

2013 | annual report |

LIBERTY  
**INTERACTIVE**  
CORPORATION



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Certain statements in this Annual Report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; future investment opportunities; the performance of our current investments; revenue growth and subscriber trends at QVC, Inc.; the proposed spin-off of Liberty TripAdvisor Holdings and the anticipated benefits of this proposed transaction; the proposed recapitalization of the Liberty Interactive Group tracking stock into the QVC Group tracking stock and a new Liberty Digital Commerce tracking stock; international expansion, including the launch of QVC France and the expected expenditures in connection therewith; 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. In particular, statements in our "Letter to Stockholders" and under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- . customer demand for our products and services and our ability to adapt to changes in demand;
- . competitor responses to our products and services;
- . 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 consumers or contributors;
- . uncertainties inherent in the development and integration of new business lines and business strategies;
- . our future financial performance, including availability, terms and deployment of capital;
- . our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- . our ability to satisfy the conditions to the proposed spin-off of Liberty TripAdvisor Holdings;
- . our ability to satisfy the conditions to the proposed restructuring of Liberty Interactive Group tracking stock into the QVC Group tracking stock and a new Liberty Digital Commerce tracking stock;
- . the launch of QVC France and the expected expenditures in connection therewith;
- . the ability of suppliers and vendors to deliver products, equipment, software and services;
- . the outcome of any pending or threatened litigation;
- . availability of qualified personnel;
- . changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- . changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- . general economic and business conditions and industry trends;
- . consumer spending levels, including the availability and amount of individual consumer debt;
- . advertising spending levels;
- . changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping networks;
- . rapid technological changes;
- . the regulatory and competitive environment of the industries in which we operate;
- . failure to protect the security of personal information about our customers, subjecting us to potentially costly government enforcement actions or private litigation and reputational damage;
- . threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world; and
- . fluctuations in foreign currency exchange rates and political unrest in international markets.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, you should keep in mind any risk factors identified and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

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

LIBERTY  
**i**NTERACTIVE  
CORPORATION

# letter to our stockholders

Dear Fellow Stockholders:

2013 was a successful year for Liberty Interactive Corporation. Our two largest businesses, QVC and TripAdvisor, turned in great performances with technology playing a key role. Increasing mobile penetration, investments in adaptive website design and embracing social media allowed these companies to deliver solid performances that transcended an otherwise challenging consumer spending environment. With the tailwind of equity market strength, QVC's and TripAdvisor's operational successes translated into meaningful appreciation for Liberty's tracking stocks. For 2013, we posted gains of 49% for Liberty Interactive and 81% for Liberty Ventures, significantly outperforming market indices and multiple peer groups.

## LIBERTY INTERACTIVE GROUP

### QVC

Mike George and his team delivered strong results with their continued focus on reimagining shopping, entertainment, and social media as one experience. QVC's customers responded positively to its engaging curation of products and integrated programming delivered on all of its platforms. On a consolidated basis, QVC added over 3.1 million new customers in 2013, and another 740,000 in its growing China joint venture. Additionally, QVC invested in its platforms to create a more consistent and accessible shopping and service experience. In particular, the employment of responsive design permits its digital content to seamlessly fit any screen size, whether it is four or 64 inches.

2013 QVC global eCommerce growth remained strong, up 13% on a constant currency basis to 38% of revenue for the year, a 3-percentage point increase over 2012. And in December 2013, QVC hit an important milestone when eCommerce represented 50% of its total U.S. revenue for the month.

QVC also extended its leadership in mobile commerce with orders up 61% globally, in constant currency, during 2013. Mobile orders represented 31% of all eCommerce and, according to Internet Retailer, QVC now ranks as the number two multi-category retailer behind only Amazon in terms of mobile commerce. QVC also saw particular strength in Japan and the U.K., where mobile orders accounted for nearly 50% of eCommerce in 2013.

And finally, in April 2014, QVC announced its planned entry into France with an anticipated on-air date during the second quarter of 2015. QVC has long sought to access the French market, the second largest market in Europe by GDP. QVC continues to assess international expansion opportunities and is currently evaluating Brazil and Spain, among other markets. Liberty believes the QVC model is replicable and scalable and will seek additional international opportunities.

## Other

Credit markets remain attractive, and we took advantage of this in 2013 and the first half of 2014. In September 2013, Liberty Interactive issued \$400 million in debentures that are exchangeable into HSN shares at an attractive interest rate of 1%.

In March 2014, QVC raised \$400 million in 5-year bonds at 3.125% and \$600 million in 10-year bonds at 4.85%. These capital structure improvements decreased QVC's weighted average cost of debt from 4.7% to 4.3%, while the weighted average term of QVC's debt increased from 5.1 to 7.4 years - both take into account the recent bond issuances, and assume a fully drawn QVC bank credit facility.

From February 1, 2013 through January 31, 2014, we repurchased \$1.1 billion in Liberty Interactive shares. This level of repurchase activity exceeded Liberty's normalized free cash flow for the year and underscored our commitment to returning capital to drive stockholder value.

## LIBERTY VENTURES GROUP

### TripAdvisor

Under the continued guidance of founder and CEO, Steve Kaufer, TripAdvisor retains its leadership position as the world's largest travel community, helping travelers around the world plan and have the perfect trip. The company produced strong growth, with hotel shoppers up 36% for the year, including notable strength in its core U.S. and U.K. markets. TripAdvisor's members remain highly engaged on the site, and contributed nearly 50 million reviews and opinions in 2013.

2013 was not only a strong year for TripAdvisor, it was also a transformative one. TripAdvisor successfully introduced "metasearch," dramatically enhancing the hotel shopping experience. This new feature allows hotel shoppers to easily compare prices and availability without opening pop-up browser windows. Additionally, mobile product innovation remains a top priority, as tablet and smartphone's share of total traffic nearly doubled to 40%, and app downloads grew nearly 150% to 82 million.

## Other

In September 2013, we made a \$300 million investment in Solana, the largest parabolic solar energy facility in the U.S. This investment provides numerous beneficial tax attributes, and we anticipate an after-tax internal rate of return in excess of 30%.

In May 2014, we filed documents with the SEC to spin-off Liberty TripAdvisor Holdings. After the proposed spin-off, Liberty TripAdvisor Holdings will hold our 22% economic and 57% voting interests in TripAdvisor along with the reattributed BuySeasons. We believe the creation of Liberty TripAdvisor Holdings will reduce the tracking stock discount associated with Liberty Ventures Group and create a strong acquisition currency.

## Looking Ahead

QVC and TripAdvisor are embracing, not reacting to, technological change, creating a strong foundation for future growth. While our affiliates continue to evolve their business models, our core values at Liberty remain unchanged. We believe we are forward looking and will position ourselves to benefit from changes in technology and digital commerce. We aim to be nimble, adjusting our tactics as the industry evolves and market circumstances change. We are long-term oriented and will continue to be patient and wait for the right transactions.

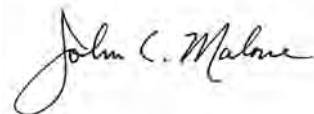
We look forward to seeing many of you at this year's annual investor meeting, which will take place on November 19th at the TimesCenter at 242 West 41st Street in New York City.

We appreciate your ongoing support.

