Directors, an Eligible Director as of the original effective date of this Plan may elect to defer all or any portion of his or her Annual Fees paid for the performance of services after the date of such deferral election through the close of such Plan Year by making and filing the Election with the Company within 30 days of the date on which the Plan originally became effective. Any Election by an Eligible Director for succeeding Plan Years shall be made in accordance with Section 3.2.

3.5. Plan Years to which Election May Apply. A separate Election may be made for each Plan Year as to which an Eligible Director desires to defer all or any portion of such Eligible Director's Annual Fees, or an Eligible Director may make an Election with respect to a Plan Year that will remain in effect for subsequent Plan Years unless the Eligible Director revokes such Election or timely makes a new Election with respect to a subsequent Plan Year. Any revocation of an Election must be in writing and must be filed with the Company on or before December 31 of the Plan Year immediately preceding the Plan Year to which such revocation applies. The failure of an Eligible Director to make an Election for any Plan Year shall not affect such Eligible Director's right to make an Election for any other Plan Year.

3.6 Distribution Events.

3.6.1. Separation from Service. The Separation from Service of a Participant shall be a distribution event.

3.6.2. Death. The death of a Participant or an Inactive Participant prior to complete distribution of the Account shall be a distribution event.

3.7. Payment Following Occurrence of Distribution Event. Subject to any required delay under Section 3.9, the Company shall make a lump-sum payment or commence making installment payments, as applicable, of any amount to which such election applies on the applicable of the following dates (or if such date is not a business day, on the next succeeding business day): (a) not later than 60 days after a distribution event due to death, (b) if the distribution event is due to Separation from Service, as soon as practicable in January of the calendar year following the calendar year of the Participant's Separation from Service or (c) not later than 60 days after any distribution event permitted under Section 409A as the Committee may approve and set forth in an election form.

3.8. Rabbi Trust. The Committee may authorize the Company to establish an irrevocable trust with a duly authorized bank or corporation with trust powers designated by the Company's Chief Executive Officer ("Rabbi Trust"), pursuant to such terms and conditions as are set forth in the governing trust agreement. Any such Rabbi Trust shall be intended to be treated as a "grantor trust" under the Code, and the establishment of the Rabbi Trust shall not be intended to cause Participants performing services for the Company to realize current income on amounts contributed thereto nor to cause the Plan to be "funded" with respect to the Company, and the Rabbi Trust shall be so interpreted. Any amounts subsequently due to a Participant under the Plan shall be first satisfied by the Rabbi Trust, and any remaining obligations shall be satisfied by the Company, in accordance with the terms of the Plan.

3.9. Delay of Payment Under Certain Circumstances. Notwithstanding any provision of the Plan, if the Committee reasonably determines with respect to any payment under the Plan that the making of such payment would violate (i) the terms of any loan arrangement or similar contract to which the Company is a party and such violation would cause material harm to the Company or (ii) federal securities law or any other law applicable to the Company, such payment shall be delayed until the earliest date the Company reasonably anticipates that the making of the payment will not cause such violation (or, in the case of (i) above, such violation will not cause material harm to the Company) and any amounts for which distribution is delayed pursuant to this Section shall continue to be credited or debited with additional amounts in accordance with Section 5.2.

3.10. Discretion to Distribute in Full Upon or Following a Change of Control. To the extent permitted under Section 409A, in connection with a Change of Control, and for the 12-month period following a Change of Control, the Committee may exercise its discretion to terminate the Plan and, notwithstanding any other provision of the Plan or the terms of any Election, distribute the Account balance of each Participant in full and thereby effect the revocation of any outstanding Elections. For purposes of this Plan, "Change of Control" means a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, in each case within the meaning of Section 409A.

4. FORMS OF DISTRIBUTION

4.1. Forms of Distribution.

4.1.1. Distribution Form. Amounts credited to an Account shall be distributed, pursuant to an Election, in one of the following forms of distribution:

4.1.1.1. A lump-sum payment; or

4.1.1.2. Substantially equal annual installments over a period of not more than 10 years.

If an Eligible Director fails to elect a form of distribution in accordance with the provisions of this Section 4.1, he or she shall be deemed to have elected to receive a lump-sum payment as the form of distribution. In the event the distribution event is due to death, the form of distribution shall be limited to a lump-sum payment.