Very truly yours,



Gregory B. Maffei  
*President and Chief Executive Officer*

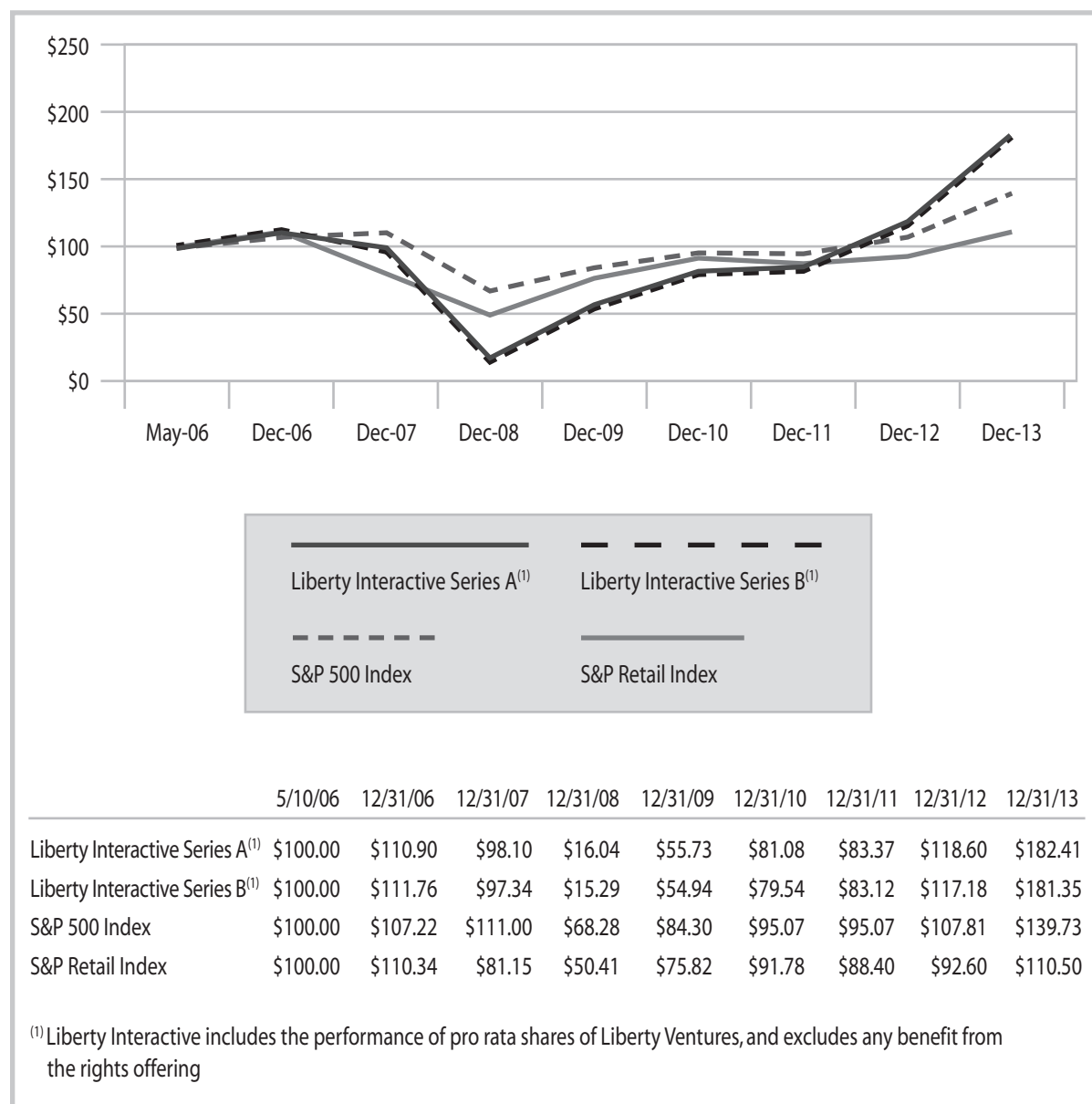


John C. Malone  
*Chairman of the Board*

# stock performance

The following graph compares the percentage change in the cumulative total stockholder return on the Series A and Series B Liberty Interactive common stock from May 10, 2006 through December 31, 2013, in comparison to the S&P 500 Index and the S&P Retail Index. Liberty Interactive performance includes the performance of the pro rata portion of shares of Liberty Ventures, which began trading on August 10, 2012.

## Liberty Interactive Common Stock vs. S&P 500 and Retail Indices 5/10/06 to 12/31/13

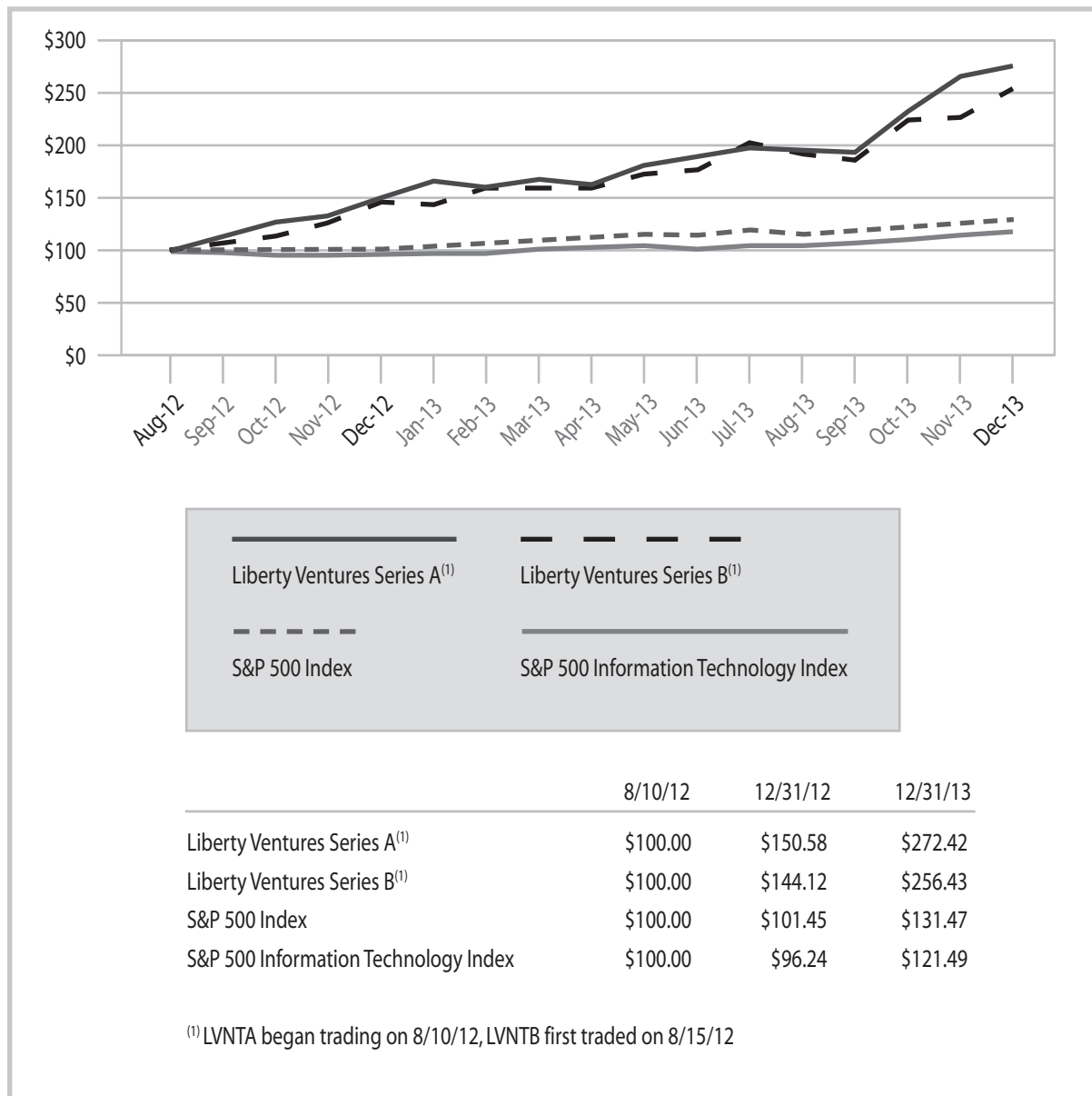




The following graph compares the percentage change in the cumulative total stockholder return on the Series A and Series B Liberty Ventures common stock from August 10, 2012 through December 31, 2013, in comparison to the S&P 500 Index and the S&P 500 Information Technology Index.

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

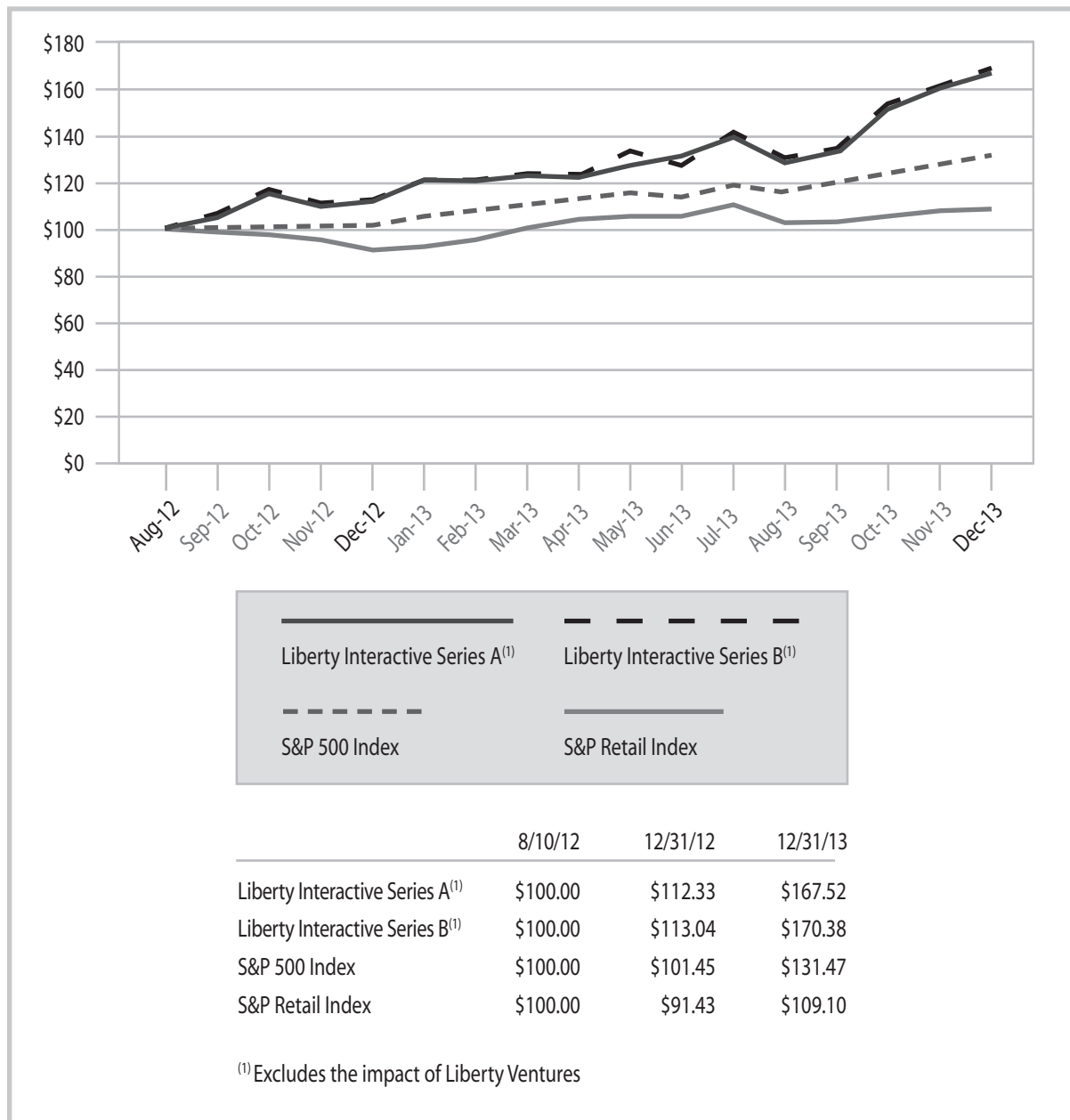
8/10/12 to 12/31/13



<sup>(1)</sup> LVNTA began trading on 8/10/12, LVNTB first traded on 8/15/12

The following graph compares the percentage change in the cumulative total stockholder return on the Series A and Series B Liberty Interactive common stock from August 10, 2012 (the day following the creation of the Liberty Ventures tracking stock) through December 31, 2013, in comparison to the S&P 500 Index and the S&P 500 Retail Index.

### Liberty Interactive Common Stock vs. S&P 500 and Retail Indices 8/10/12 to 12/31/13



[www.libertyinteractive.com/asset-list.aspx](http://www.libertyinteractive.com/asset-list.aspx)

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

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

LIBERTY INTERACTIVE GROUP		
ENTITY	DESCRIPTION OF OPERATING BUSINESS	OWNERSHIP
Backcountry.com, Inc.	eCommerce business that sells performance gear for motorsports, bicycling and backcountry adventures, including backpacking, climbing, skiing, snowboarding, trail running and adventure travel.	90%
Bodybuilding.com, LLC	eCommerce business that sells supplements, clothing, tanning supplies, accessories and other bodybuilding products. Also hosts an online site, BodySpace, where visitors can network and exchange information related to bodybuilding.	90%
BuySeasons, Inc.	Leading catalog and online retailer of party supplies and costumes.	100%
Commerce Technologies, Inc. (CommerceHub)	Leading provider of integration and fulfillment solutions for multi-channel eCommerce merchants.	99%
Evite, Inc.	Leading online invitation and social event planning service on the web.	100%

<b>LIBERTY INTERACTIVE GROUP</b>		
<b>ENTITY</b>	<b>DESCRIPTION OF OPERATING BUSINESS</b>	<b>OWNERSHIP</b>
HSN, Inc. (NASDAQ: HSN)	A retailer and interactive lifestyle network offering an assortment of products through television home shopping programming on the HSN television network and HSN.com.	38%
LMC Right Start, Inc. (Right Start)	eCommerce and traditional retailer of premium baby gear and products that offers parents a carefully selected assortment of products for their babies including travel gear, feeding products, décor and toys.	95%
Provide Commerce, Inc.	eCommerce marketplace company providing a collection of branded websites, offering high quality products shipped directly from the supplier to the consumer and designed specifically around the way consumers shop. Comprised of Cherry Moon Farms, gifts.com, Personal Creations, ProFlowers, ProPlants, RedEnvelope, Shari's Berries and Sincerely.	100%
QVC, Inc.	One of the world's leading video and digital commerce retailers, offering a curated collection of brands to millions of customers around the globe each day through broadcast, Internet, and mobile sales outlets.	100%

LIBERTY VENTURES GROUP		
ENTITY	DESCRIPTION OF OPERATING BUSINESS	OWNERSHIP
Expedia, Inc. (NASDAQ: EXPE)	Empowers business and leisure travelers with the tools and information needed to research, plan, book and experience travel. It also provides wholesale travel to offline retail travel agents. Expedia's main companies include: Expedia.com, Hotels.com, Hotwire.com and Classic Vacations.	18% <sup>1</sup>
Interval Leisure Group, Inc. (NASDAQ: IILG)	Leading global provider of membership and leisure services to the vacation industry.	29%
Time Warner Cable Inc. (NYSE: TWC)	Among the largest cable operators in the U.S. offering residential and commercial video, high-speed data and voice services over its broadband cable systems.	2%
Time Warner Inc. (NYSE: TWX)	Media and entertainment company whose businesses include filmed entertainment, interactive services, television networks, cable systems, and publishing.	< 1%
Tree.com, Inc. (Lending Tree) (NASDAQ: TREE)	An online lending and real estate business that matches consumers with lenders and loan brokers.	25%
TripAdvisor, Inc. (NASDAQ: TRIP)	The world's largest travel site, <sup>2</sup> enabling travelers to plan and have the perfect trip.	22% <sup>3</sup>

1. Liberty Interactive Corporation owns approximately 18% of Expedia common stock representing an approximate 58% voting interest. The Chairman of Expedia currently has the authority to vote these shares.

2. Source: comScore Media Metrix for TripAdvisor Sites, Worldwide, Q1 2014.

3. Liberty Interactive Corporation owns approximately 22% of TripAdvisor common stock representing an approximate 57% voting interest.

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

***Market Information***

Our Series A and Series B Liberty Interactive common stock (LINTA and LINTB) have been outstanding since May 2006. On August 9, 2012 Liberty completed the approved recapitalization of its common stock through the creation of the Liberty Interactive common stock (continued to trade as LINTA and LINTB) and Liberty Ventures common stock (LVNTA and LVNTB) as tracking stocks. Each series of our common stock trades on the Nasdaq Global Select Market. The following table sets forth the range of high and low sales prices of shares of our common stock for the years ended December 31, 2013 and 2012, for the periods they were outstanding.

	Liberty Interactive			
	Series A (LINTA)		Series B (LINTB)	
	High	Low	High	Low
<i>2012</i>				
First quarter . . . . .	\$ 19.80	16.36	19.32	16.07
Second quarter . . . . .	\$ 19.27	15.93	19.10	16.15
Third quarter (through August 9, 2012) . . . . .	\$ 19.66	17.42	19.31	17.64
Third quarter (after August 9, 2012) . . . . .	\$ 19.46	17.04	18.45	17.24
Fourth quarter . . . . .	\$ 20.95	18.26	20.51	18.42

<i>2013</i>				
First quarter . . . . .	\$ 22.11	19.93	21.55	19.51
Second quarter . . . . .	\$ 24.31	19.79	23.01	19.77
Third quarter . . . . .	\$ 25.25	21.95	25.13	21.94
Fourth quarter . . . . .	\$ 29.57	22.83	29.39	23.23

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

<i>2013</i>				
First quarter . . . . .	\$ 79.50	67.27	76.86	68.17
Second quarter . . . . .	\$ 86.04	72.71	84.70	74.46
Third quarter . . . . .	\$ 96.07	81.37	96.27	84.49
Fourth quarter . . . . .	\$124.39	81.81	121.29	89.28

***Holdings***

As of January 31, 2014, there were approximately 2,400 and 100 record holders of our Series A and Series B Liberty Interactive common stock, respectively, and approximately 1,700 and 100 record holders of our Series A and Series B Liberty Ventures common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

***Dividends***

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

***Securities Authorized for Issuance Under Equity Compensation Plans***

Information required by this item is incorporated by reference to our definitive proxy statement for our 2014 Annual Meeting of stockholders.