4.1.2. Payment Form. Unless otherwise approved by the Committee, distributions shall be made in the form of cash payments.

4.1.3. Lump-Sum Distribution for Small Accounts. To the extent permitted under Section 409A, notwithstanding any Election or any other provision of the Plan to the contrary:

4.1.3.1. distributions shall be made in the form of a lump-sum payment unless the portion of a Participant's Account subject to installment distributions pursuant to Section 4.1.1.2, as of the payment commencement date, has a value of more than \$10,000; and

4.1.3.2. following a Participant's Separation from Service for any reason, if the amount remaining credited to the Participant's Account at the time of or after giving effect to any other distribution has a value of \$10,000 or less, the Committee may, in its sole discretion, direct that such amount be distributed to the Participant (or Beneficiary, as applicable) in one lump-sum payment.

4.2. Determination of Account Balances For Purposes of Distribution. The amount of any distribution made pursuant to Section 4.1 shall be based on the balance in the Participant's Account on the date of distribution and the applicable distribution period. For this purpose, the value of a Participant's Account shall be calculated by taking into account applicable credits or debits in accordance with Section 5.2 through the end of the day immediately preceding the date of distribution.

5. BOOK ACCOUNTS

5.1. Deferred Compensation Account. A deferred compensation Account shall be established for each Eligible Director when such Eligible Director becomes a Participant. Annual Fees deferred pursuant to the Plan shall be credited to the Account on the date such Annual Fees would otherwise have been payable to the Participant. All deemed interest, and other relevant

amounts applicable to each Account shall be credited or debited to the Account as they are deemed to occur, as provided in Section 5.2.

5.1.1. Crediting of Deferred Annual Fees. Deferred Annual Fees shall be credited to the Participant's Account.

5.2. Crediting/Debiting of Account Balances. In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, amounts shall be credited or debited to a Participant's Account in accordance with the following rules:

5.2.1. Crediting Method. Each Participant's Account shall be credited with interest at the Applicable Interest Rate. Credits under this Section 5.2.1 shall be calculated with respect to cash amounts of Annual Fees deferred by such Participant in accordance with this Plan from the date such Annual Fees would otherwise have been payable to the Participant through the end of the day immediately preceding the date on which such deferred Annual Fees are paid to such Participant (or his or her Beneficiary) in accordance with this Plan.

5.2.2. No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, in the event that the Company or the trustee of the Rabbi Trust, if any, in its own discretion, decides to invest funds in any investment, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Rabbi Trust, if any; the Participant shall at all times remain an unsecured creditor of the Company.

5.3. Status of Deferred Amounts. All Annual Fees deferred under this Plan shall continue for all purposes to be a part of the general funds or unissued shares of the Company.

5.4. Participants' Status as General Creditors. An Account shall at all times represent the general obligation of the Company. Each Participant shall be a general creditor of the Company with respect to this obligation and shall not have a secured or preferred position with respect to his or her Account. Nothing contained herein shall be deemed to create an escrow, trust, custodial account or fiduciary relationship of any kind. Nothing contained herein shall be construed to eliminate any priority or preferred position of a Participant in a bankruptcy matter with respect to claims for compensation.

6. NO ALIENATION OF BENEFITS

Except as otherwise required by law, the right of any Participant or Beneficiary to any benefit or interest under any of the provisions of the Plan shall not be subject to encumbrance, attachment, execution, garnishment, assignment, pledge, alienation, sale, transfer or anticipation, either by the voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall such payment, right or interest be subject to any other legal or equitable process.



7. DEATH OF PARTICIPANT

7.1. Death of Participant. A Deceased Participant's Account shall be distributed in a lump sum to the Deceased Participant's Beneficiary. For purposes of clarity, if an Inactive Participant who has elected a distribution in the form of annual installments under Section 4.1.1.2 dies prior to receiving his or her entire Account, the remainder of the Deceased Participant's Account shall be distributed in a lump sum notwithstanding the Deceased Participant's Election of annual installments.

7.2. Designation of Beneficiaries. Each Participant and Beneficiary shall have the right to designate one or more Beneficiaries to receive distributions in the event of the Participant's or Beneficiary's death by filing with the Company a Beneficiary designation on the form provided by the Company for such purpose. The designation of Beneficiary or Beneficiaries may be changed by a Participant or Beneficiary at any time prior to such Participant's or Beneficiary's death by the delivery to the Company of a new Beneficiary designation form.