***Purchases of Equity Securities by the Issuer***

***Share Repurchase Programs***

On several occasions our board of directors has authorized a share repurchase program for our Series A and Series B Liberty Interactive common stock. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of \$1 billion of Series A and Series B Liberty Interactive common stock for a total of \$3 billion. These previous authorizations remained effective following the 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 October 30, 2012 the board authorized the repurchase of an additional \$1 billion of Series A and Series B Liberty Interactive common stock. Not included in the table below is an additional authorization of our board, on February 27, 2014, for an additional \$1 billion of Series A and Series B Liberty Interactive common stock repurchases.

A summary of the repurchase activity for the three months ended December 31, 2013 is as follows:

<b>Period</b>	<b>Series A Liberty Interactive Common Stock</b>			<b>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs</b>
	<b>(a) Total Number of Shares Purchased</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	
October 1 - 31, 2013 . . . . .	3,931,100	\$26.34	3,931,100	\$406 million
November 1 - 30, 2013 . . .	5,382,000	\$27.50	5,382,000	\$258 million
December 1 - 31, 2013 . . .	3,139,642	\$27.98	3,139,642	\$170 million
Total . . . . .	<u>12,452,742</u>		<u>12,452,742</u>	

In addition to the shares listed in the table above, 3,772 shares of Series A Liberty Interactive common stock and 178 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.



## Selected Financial Data.

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

	December 31,				
	2013	2012	2011	2010	2009
	amounts in millions				
<i>Summary Balance Sheet Data:</i>					
Cash and cash equivalents . . . . .	\$ 1,256	2,660	847	1,353	1,955
Investments in available-for-sale securities and other cost investments . . . . .	\$ 1,501	1,819	1,168	1,110	1,641
Investment in affiliates . . . . .	\$ 1,237	851	1,135	949	831
Intangibles not subject to amortization(1) . . . . .	\$13,675	13,880	8,496	8,496	8,383
Assets of discontinued operations(2) . . . . .	\$ —	—	—	8,933	9,374
Total assets(1)(2) . . . . .	\$24,676	26,255	17,339	26,600	28,631
Long-term debt . . . . .	\$ 6,406	6,246	4,850	5,970	7,343
Deferred income tax liabilities, noncurrent(1) . . . . .	\$ 2,844	3,209	2,046	2,709	2,946
Liabilities of discontinued operations(2) . . . . .	\$ —	—	—	3,854	5,002
Equity(1)(2) . . . . .	\$11,435	12,051	6,627	11,442	10,238
Noncontrolling interest(1) . . . . .	\$ 4,499	4,489	134	129	129

	Years ended December 31,				
	2013	2012	2011	2010	2009
	amounts in millions, except per share amounts				
<i>Summary Statement of Operations Data:</i>					
Revenue	\$11,252	10,054	9,616	8,932	8,305
Operating income (loss)	\$ 1,120	1,108	1,133	1,108	1,041
Interest expense	\$ (373)	(432)	(427)	(626)	(594)
Share of earnings (losses) of affiliates	\$ 33	85	140	112	24
Realized and unrealized gains (losses) on financial instruments, net	\$ (22)	(351)	84	62	(589)
Gains (losses) on transactions, net(1)	\$ (2)	1,531	—	355	42
Earnings (loss) from continuing operations(3):					
Liberty Capital common stock	NA	NA	10	28	(356)
Liberty Interactive Corporation common stock	NA	328	577	808	319
Liberty Interactive common stock	\$ 483	241	NA	NA	NA
Liberty Ventures common stock	97	1,022	NA	NA	NA
	<u>\$ 580</u>	<u>1,591</u>	<u>587</u>	<u>836</u>	<u>(37)</u>
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	NA	NA	0.12	0.31	(3.71)
Series A and Series B Liberty Interactive Corporation common stock	NA	0.53	0.88	1.28	0.47
Series A and Series B Liberty Interactive common stock	\$ 0.84	0.39	NA	NA	NA
Series A and Series B Liberty Ventures common stock	\$ 1.70	31.03	NA	NA	NA
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share(4):					
Series A and Series B Liberty Capital common stock	NA	NA	0.12	0.30	(3.71)
Series A and Series B Liberty Interactive Corporation common stock	NA	0.52	0.87	1.26	0.47
Series A and Series B Liberty Interactive common stock	\$ 0.83	0.38	NA	NA	NA
Series A and Series B Liberty Ventures common stock	\$ 1.70	31.03	NA	NA	NA

- (1) On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor, Inc. (“TripAdvisor”) (an additional 4% equity ownership interest), for \$300 million, along with the right to control the vote of the shares of TripAdvisor’s common stock and class B common stock we own. Following the transaction we own approximately 22% of the equity and 57% of the total votes of all classes of TripAdvisor common stock. As we now control TripAdvisor we applied the applicable purchase accounting guidance and recorded a gain on the transaction of \$800 million on our ownership interest held prior to the transaction, recognized in the gain (loss) on transactions, net line in the consolidated statements of operations. See note 5 of the accompanying consolidated financial statements for further details on the purchase price allocation.
- (2) On September 23, 2011, Liberty completed the split-off of a wholly owned subsidiary, Liberty Media Corporation (“LMC”) (formerly known as Liberty CapStarz, Inc. and prior thereto known

as Liberty Splitco, Inc.) (the “LMC Split-Off”). At the time of the LMC Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to the Capital and Starz tracking stock groups. The LMC Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock of Liberty in exchange for the common stock of LMC. See note 6 of the accompanying consolidated financial statements for further details on the treatment of LMC as discontinued operations in prior periods.

- (3) Includes earnings from continuing operations attributable to the noncontrolling interests of \$79 million, \$61 million, \$53 million, \$45 million and \$39 million for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively.
- (4) Basic and diluted earnings per share have been calculated for Liberty Capital and Liberty Starz common stock for the period subsequent to March 3, 2008 through September 23, 2011. Basic and diluted EPS have been calculated for Liberty Interactive Corporation common stock for the periods from May 9, 2006 to August 9, 2012. Basic and diluted EPS have been calculated for Liberty Interactive common stock and Liberty Ventures common stock subsequent to August 9, 2012.

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

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto.

### ***Overview***

We own controlling and non-controlling interests in a broad range of video and on-line commerce companies. Our largest business, which is also our principal reportable segment, is QVC, Inc. QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications. Additionally, we own entire or majority interests in consolidated subsidiaries which operate on-line commerce businesses in a broad range of retail categories. The more significant of these include Backcountry.com, Inc. ("Backcountry"), Bodybuilding.com, LLC ("Bodybuilding"), Celebrate Interactive Holdings, LLC ("Celebrate") and Provide Commerce, Inc ("Provide"). Backcountry operates websites offering sports gear and clothing for outdoor and active individuals in a variety of categories. Bodybuilding manages websites related to sports nutrition, body building and fitness. Celebrate operates websites that offer costumes, accessories, décor, party supplies and invitations. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts. As of December 11, 2012 we began consolidating TripAdvisor, Inc. ("TripAdvisor") which is an online travel research company, empowering users to plan and maximize their travel experience.

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

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

The term "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Ventures Group is comprised primarily of our consolidated subsidiary TripAdvisor and interests in Expedia, Inc., Interval Leisure Group, Inc., Tree.com, Inc., investments in Time Warner Inc., Time Warner Cable Inc. and AOL, Inc., as well as cash in the amount of approximately \$658 million (at December 31, 2013). The Ventures Group also has attributed to it certain liabilities related to our Exchangeable Debentures and certain deferred tax liabilities. The Ventures Group is primarily focused on the maximization of the value of these investments and investing in new business opportunities.

The term "Interactive Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Interactive Group is primarily focused on our video and e-commerce operating businesses and has attributed to it the remainder of our businesses and assets, including our operating subsidiaries QVC, Provide Backcountry, Bodybuilding, Celebrate and CommerceHub as well as our interest in HSN, Inc., including cash of approximately \$598 million (at December 31, 2013), including subsidiary cash. The

Interactive Group has attributed to it liabilities that reside with QVC and the other entities listed as well as our outstanding senior notes and certain deferred tax liabilities.

### ***Discontinued Operations***

Prior to the LMC Split-Off (as defined below), Liberty's equity was structured into three separate tracking stocks. Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty had three tracking stocks, Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the separate businesses, assets and liabilities attributed to each group. These attributed businesses, assets and liabilities were not separate legal entities and therefore no group could own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks did not have direct claim to the group's stock or assets and were not represented by separate boards of directors.

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

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

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

### ***Strategies and Challenges***

**QVC.** QVC's goal is to become the preeminent global multimedia shopping community for people who love to shop, and to offer a shopping experience that is as much about entertainment and enrichment as it is about buying. QVC's objective is to provide an integrated shopping experience that utilizes all forms of media including television, the internet and mobile devices. In 2014, QVC intends to employ several strategies to achieve these goals and objectives. Among these strategies are to (i) extend the breadth, relevance and exposure of the QVC brand; (ii) source products that represent unique quality and value; (iii) create engaging presentation content in televised programming, mobile and online; (iv) leverage customer loyalty and continue multi-platform expansion; and (v) create a compelling and differentiated customer experience. In addition, QVC expects to expand globally by leveraging its existing systems, infrastructure and skills in other countries around the world.

QVC's 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.

In March 2013, QVC-U.S. launched over-the-air broadcasting in designated U.S. markets that can be accessed by any television household in such markets, regardless of whether it subscribes to a paid television service. This will allow QVC-U.S. to reach new customers who previously did not have access to the program through other television platforms.

In August 2013, QVC-U.S. launched an additional channel, “QVC Plus,” which is being distributed through cable and satellite systems. The channel generally offers the same programming as the live channel, but on a three hour pre-recorded delay, which will allow viewers to have access to a broader range of QVC programming options, as well as more relevant programming for viewers in differing time zones.

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

### **Results of Operations—Consolidated**

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

## Operating Results

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
<i>Revenue</i>			
Interactive Group			
QVC . . . . .	\$ 8,623	8,516	8,268
E-commerce . . . . .	1,684	1,502	1,348
Corporate and other . . . . .	—	—	—
Total Interactive Group . . . . .	<u>10,307</u>	<u>10,018</u>	<u>9,616</u>
Ventures Group			
TripAdvisor . . . . .	945	36	—
Corporate and other . . . . .	—	—	—
Total Ventures Group . . . . .	<u>945</u>	<u>36</u>	<u>—</u>
Consolidated Liberty . . . . .	<u>\$11,252</u>	<u>10,054</u>	<u>9,616</u>
<i>Adjusted OIBDA</i>			
Interactive Group			
QVC . . . . .	\$ 1,841	1,828	1,733
E-commerce . . . . .	85	96	123
Corporate and other . . . . .	(20)	(27)	(29)
Total Interactive Group . . . . .	<u>1,906</u>	<u>1,897</u>	<u>1,827</u>
Ventures Group			
TripAdvisor . . . . .	379	8	—
Corporate and other . . . . .	(11)	(5)	(4)
Total Ventures Group . . . . .	<u>368</u>	<u>3</u>	<u>(4)</u>
Consolidated Liberty . . . . .	<u>\$ 2,274</u>	<u>1,900</u>	<u>1,823</u>
<i>Operating Income (Loss)</i>			
Interactive Group			
QVC . . . . .	\$ 1,245	1,268	1,137
E-commerce . . . . .	(50)	(81)	55
Corporate and other . . . . .	(64)	(63)	(55)
Total Interactive Group . . . . .	<u>1,131</u>	<u>1,124</u>	<u>1,137</u>
Ventures Group			
TripAdvisor . . . . .	8	(5)	—
Corporate and other . . . . .	(19)	(11)	(4)
Total Ventures Group . . . . .	<u>(11)</u>	<u>(16)</u>	<u>(4)</u>
Consolidated Liberty . . . . .	<u>\$ 1,120</u>	<u>1,108</u>	<u>1,133</u>

**Revenue.** Our consolidated revenue increased 11.9% and 4.6% for the years ended December 31, 2013 and 2012, respectively, as compared to the corresponding prior year periods. The current year and prior year increases were the result of the full year consolidated results of TripAdvisor, an incremental increase of \$909 million in 2013, and increased revenue at QVC (\$107 million and \$248 million, respectively) and the E-commerce companies (\$182 million and \$154 million, respectively). See “Results of Operations—Businesses” below for a more complete discussion of the results of operations of certain of our subsidiaries.

**Adjusted OIBDA.** We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative (“SG&A”) expenses (excluding stock compensation). Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses, including each business’s ability to service debt and fund capital expenditures. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation and amortization, stock-based compensation and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. See note 19 to the accompanying consolidated financial statements for a reconciliation of Adjusted OIBDA to earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA increased \$374 million and \$77 million for the years ended December 31, 2013 and 2012, respectively, as compared to the corresponding prior year periods. Primarily as a result of a full year of results for TripAdvisor. See “Results of Operations—Businesses” below for a more complete discussion of the results of operations of certain of our subsidiaries.

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

We recorded \$178 million, \$91 million and \$49 million of stock compensation expense for the years ended December 31, 2013, 2012 and 2011, respectively. The increase of \$87 million in stock-based compensation during 2013 was primarily attributable to the consolidation of TripAdvisor for the entire year ended December 31, 2013 and the additional recognition of stock-based compensation related to the one-time exchange offer in 2012 (“2012 Option Exchange”), as more fully described in note 15, in the accompanying consolidated financial statements. The 2012 Option Exchange resulted in approximately \$21 million of incremental share based compensation in the fourth quarter of 2012. Additionally, our E-commerce companies recorded an increase in stock-based compensation for the year ended December 31, 2012. As of December 31, 2013, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately \$109 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 1.5 years. Additionally, total unrecognized compensation cost related to unvested TripAdvisor equity awards was \$104 million which will be recognized over a weighted average period of approximately 3.0 years.

**Operating income.** Our consolidated operating income increased \$12 million and decreased \$25 million for the years ended December 31, 2013 and 2012, respectively, as compared to the corresponding prior year periods. The change in operating income for 2013 was primarily the result of the full year consolidation of TripAdvisor. The consolidation of TripAdvisor impacted Revenue and Adjusted OIBDA to a greater extent as operating income includes the amortization of intangibles recognized in purchase accounting and the incremental stock-based compensation recorded. The change in operating income for 2012 was due to the increase in stock compensation and the impairment of goodwill at certain E-commerce subsidiaries. See “Results of Operations—Businesses” below for a more complete discussion of the results of operations of certain of our subsidiaries.



## Other Income and Expense

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

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Interest expense			
Interactive Group . . . . .	\$(292)	(322)	(317)
Ventures Group . . . . .	(81)	(110)	(110)
Consolidated Liberty . . . . .	<u>\$(373)</u>	<u>(432)</u>	<u>(427)</u>
Share of earnings (losses) of affiliates			
Interactive Group . . . . .	\$ 48	28	23
Ventures Group . . . . .	(15)	57	117
Consolidated Liberty . . . . .	<u>\$ 33</u>	<u>85</u>	<u>140</u>
Realized and unrealized gains (losses) on financial instruments, net			
Interactive Group . . . . .	\$ (12)	51	75
Ventures Group . . . . .	(10)	(402)	9
Consolidated Liberty . . . . .	<u>\$ (22)</u>	<u>(351)</u>	<u>84</u>
Gains (losses) on transactions, net			
Interactive Group . . . . .	\$ (1)	—	—
Ventures Group . . . . .	(1)	1,531	—
Consolidated Liberty . . . . .	<u>\$ (2)</u>	<u>1,531</u>	<u>—</u>
Other, net			
Interactive Group . . . . .	\$ (53)	—	15
Ventures Group . . . . .	7	44	(6)
Consolidated Liberty . . . . .	<u>\$ (46)</u>	<u>44</u>	<u>9</u>

**Interest expense.** Interest expense decreased \$59 million and increased \$5 million for the years ended December 31, 2013 and 2012, respectively, as compared to the corresponding prior year periods. The decrease in interest expense for the year ended December 31, 2013 was the result of a slight decrease in the average debt balance outstanding during the period and the refinancing of prior outstanding obligations for debt with more favorable interest rates. The refinancing of debt required a premium payment on the outstanding debentures which was recognized as a \$57 million dollar extinguishment loss and was reflected in the other, net line item in the consolidated statement of operations for the year ended December 31, 2013. The overall increase in interest expense for the year ended December 31, 2012 was primarily the result of a slight increase in the average debt balance outstanding during the period.