8. OTHER ACCELERATION EVENTS

8.1. Other Acceleration Events. To the extent permitted under Section 409A, notwithstanding the terms of an Election, distribution of all or part of a Participant's Account may be made to the extent necessary to fulfill a domestic relations order (as deemed in section 414(p)(1)(B) of the Code).

9. INTERPRETATION

9.1. Authority of Committee. The Committee shall have full and exclusive authority to construe, interpret and administer this Plan and take all actions and make all determinations on behalf of the Company unless otherwise indicated, and the Committee's construction and interpretation thereof and determinations thereunder shall be binding and conclusive on all persons for all purposes.

10. AMENDMENT OR TERMINATION

10.1. Amendment or Termination. Except as otherwise provided by Section 10.2, the Company, by action of the Committee, reserves the right at any time, or from time to time, to amend or modify this Plan, including amendments for the purpose of complying with Section 409A. The Company, by action of the Committee, reserves the right at any time to terminate this Plan.

10.2. Modification to Rate of Credited Earnings.

10.2.1. Effective for amounts deferred on or before December 31, 2014, no action of the Committee shall decrease the Applicable Interest Rate with respect to the portion of a Participant's Account that is attributable to an Election made with respect to Annual Fees earned

in a Plan Year which election has become irrevocable before the date of adoption of such decreased Applicable Interest Rate by the Committee.

10.2.2. Effective for amounts deferred on or after January 1, 2015, the Committee may amend the Plan with respect to the Applicable Interest Rate at any time.

11. WITHHOLDING OF TAXES

The Company, or the trustee of any Rabbi Trust, shall withhold from any payments made to a Participant under this Plan all foreign, federal, state and local income, employment and other taxes required to be withheld by the Company or the trustee of the Rabbi Trust, if any, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Company and the trustee of any Rabbi Trust.

12. MISCELLANEOUS PROVISIONS

12.1. No Right to Continued Service. Nothing contained herein shall be construed as conferring upon any Participant the right to remain in the service of the Company, its subsidiaries or divisions, in any capacity.

12.2. Expenses of Plan. All expenses of the Plan shall be paid by the Company.

12.3. Gender and Number. Whenever any words are used herein in any specific gender, they shall be construed as though they were also used in any other applicable gender. The singular form, whenever used herein, shall mean or include the plural form, and vice versa, as the context may require.

12.4. Law Governing Construction. The construction and administration of the Plan and all questions pertaining thereto, shall be governed by the laws of the State of Colorado.

12.5. Headings Not a Part Hereof. Any headings preceding the text of the several Articles, Sections, subsections, or paragraphs hereof are inserted solely for convenience of reference and shall not constitute a part of the Plan, nor shall they affect its meaning, construction, or effect.

12.6. Severability of Provisions. If any provision of this Plan is determined to be void by any court of competent jurisdiction, the Plan shall continue to operate and, for the purposes of the jurisdiction of that court only, shall be deemed not to include the provision determined to be void.

12.7. Compliance with Section 409A. This Plan is intended to comply in all respects with Section 409A and at all times shall be interpreted and operated in compliance therewith.

13. EFFECTIVE DATE

The original effective date of the Plan was October 1, 2013, and this Plan has been amended and restated effective January 1, 2015.

IN WITNESS WHEREOF, LIBERTY INTERACTIVE CORPORATION has caused this Plan to be executed by its duly authorized officer as of December 31, 2014.

LIBERTY INTERACTIVE CORPORATION

By: /s/ Pamela L. Coe  
Name: Pamela L. Coe  
Title: Vice President

## 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, 2015

/s/ GREGORY B. MAFFEI

Gregory B. Maffei

President and Chief Executive Officer

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## 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, 2015

/s/ CHRISTOPHER W. SHEAN

Christopher W. Shean

*Senior Vice President and Chief Financial Officer*

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**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, 2015 (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, 2015

/s/ GREGORY B. MAFFEI

\_\_\_\_\_  
Gregory B. Maffei  
*President and Chief Executive Officer*

Date: May 8, 2015

/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.

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**Unaudited Attributed Financial Information for Tracking Stock Groups**

The following tables present our assets and liabilities as of March 31, 2015, revenue and expenses for the three months ended March 31, 2015 and 2014 and cash flows for the three months ended March 31, 2015 and 2014. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the QVC Group and the Ventures Group, respectively. The financial information in this Exhibit should be read in conjunction with our unaudited condensed consolidated financial statements for the 2015 included in this Quarterly Report on Form 10-Q.