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

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Interactive Group			
HSN, Inc. . . . .	\$ 61	40	38
Other . . . . .	(13)	(12)	(15)
Total Interactive Group . . . . .	<u>48</u>	<u>28</u>	<u>23</u>
Ventures Group			
Expedia, Inc. . . . .	31	67	119
TripAdvisor . . . . .	NA	38	NA
Other . . . . .	(46)	(48)	(2)
Total Ventures Group . . . . .	<u>(15)</u>	<u>57</u>	<u>117</u>
Consolidated Liberty . . . . .	<u>\$ 33</u>	<u>85</u>	<u>140</u>

The overall decrease in share of earnings (losses) of affiliates for the year ended December 31, 2013 was primarily the result of the acquisition of a controlling interest in TripAdvisor in December 2012. Therefore, it is no longer accounted for as an equity method affiliate. The decrease in share of earnings (losses) of affiliates for the year ended December 31, 2012 was primarily the result of the investments made in alternative energy solutions that operate at a loss but provide favorable tax attributes recorded through our income tax (expense) benefit line in the consolidated statement of operations.

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

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Fair value option securities . . . . .	\$ 514	470	55
Exchangeable senior debentures . . . . .	(553)	(602)	(46)
Other derivatives . . . . .	17	(219)	75
	<u>\$ (22)</u>	<u>(351)</u>	<u>84</u>

The changes in these accounts are due primarily to market factors and changes in the fair value of the underlying stocks or financial instruments to which these relate. The significant change in other derivatives was the forward contract entered into on 12 million Expedia, Inc. common shares that was entered into and settled during the year ended December 31, 2012.

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

**Income taxes.** Our effective tax rate for the years ended December, 2013, 2012 and 2011 was 18%, 20% and 37%, respectively. The 2013 effective tax rate is less than the U.S. federal income tax rate of 35% due primarily to a change in the corporate effective state rate for outstanding deferred tax liabilities and assets at Liberty due to a change in the apportionment of income to various states. The 2012 effective tax rate was less than the U.S. federal income tax rate of 35% due primarily to the consolidation of a previously held equity method affiliate in the current period that triggered a gain for accounting purposes but not for tax purposes. The 2011 effective tax rate was greater than the U.S. federal income tax rate of 35% primarily due to the impact of state taxes.

**Net earnings.** We had net earnings of \$580 million, \$1,591 million and \$965 million for the years ended December 31, 2013, 2012 and 2011, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

### **Liquidity and Capital Resources**

As of December 31, 2013 substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

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

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

As of December 31, 2013, Liberty's liquidity position consisted of the following:

	<u>Cash and cash equivalents</u>	<u>Marketable securities</u>	<u>Available-for- Sale Securities</u>
	amounts in millions		
QVC . . . . .	\$ 457	—	—
E-commerce . . . . .	72	—	—
Corporate and other . . . . .	69	—	4
Total Interactive Group . . . . .	<u>598</u>	<u>—</u>	<u>4</u>
TripAdvisor . . . . .	351	131	188
Corporate and other . . . . .	307	412	1,309
Total Ventures Group . . . . .	<u>658</u>	<u>543</u>	<u>1,497</u>
Consolidated Liberty . . . . .	<u>\$1,256</u>	<u>543</u>	<u>1,501</u>

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 \$1,078 million under the QVC credit facility at December 31, 2013. The Company has a controlling interest in TripAdvisor which has significant operating cash flows, although due to TripAdvisor being a separate public company and the significant noncontrolling interest, we do not have ready access to such cash flows. As of December 31, 2013, TripAdvisor and QVC had approximately \$297 million and \$240 million, respectively, of cash and cash equivalents held in foreign subsidiaries.

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.

	Years ended December 31,		
	2013	2012	2011
amounts in millions			
<b>Cash Flow Information</b>			
Interactive Group cash provided (used) by operating activities . . . . .	\$ 972	1,470	988
Ventures Group cash provided (used) by operating activities . . . . .	388	(38)	(88)
Net cash provided (used) by operating activities . . . . .	<u>\$ 1,360</u>	<u>1,432</u>	<u>900</u>
Interactive Group cash provided (used) by investing activities . . . . .	\$ (362)	(462)	(428)
Ventures Group cash provided (used) by investing activities . . . . .	2	615	(9)
Net cash provided (used) by investing activities . . . . .	<u>\$ (360)</u>	<u>153</u>	<u>(437)</u>
Interactive Group cash provided (used) by financing activities . . . . .	\$ (687)	(1,136)	(1,013)
Ventures Group cash provided (used) by financing activities . . . . .	(1,693)	1,384	97
Net cash provided (used) by financing activities . . . . .	<u>\$(2,380)</u>	<u>248</u>	<u>(916)</u>

*Interactive Group*

During the year ended December 31, 2013, the Interactive Group uses of cash were primarily the refinancing of certain debt obligations of approximately \$3 billion and the repurchase of Series A Liberty Interactive common stock of approximately \$1 billion. Additionally, the Interactive Group had approximately \$295 million of capital expenditures in the period. These uses of cash were funded by cash provided by operating activities and additional borrowings of debt as part of the refinancing activities.

The projected uses of Interactive Group cash are the cost to service outstanding debt, approximately \$265 million in interest payments on QVC and corporate level debt, anticipated capital improvement spending of approximately \$275 million and the continued buyback of Liberty Interactive common stock under the approved share buyback program.

*Ventures Group*

During the year ended December 31, 2013, the Ventures Group uses of cash were primarily the payment of certain debt obligations and the refinancing of other outstanding debt obligations of approximately \$2.4 billion and net purchases of short term and long term marketable securities. Additionally, TripAdvisor acquired approximately \$145 million of their own shares under their approved share buyback program. These uses of cash for the Ventures Group were funded by cash provided by operating activities, additional borrowings of debt as part of the refinancing activities, discussed above, and the sale of certain investments which was done on a tax neutral basis in conjunction with the retirement of certain debt obligations.

The projected uses of Ventures Group cash are the cost to service outstanding debt, approximately \$60 million in interest payments on TripAdvisor and corporate level debt, continued buyback of TripAdvisor common stock under the approved TripAdvisor share buyback program and further investments in existing or new businesses through continued acquisition activity.

*Consolidated*

During the year ended December 31, 2013, Liberty's primary uses of cash were \$5,474 million of debt repayments, \$1,089 million of share repurchases and \$352 million of capital expenditures. These

uses of cash were funded primarily with \$1,360 million of cash provided by operating activities, \$4,373 million in borrowings, \$1,137 million in cash from the disposition of certain investments and cash on hand.

The projected uses of Liberty cash, outside of normal operating expenses (inclusive of tax payments), are the costs to service outstanding debt, approximately \$325 million for interest payments on QVC and corporate level debt, anticipated capital improvement spending of approximately \$440 million, the repayment of certain debt obligations and the continued buyback of Liberty Interactive common stock under the approved share buyback program (subsequent to year end we made additional repurchases of approximately 2.6 million shares for \$73 million through January 31, 2014 and additional investments in existing or new businesses.

QVC and TripAdvisor were in compliance with their debt covenants as of December 31, 2013.

### **Off-Balance Sheet Arrangements and Aggregate Contractual Obligations**

In connection with agreements for the sale of assets by our company, we may retain liabilities that relate to events occurring prior to the sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification obligations may extend for a number of years. We are unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification obligations.

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

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

	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>2 - 3 years</b>	<b>4 - 5 years</b>	<b>After 5 years</b>
<b>amounts in millions</b>					
<i>Consolidated contractual obligations</i>					
Long-term debt(1) . . . . .	\$ 7,533	118	344	989	6,082
Interest payments(2) . . . . .	3,864	325	644	616	2,279
Operating lease obligations . . . . .	496	48	88	78	282
Purchase orders and other obligations . . . . .	1,515	1,488	15	12	—
<b>Total . . . . .</b>	<b><u>\$13,408</u></b>	<b><u>1,979</u></b>	<b><u>1,091</u></b>	<b><u>1,695</u></b>	<b><u>8,643</u></b>

(1) Amounts are reflected in the table at the outstanding principal amount, assuming the debt instruments will remain outstanding until the stated maturity date, and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) have elements which are reported at fair value in our consolidated

balance sheet. Amounts also include capital lease obligations. Amounts do not assume additional borrowings or refinancings of existing debt.

- (2) Amounts (i) are based on our outstanding debt at December 31, 2013, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2013 rates and (iii) assume that our existing debt is repaid at maturity.