As discussed in note 2 to the accompanying condensed consolidated financial statements, on October 3, 2014, the QVC Group (referred to as the "Interactive Group" prior to the reattribution) attributed to the Ventures Group its Digital Commerce companies (defined below), which were valued at \$1.5 billion, and approximately \$1 billion in cash. In return, Liberty Interactive common stock shareholders received a dividend of approximately 67.7 million shares of Liberty Ventures common stock, or 0.14217 of a Liberty Ventures share for each share of Liberty Interactive common stock outstanding on October 13, 2014, the record date of the dividend. The distribution date for the dividend was October 20, 2014, and the Liberty Interactive common stock began trading ex-dividend on October 15, 2014. The reattributed Digital Commerce companies were comprised of Liberty's consolidated subsidiaries Backcountry.com, Bodybuilding.com, LLC, Provide Commerce, Inc. ("Provide"), CommerceHub, Evite.com and Right Start (collectively, the "Digital Commerce" companies). Following the reattribution, the name of the Interactive Group is now referred to as the QVC Group. Other than the issuance of Liberty Ventures shares in the fourth quarter of 2014, the reattribution had no consolidated impact on Liberty. The reattribution is reflected in Liberty's condensed consolidated financial statements and attributed financial information on a prospective basis, with October 1, 2014 used as a proxy for the date of the reattribution.

Additionally, as discussed in note 2 and note 8 of the accompanying condensed consolidated financial statements, Liberty's former wholly-owned subsidiary, Provide, was included in the Digital Commerce companies prior to the sale to FTD Companies, Inc. ("FTD") on December 31, 2014, in exchange for cash and shares of FTD common stock representing approximately 35% of the combined company. Subsequent to this transaction, the Company's interest in FTD, accounted for under the equity method, is included in the Digital Commerce companies. Given Liberty's significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the Company's condensed consolidated financial statements.

As of March 31, 2015, our Liberty Interactive common stock is intended to reflect the separate performance of our QVC Group which, subsequent to the reattribution, is comprised of our consolidated subsidiary, QVC, Inc. ("QVC") and our approximate 38% interest in HSN, Inc. As of March 31, 2015, our Liberty Ventures common stock is intended to reflect the separate performance of our Ventures Group which, subsequent to the reattribution, consists of our Digital Commerce businesses and our interests in equity method investments of Expedia, Inc., FTD, Interval Leisure Group, Inc. and LendingTree, Inc. and available-for-sale securities Time Warner Inc. and Time Warner Cable Inc.

Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the QVC Group and the Ventures Group, our tracking stock structure does not affect the ownership or the respective legal title to our assets or responsibility for our liabilities. We and our subsidiaries are each responsible for our respective liabilities. Holders of 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.

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**SUMMARY ATTRIBUTED FINANCIAL DATA**

*QVC Group*

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
	<u>amounts in millions</u>	
Summary balance sheet data:		
Cash and cash equivalents	\$ 530	422
Trade and other receivables, net	\$ 836	1,196
Inventory	\$ 966	882
Investments in affiliates, accounted for using the equity method	\$ 193	375
Total assets	\$ 12,481	13,012
Long-term debt	\$ 5,740	5,851
Deferred income tax liabilities	\$ 936	1,033
Net assets attributable to Liberty Interactive common stock shareholders	\$ 4,231	4,280

	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>amounts in millions</u>	
Summary operations data:		
Revenue	\$ 1,938	2,434
Cost of sales	1,221	1,556
Operating expenses	169	213
Selling, general and administrative expenses (1)	159	253
Depreciation and amortization	152	162
Operating income (loss)	237	250
Interest expense	(75)	(76)
Share of earnings (losses) of affiliates, net	24	21
Realized and unrealized gains (losses) on financial instruments, net	(10)	1
Other income (expense), net	8	1
Income tax benefit (expense)	(24)	(73)
Net earnings (loss) from continuing operations	160	124
Net earnings (loss) from discontinued operations	—	(4)
Net earnings (loss)	160	120
Less net earnings (loss) attributable to noncontrolling interests	9	10
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	\$ 151	110

(1) Includes stock-based compensation of \$12 million and \$24 million for the three months ended March 31, 2015 and 2014, respectively.



**SUMMARY ATTRIBUTED FINANCIAL DATA (Continued)**

Ventures Group

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
	<u>amounts in millions</u>	
<b>Summary balance sheet data:</b>		
Cash and cash equivalents	\$ 1,820	1,884
Investments in available-for-sale securities and other cost investments	\$ 1,232	1,220
Investments in affiliates, accounted for using the equity method	\$ 1,226	1,258
<b>Total assets</b>	<b>\$ 5,726</b>	<b>5,828</b>
Long-term debt, including current portion	\$ 2,172	1,254
Deferred income tax liabilities, including current portion	\$ 1,999	1,987
Net assets attributable to Liberty Ventures common stock shareholders	\$ 1,378	1,393

	<u>Three months ended</u>	
	<u>March 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>amounts in millions</u>	
<b>Summary operations data:</b>		
Revenue	\$ 276	—
Cost of sales	194	—
Operating, including stock-based compensation	22	—
Selling, general and administrative expenses (1)	45	3
Depreciation and amortization	16	1
Operating income (loss)	(1)	(4)
Interest expense	(20)	(19)
Share of earnings (losses) of affiliates, net	(21)	(23)
Realized and unrealized gains (losses) on financial instruments, net	6	(26)
Other, net	7	6
Income tax benefit (expense)	21	33
Net earnings (loss) from continuing operations	(8)	(33)
Net earnings (loss) from discontinued operations	—	23
Net earnings (loss)	(8)	(10)
Less net earnings (loss) attributable to noncontrolling interests	—	18
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	<u>\$ (8)</u>	<u>(28)</u>

(1) Includes stock-based compensation of \$3 million and \$1 million for the three months ended March 31, 2015 and 2014, respectively.

**BALANCE SHEET INFORMATION**

**March 31, 2015**

**(unaudited)**

	<b>Attributed (note 1)</b>		<b>Inter-group Eliminations</b>	<b>Consolidated Liberty</b>
	<b>QVC Group</b>	<b>Ventures Group</b>		
	amounts in millions			
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 530	1,820	—	2,350
Trade and other receivables, net	836	31	—	867
Inventory, net	966	153	—	1,119
Short-term marketable securities	9	851	—	860
Other current assets	269	11	(205)	75
<b>Total current assets</b>	<b>2,610</b>	<b>2,866</b>	<b>(205)</b>	<b>5,271</b>
Investments in available-for-sale securities and other cost investments (note 2)	4	1,232	—	1,236
Investments in affiliates, accounted for using the equity method (note 3)	193	1,226	—	1,419
Property and equipment, net	971	67	—	1,038
Intangible assets not subject to amortization	7,576	268	—	7,844
Intangible assets subject to amortization, net	1,061	61	—	1,122
Other assets, at cost, net of accumulated amortization	66	6	—	72
<b>Total assets</b>	<b>\$ 12,481</b>	<b>5,726</b>	<b>(205)</b>	<b>18,002</b>
<b>Liabilities and Equity</b>				
Current liabilities:				
Intergroup payable (receivable) (note 7)	\$ 47	(47)	—	—
Accounts payable	554	85	—	639
Accrued liabilities	543	48	—	591
Current portion of debt (note 4)	8	931	—	939
Current deferred tax liabilities	—	1,196	(205)	991
Other current liabilities	163	73	—	236
<b>Total current liabilities</b>	<b>1,315</b>	<b>2,286</b>	<b>(205)</b>	<b>3,396</b>
Long-term debt (note 4)	5,740	1,241	—	6,981
Deferred income tax liabilities	936	803	—	1,739
Other liabilities	169	12	—	181
<b>Total liabilities</b>	<b>8,160</b>	<b>4,342</b>	<b>(205)</b>	<b>12,297</b>
Equity/Attributed net assets (liabilities)	4,231	1,378	—	5,609
Noncontrolling interests in equity of subsidiaries	90	6	—	96
<b>Total liabilities and equity</b>	<b>\$ 12,481</b>	<b>5,726</b>	<b>(205)</b>	<b>18,002</b>