### **Critical Accounting Estimates**

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

#### ***Fair Value Measurements***

*Financial Instruments.* We record a number of assets and liabilities in our consolidated balance sheet at fair value on a recurring basis, including available-for-sale (“AFS”) securities, financial instruments and our exchangeable senior debentures. GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. We use quoted market prices, or Level 1 inputs, to value all our Fair Value Option Securities. As of December 31, 2013 and 2012, the carrying value of our Fair Value Option securities was \$1,309 million and \$1,716 million, respectively.

Level 2 inputs, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. We use quoted market prices to determine the fair value of our exchangeable senior debentures. However, these debentures are not traded on active markets as defined in GAAP, so these liabilities fall in Level 2. As of December 31, 2013, the principal amount and carrying value of our exchangeable debentures were \$2,491 million and \$2,355 million, respectively.

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

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

As of December 31, 2013, the intangible assets not subject to amortization for each of our significant reportable segments was as follows:

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Total</u>
	amounts in millions		
QVC .....	\$5,312	2,428	7,740
TripAdvisor .....	3,460	1,828	5,288
E-commerce .....	<u>560</u>	<u>87</u>	<u>647</u>
	<u>\$9,332</u>	<u>4,343</u>	<u>13,675</u>

We perform our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets as of December 31. We adopted accounting guidance relating to annual assessments of recoverability of goodwill and other non-amortizable intangibles during the current and prior years and at year-end we utilized a qualitative assessment for determining whether step one of the goodwill impairment analysis was necessary. During the years ended December 31, 2013 and 2012 we recorded \$33 million and \$92 million, respectively, in goodwill and other intangibles impairments for certain of our E-commerce companies. Continued declining operating results as compared to budgeted results and certain trends required a Step 2 impairment test and a determination of fair value for these subsidiaries. Fair value for these subsidiaries, including intangible assets and goodwill, was determined using Company projections of future operating performance and applying a combination of market multiples and a discounted cash flow calculation (Level 3).

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

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

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

***Retail Related Adjustments and Allowances.*** QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statement of operations. For the years ended December 31, 2013, 2012 and 2011, sales returns represented 19.8%, 19.4% and 19.4% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on, among other factors, the average inventory balance for the preceding 12 months and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in our consolidated statements of operations. At December 31, 2013, QVC's inventory is \$931 million, which is net of the obsolescence adjustment of \$79 million. QVC's allowance for doubtful accounts is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as bad debt expense in our consolidated statements of operations. At December 31, 2013, QVC's trade accounts receivable are \$1,111 million, net of the allowance for doubtful accounts of \$83 million. Each of these estimates requires management judgment and may not reflect actual results.

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

### **Results of Operations—Businesses**

***QVC.*** QVC, Inc. is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications. In the United States, QVC's live programming is distributed via its nationally televised shopping program 24 hours per day, 364 days per year ("QVC-U.S."). Internationally, QVC's program services are based in Japan ("QVC-Japan"), Germany ("QVC-Germany"), the United Kingdom ("QVC-U.K.") and Italy ("QVC-Italy"). QVC-Japan distributes live programming 24 hours per day, QVC-Germany distributes its program 24 hours per day with 23 hours of live programming and QVC-U.K. distributes its program 24 hours per day with 17 hours of live programming. QVC-Italy distributes programming live for 17 hours per day on satellite and digital terrestrial television and an additional seven hours per day of recorded programming on satellite and seven hours a day of general interest programming on digital terrestrial television.

On July 4, 2012, QVC entered into a joint venture with China Broadcasting Corporation, a limited liability company, owned by China National Radio ("CNR") for a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS distributes live programming for 15 hours per day and recorded programming for 9 hours per day. The CNRS joint venture is accounted for as an equity method investment.



QVC's operating results were as follows:

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Net revenue . . . . .	\$ 8,623	8,516	8,268
Cost of sales . . . . .	(5,465)	(5,419)	(5,278)
Gross profit . . . . .	3,158	3,097	2,990
Operating expenses . . . . .	(740)	(715)	(744)
SG&A expenses (excluding stock-based compensation) . . . . .	(577)	(554)	(513)
Adjusted OIBDA . . . . .	1,841	1,828	1,733
Stock-based compensation . . . . .	(38)	(34)	(22)
Depreciation and amortization . . . . .	(558)	(526)	(574)
Operating income . . . . .	<u>\$ 1,245</u>	<u>1,268</u>	<u>1,137</u>

Net revenue was generated from the following geographical areas:

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
QVC-U.S. . . . .	\$5,844	5,585	5,412
QVC-Japan . . . . .	1,024	1,247	1,127
QVC-Germany . . . . .	971	956	1,068
QVC-U.K. . . . .	657	641	626
QVC-Italy . . . . .	127	87	35
	<u>\$8,623</u>	<u>8,516</u>	<u>8,268</u>

QVC's consolidated net revenue increased 1.3% and 3.0% for the years ended December 31, 2013 and 2012, respectively, as compared to the corresponding prior years. The 2013 increase of \$107 million in net revenue was primarily comprised of \$257 million due to a 2.7% increase in the average selling price per unit ("ASP") and \$155 million due to a 1.6% increase in units sold. These amounts were partially offset by a net \$200 million of unfavorable foreign currency rate adjustments primarily in Japan. Additionally, net revenue was negatively impacted by \$102 million due to an increase in estimated product returns, primarily in the U.S., Japan and Germany. The increase in returns in the U.S. was primarily due to sales volume and the increases in Japan and Germany were primarily due to higher returns in the apparel and jewelry categories and a greater mix of apparel products that return at higher rates than other categories. Overall returns as a percent of gross product revenue increased to 19.8% from 19.4% in 2012.

The 2012 increase in net revenue was primarily comprised of \$205 million due to a 2.2% increase in ASP, \$154 million due to a 1.7% increase in units sold and a \$59 million increase in shipping and handling and other miscellaneous revenue. These amounts were partially offset by \$92 million of unfavorable foreign currency rate adjustments in all markets and \$78 million due to an increase in estimated product returns as a result of the sales increase. Overall returns as a percent of gross product revenue remained flat at 19.4% compared to 2011.

During the years ended December 31, 2013 and 2012, the changes in revenue and expenses were affected by changes in the exchange rates for the Japanese Yen, the Euro and the U.K. Pound Sterling. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

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

	Year ended December 31, 2013		Year ended December 31, 2012	
	U.S. dollars	Local currency	U.S. dollars	Local currency
QVC-US .....	4.6%	4.6%	3.2%	3.2%
QVC-Japan .....	(17.9)%	0.3%	10.6%	11.2%
QVC-Germany .....	1.6%	(1.7)%	(10.5)%	(3.5)%
QVC-UK .....	2.5%	3.7%	2.4%	3.3%
QVC-Italy .....	46.0%	41.5%	148.6%	168.3%

In 2013, QVC-U.S. net revenue growth was primarily due to a 4.6% increase in ASP, as a result of higher rates in the beauty and accessories categories as well as a greater mix of accessories. QVC-U.S. experienced shipped sales growth in all categories except jewelry. QVC-Japan's shipped sales in local currency improved primarily in the apparel, home and electronics categories, offset by declines in accessories and jewelry and an increase in estimated product returns as discussed in the above paragraph. QVC-Germany's shipped sales in local currency increased primarily in the apparel and accessories categories, but this growth was more than offset by declines in jewelry and electronics and an increase in estimated product returns as discussed in the above paragraph. QVC-U.K.'s shipped sales growth in local currency was primarily the result of increased sales in the home and beauty categories, partially offset by declines in jewelry. QVC-Italy's sales consisted primarily of home, beauty and apparel products.

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

QVC's gross profit percentage was 36.6%, 36.4% and 36.2% for the years ended December 31, 2013, 2012 and 2011, respectively. The increase in gross profit percentage in 2013 was primarily due to improved product margins in the U.S. and the U.K. The increase in gross profit percentage in 2012 was primarily due to a favorable net shipping and handling position including warehouse productivity in the U.S.; improved leverage of warehouse costs in Japan and warehouse productivity, including the positive impact of lower return processing in Germany.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, telecommunications expenses and production costs. Operating expenses increased \$25 million or 3.5% and decreased \$29 million or 3.9% for the years ended December 31, 2013 and 2012, respectively.

The increase in 2013 was primarily due to a \$29 million increase in credit card processing fees and a \$17 million increase in commissions expense, offset by a \$22 million effect of exchange rates. In regards to the increase in credit card processing fees, as discussed in more detail in the subsequent paragraph, QVC-U.S. reached a favorable legal settlement in the prior year, which offset the related

expenses. Credit card processing fees also increased in 2013 due to the U.S. sales increase and lower usage of the QVC branded credit card (“Q Card”) combined with a higher mix of purchases from customers using credit cards with higher rates charged to merchants. The increase in commissions expense was primarily due to the sales increase in the U.S. and additional programming distribution expenses in Japan.