**STATEMENT OF OPERATIONS INFORMATION**

**Three months ended March 31, 2015**

**(unaudited)**

	<b>Attributed (note 1)</b>		<b>Consolidated Liberty</b>
	<b>QVC Group</b>	<b>Ventures Group</b>	
	amounts in millions		
Net retail sales	\$ 1,938	276	2,214
<b>Operating costs and expenses:</b>			
Cost of sales	1,221	194	1,415
Operating, including stock-based compensation (note 5)	169	22	191
Selling, general and administrative, including stock-based compensation (note 5)	159	45	204
Depreciation and amortization	152	16	168
	<u>1,701</u>	<u>277</u>	<u>1,978</u>
Operating income (loss)	237	(1)	236
<b>Other income (expense):</b>			
Interest expense	(75)	(20)	(95)
Share of earnings (losses) of affiliates, net (note 3)	24	(21)	3
Realized and unrealized gains (losses) on financial instruments, net	(10)	6	(4)
Other, net	8	7	15
	<u>(53)</u>	<u>(28)</u>	<u>(81)</u>
Earnings (loss) before income taxes	184	(29)	155
Income tax benefit (expense)	(24)	21	(3)
Net earnings (loss)	160	(8)	152
Less net earnings (loss) attributable to noncontrolling interests	9	—	9
Net earnings (loss) attributable to Liberty stockholders	<u>\$ 151</u>	<u>(8)</u>	<u>143</u>

**STATEMENT OF OPERATIONS INFORMATION**

**Three months ended March 31, 2014**

**(unaudited)**

	<b>Attributed (note 1)</b>		<b>Consolidated Liberty</b>
	<b>QVC Group</b>	<b>Ventures Group</b>	
	amounts in millions		
Net retail sales	\$ 2,434	—	2,434
<b>Operating costs and expenses:</b>			
Cost of sales	1,556	—	1,556
Operating, including stock-based compensation	213	—	213
Selling, general and administrative, including stock-based compensation (note 5)	253	3	256
Depreciation and amortization	162	1	163
	<u>2,184</u>	<u>4</u>	<u>2,188</u>
Operating income (loss)	250	(4)	246
<b>Other income (expense):</b>			
Interest expense	(76)	(19)	(95)
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	6	7
	<u>(53)</u>	<u>(62)</u>	<u>(115)</u>
Earnings (loss) from continuing operations before income taxes	197	(66)	131
Income tax benefit (expense)	(73)	33	(40)
Net earnings (loss) from continuing operations	124	(33)	91
Earnings (loss) from discontinued operations, net of taxes	(4)	23	19
Net earnings (loss)	120	(10)	110
Less net earnings (loss) attributable to noncontrolling interests	10	18	28
	<u>\$ 110</u>	<u>(28)</u>	<u>82</u>
Net earnings (loss) attributable to Liberty stockholders			

**STATEMENT OF CASH FLOWS INFORMATION**

**Three months ended March 31, 2015**

**(unaudited)**

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings (loss)	\$ 160	(8)	152
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	152	16	168
Stock-based compensation	12	3	15
Cash payments for stock based compensation	—	(2)	(2)
Excess tax benefit from stock based compensation	(13)	—	(13)
Share of (earnings) losses of affiliates, net	(24)	21	(3)
Cash receipts from return on equity investments	7	6	13
Realized and unrealized gains (losses) on financial instruments, net	10	(6)	4
Deferred income tax (benefit) expense	(79)	25	(54)
Other, net	(9)	1	(8)
Intergroup tax allocation	47	(47)	—
Intergroup tax (payments) receipts	(6)	6	—
Changes in operating assets and liabilities			
Current and other assets	238	20	258
Payables and other current liabilities	(268)	(42)	(310)
Net cash provided (used) by operating activities	<u>227</u>	<u>(7)</u>	<u>220</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash paid for acquisitions	—	(20)	(20)
Investments in and loans to cost and equity investees	(1)	(44)	(45)
Cash receipts from returns of equity investments	200	—	200
Capital expended for property and equipment	(31)	(13)	(44)
Purchases of short term and other marketable securities	(54)	(233)	(287)
Sales of short term and other marketable securities	66	247	313
Other investing activities, net	(44)	—	(44)
Net cash provided (used) by investing activities	<u>136</u>	<u>(63)</u>	<u>73</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings of debt	351	180	531
Repayments of debt	(466)	(176)	(642)
Repurchases of Liberty common stock	(123)	—	(123)
Minimum withholding taxes on net settlements of stock-based compensation	(12)	1	(11)
Excess tax benefit from stock-based compensation	13	—	13
Other financing activities, net	(8)	1	(7)
Net cash provided (used) by financing activities	<u>(245)</u>	<u>6</u>	<u>(239)</u>
Effect of foreign currency rates on cash	(10)	—	(10)
Net increase (decrease) in cash and cash equivalents	108	(64)	44
Cash and cash equivalents at beginning of period	422	1,884	2,306
Cash and cash equivalents at end period	<u>\$ 530</u>	<u>1,820</u>	<u>2,350</u>

**STATEMENT OF CASH FLOWS INFORMATION**

**Three months ended March 31, 2014**

**(unaudited)**

	Attributed (note 1)		Consolidated Liberty
	QVC Group	Ventures Group	
	amounts in millions		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings (loss)	\$ 120	(10)	110
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	4	(23)	(19)
Depreciation and amortization	162	1	163
Stock-based compensation	24	1	25
Cash payments for stock based compensation	(3)	(1)	(4)
Excess tax benefit from stock-based compensation	(8)	—	(8)
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)	17	(32)
Other, net	1	(1)	—
Intergroup tax allocation	50	(50)	—
Intergroup tax (payments) receipts	(225)	225	—
Changes in operating assets and liabilities			
Current and other assets	175	1	176
Payables and other current liabilities	(54)	3	(51)
Net cash provided (used) by operating activities	180	217	397
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash proceeds from dispositions	—	25	25
Investments in and loans to cost and equity investees	—	(18)	(18)
Capital expended for property and equipment	(41)	—	(41)
Purchases of short term and other marketable securities	—	(106)	(106)
Sales of short term and other marketable securities	—	68	68
Other investing activities, net	(9)	1	(8)
Net cash provided (used) by investing activities	(50)	(30)	(80)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowings of debt	1,551	—	1,551
Repayments of debt	(1,347)	(5)	(1,352)
Repurchases of Liberty Interactive common stock	(213)	—	(213)
Minimum withholding taxes on net settlements of stock-based compensation	(6)	(2)	(8)
Excess tax benefit from stock-based compensation	8	—	8
Intergroup receipts (payments), net	2	(2)	—
Other financing activities, net	(35)	(2)	(37)
Net cash provided (used) by financing activities	(40)	(11)	(51)
Net cash provided (used) by discontinued operations:			
Operating	(6)	135	129
Investing	(1)	(153)	(154)
Financing	—	(13)	(13)
Change in available cash held by discontinued operations	1	31	32
Net cash provided (used) by discontinued operations	(6)	—	(6)
Effect of foreign currency rates on cash	—	—	—
Net increase (decrease) in cash and cash equivalents	84	176	260
Cash and cash equivalents at beginning of period	595	307	902
Cash and cash equivalents at end period	\$ 679	483	1,162

**Notes to Attributed Financial Information**

**(unaudited)**

- (1) At March 31, 2015, the QVC Group is comprised of our consolidated subsidiary, QVC, and our approximate 38% interest in HSN, Inc., accounted for under the equity method. Accordingly, the accompanying attributed financial information for the QVC Group includes the foregoing investment, as well as the assets, liabilities, revenue, expenses and cash flows of QVC. We have also attributed certain of our debt obligations (and related interest expense) to the QVC Group based upon a number of factors, including the cash flow available to the QVC Group and its ability to pay debt service and our assessment of the optimal capitalization for the QVC Group. The specific debt obligations attributed to each of the QVC Group and the Ventures Group are described in note 4 below. In addition, we have allocated certain corporate general and administrative expenses among the QVC Group and the Ventures Group as described in note 5 below.

At March 31, 2015, the QVC Group is primarily focused on our merchandise-focused televised shopping programs, Internet and mobile application businesses. Accordingly, we expect that businesses that we may acquire in the future that we believe are complementary to this strategy will also be attributed to the QVC Group.

At March 31, 2015, the Ventures Group consists of all of our businesses not included in the QVC Group including our Digital Commerce businesses and interests in equity method investments of Expedia, Inc., Interval Leisure Group, Inc, FTD and LendingTree, 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 as well as the assets, liabilities, revenue, expenses and cash flows of the Digital Commerce businesses. In addition, we have attributed to the Ventures Group all of our senior exchangeable debentures (and related interest expense). See note 4 below for the debt obligations attributed to the Ventures Group.

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

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

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>amounts in millions</b>	
<b>QVC Group</b>		
Other	\$ 4	4
<b>Total QVC Group</b>	<b>4</b>	<b>4</b>
<b>Ventures Group</b>		
Time Warner Inc.	371	375
Time Warner Cable Inc.	803	815
Other	58	30
<b>Total Ventures Group</b>	<b>1,232</b>	<b>1,220</b>
<b>Consolidated Liberty</b>	<b>\$ 1,236</b>	<b>1,224</b>

**Notes to Attributed Financial Information**

**(unaudited)**

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

	March 31, 2015			Share of earnings (losses)	
	Percentage ownership	Carrying value	Market value	Three months ended	
				March 31,	
				2015	2014
dollar amounts in millions					
<b>QVC Group</b>					
HSN, Inc.	38 %	\$ 146	1,366	25	22
Other	various	47	NA	(1)	(1)
<b>Total QVC Group</b>		<u>193</u>		<u>24</u>	<u>21</u>
<b>Ventures Group</b>					
Expedia, Inc.	18 %	496	2,197	4	(6)
FTD (1)	35 %	350	305	(2)	NA
Other	various	380	NA	(23)	(17)
<b>Total Ventures Group</b>		<u>1,226</u>		<u>(21)</u>	<u>(23)</u>
<b>Consolidated Liberty</b>		<u>\$ 1,419</u>		<u>3</u>	<u>(2)</u>

(1) As previously discussed, on December 31, 2014, Liberty announced the closing of the acquisition by FTD of Provide, which was one of Liberty's wholly-owned Digital Commerce businesses. Under the terms of the transaction, Liberty received approximately 10.2 million shares of FTD common stock representing approximately 35% of the combined company and approximately \$145 million in cash. Subsequent to completion of the transaction, Liberty accounts for FTD as an equity-method affiliate based on the ownership level and board representation.



**Notes to Attributed Financial Information**

**(unaudited)**

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

	March 31, 2015	
	Outstanding principal	Carrying value
amounts in millions		
<b>QVC Group</b>		
8.5% Senior Debentures due 2029	\$ 287	285
8.25% Senior Debentures due 2030	504	501
1% Exchangeable Senior Debentures due 2043	346	400
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 4.45% Senior Secured Notes due 2025	600	599
QVC 5.45% Senior Secured Notes due 2034	400	399
QVC 5.95% Senior Secured Notes due 2043	300	300
QVC Bank Credit Facilities	450	450
Other subsidiary debt	65	65
<b>Total QVC Group debt</b>	<b>5,702</b>	<b>5,748</b>
<b>Ventures Group</b>		
4% Exchangeable Senior Debentures due 2029	438	292
3.75% Exchangeable Senior Debentures due 2030	438	293
3.5% Exchangeable Senior Debentures due 2031	351	331
0.75% Exchangeable Senior Debentures due 2043	850	1,186
Subsidiary level notes and facilities	70	70
<b>Total Ventures Group debt</b>	<b>2,147</b>	<b>2,172</b>
<b>Total consolidated Liberty debt</b>	<b>\$ 7,849</b>	<b>7,920</b>
Less current maturities		(939)
<b>Total long-term debt</b>		<b>\$ 6,981</b>

(5) Cash compensation expense for our corporate employees is allocated between the QVC Group and the Ventures Group based on the estimated percentage of time spent providing services for each group. On a semi-annual basis, estimated time spent will be determined through an interview process and a review of personnel duties unless transactions significantly change the composition of companies and investments in either respective group, which would require a more timely reevaluation of estimated time spent. Other general and administrative expenses will be charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the QVC Group to the Ventures Group were determined to be \$4 million and \$2 million for the three months ended March 31, 2015 and 2014, 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

**Notes to Attributed Financial Information**

**(unaudited)**

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 QVC 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, 2015**

**(unaudited)**

**amounts in millions**

Liberty Interactive Corporation Net Assets	\$	5,705
Reconciling items:		
LINT put option obligations		—
LINT LLC Net Assets	\$	<u>5,705</u>
Liberty Interactive Corporation Net Earnings	\$	152
Reconciling items:		
General and administrative expenses		—
Liberty Interactive LLC Net Earnings	\$	<u>152</u>

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