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

QVC’s SG&A expenses include personnel, information technology, provision for doubtful accounts, credit card income and marketing and advertising expenses. Such expenses increased \$23 million, and as a percent of net revenue, from 6.5% to 6.7% for the year ended December 31, 2013 and increased \$41 million, and as a percent of net revenue, from 6.2% to 6.5% for the year ended December 31, 2012 as a result of a variety of factors.

The increase in 2013 was primarily related to a \$35 million increase in personnel expense, a \$7 million increase in information technology expense, a \$5 million increase in the provision for doubtful accounts and a \$2 million decrease in credit card income, offset by a \$13 million effect of exchange rates, a \$12 million decrease in sales and franchise taxes and a \$3 million decrease in rent expense. The increase in personnel expense was primarily due to merit, benefits and bonus increases in the U.S. and the U.K. as well as severance costs in Germany and the U.K. The increase in information technology expense was primarily due to additional cloud-based software solutions in the U.S. and solutions to enhance customer service and productivity in Germany. The increase in the provision for doubtful accounts was primarily due to the increased use of the Easy-Pay installment program in the U.S. The QVC Easy-Pay Plan (known as Q Pay in Germany) permits customers to pay for items in two or more installments. When the QVC Easy-Pay Plan is offered by QVC and elected by the customer, the first installment is typically billed to the customer’s credit card upon shipment. Generally, the customer’s credit card is subsequently billed up to five additional monthly installments until the total purchase price of the products has been billed by QVC. The decrease in credit card income was primarily due to the overall economics, including usage, of the Q Card portfolio in the U.S. The decrease in sales and franchise taxes was primarily due to a revision in settlement estimates and credits in the U.S. The decrease in rent expense was primarily due to duplicate running costs including a lease cancellation accrual in the U.K. in the prior year associated with the move to its new headquarters, partially offset by higher rent expense on its new facility in the current year.

The increase in 2012 was primarily related to a \$31 million increase in personnel expenses, a \$9 million increase in marketing expense, an \$8 million increase in the provision for doubtful accounts and a \$6 million increase in rent expense. These increases were partially offset by a \$9 million effect of exchange rates and a \$7 million increase in credit card income. The increase in personnel expense was primarily due to merit, benefits and bonus increases in the U.S. and Japan. The increase in marketing expense was primarily due to QVC-U.S. Internet and social media campaigns and a renewal of marketing efforts at QVC-Japan as a result of the earthquake and related events experienced in 2011. The increase in the provision for doubtful accounts was primarily due to the increased use of the Easy-Pay Plan in the U.S. The increase in rent expense was primarily due to duplicate running costs at QVC-U.K. associated with the transition to its new headquarters including a lease cancellation accrual. The increase in credit card income was primarily due to a higher average portfolio balance in the U.S.

Depreciation and amortization consist of the following:

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Affiliate agreements . . . . .	\$150	151	152
Customer relationships . . . . .	172	172	173
Purchase accounting related amortization . . . . .	322	323	325
Property, plant and equipment . . . . .	127	126	135
Software amortization . . . . .	78	62	95
Channel placement amortization and related expenses . . . . .	31	15	19
Total depreciation and amortization . . . . .	<u>\$558</u>	<u>526</u>	<u>574</u>

The increase in software amortization in 2013 was primarily due to solutions to enhance customer service and productivity in the U.S and Germany. The increase in channel placement amortization and related expenses in 2013 was primarily due to new and amended long-term cable and satellite television distribution agreements in the U.S.

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

**TripAdvisor, Inc.** The consolidated results of TripAdvisor were not significant for the year ended December 31, 2012 (Revenue of \$36 million, Adjusted OIBDA of \$8 million and Operating loss of \$5 million), due to the timing of gaining control in 2012. As discussed in the “Results of Operations—Consolidated” section the TripAdvisor results were more significant in 2013. Our economic ownership interest in TripAdvisor is only 22% but Liberty’s results include the consolidation of TripAdvisor’s entire operations with 78% of TripAdvisor’s net income (loss), including purchase accounting adjustments, being eliminated through the noncontrolling interest line item. TripAdvisor is a separate publicly traded company and additional information about TripAdvisor can be obtained through its website and its public filings. We believe a discussion of TripAdvisor’s stand alone results promotes a better understanding of overall results of their business. TripAdvisor’s revenue, Adjusted OIBDA and operating income on a standalone basis for the last three years were as follows (operating income has been reconciled, in the periods subsequent to consolidation, to the amounts reported by Liberty):

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Revenue . . . . .	\$ 945	763	637
Adjusted OIBDA . . . . .	\$ 379	352	323
Operating income (loss) . . . . .	\$ 295	296	273
Adjustments for purchase accounting and to eliminate results prior to consolidation(1) . . . . .	<u>\$(287)</u>	<u>(301)</u>	NA
Operating income (loss) as reported by Liberty . . . . .	8	(5)	NA

(1) Purchase accounting adjustments primarily relate to the amortization of certain customer relationships and other intangibles and recognition of incremental stock-based compensation.

A portion (\$217 million, \$204 million and \$211 million for the years ended December 31, 2013, 2012 and 2011, respectively) of TripAdvisor's revenue was related-party revenue with Expedia, Inc. (TripAdvisor's former parent), which we account for as an equity method affiliate.

### ***Revenue***

TripAdvisor derives substantially all of its revenue through the sale of advertising, primarily through click-based advertising and, to a lesser extent, display-based advertising. In addition, revenue is earned through a combination of subscription-based offerings related to its Business Listings and Vacation Rentals products, transaction revenue from selling room nights on transactional sites, and other revenue including content licensing.

Revenue increased \$182 million during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to an increase in click-based advertising revenue of \$108 million. The primary driver of the increase in click-based advertising revenue was an increase in hotel shoppers, which refers to users who view a listing of hotels in a city or visitors who view a specific hotel page as tracked by TripAdvisor, of 36% for the year ended December 31, 2013, partially offset by lower revenue per hotel shopper of 13% for the year ended December 31, 2013, primarily due to a combination of lower user conversion related to the transition to hotel metasearch, growth in hotel shoppers on smartphones, which have a lower monetization rate than desktops and tablets, and growth in emerging international markets that are currently monetizing at lower levels than mature markets. Display-based advertising increased by \$25 million during the year ended December 31, 2013, primarily as a result of a 34% increase in the number of impressions due to increased site traffic and worldwide growth particularly in emerging markets, respectively, when compared to the same period in 2012, partially offset by a decrease in pricing by 5% for the year ended December 31, 2013. Subscription, transaction and other revenue increased by \$49 million during the year ended December 31, 2013, respectively, primarily due to growth in our Business Listings and Vacation Rentals products.

### ***Adjusted OIBDA***

Adjusted OIBDA as a percentage of revenue has declined period over period as TripAdvisor continues to make investments in the business and the brand. The primary expenses that drive Adjusted OIBDA and operating income on a standalone basis are sales and marketing, technology and content and general and administrative expenses.

### ***Sales and marketing***

Sales and marketing expenses primarily consist of direct costs, including search engine marketing, or SEM, other traffic acquisition costs, syndication costs and affiliate program commissions, brand advertising and public relations. In addition, indirect sales and marketing expense consists of personnel and overhead expenses, including salaries, commissions, benefits, stock-based compensation expense (excluded from Adjusted OIBDA but included in operating income) and bonuses for sales, sales support, customer support and marketing employees.

Direct sales and marketing costs increased \$66 million or 38% during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to increased search engine marketing costs, other traffic acquisition costs and brand advertising costs, including offline advertising, partially offset by a decrease in spending in social media costs. Personnel and overhead costs increased \$36 million or 40% during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to an increase in headcount to support business growth, including international expansion, and employees acquired in recent business acquisitions and also increased stock-based compensation costs (excluded from Adjusted OIBDA but included in operating income).

### *Technology and content*

Technology and content expenses consist of personnel and overhead expenses, including salaries and benefits, stock-based compensation expense and bonuses for salaried employees and contractors engaged in the design, development, testing, content support, and maintenance of the website. Other costs include licensing and maintenance expense.

Technology and content costs increased \$44 million or 51% during the year ended December 31, 2013 when compared to the same period in 2012, primarily due to increased personnel costs from increased headcount to support business growth, including international expansion, enhanced site features, extending products onto smartphone and tablet platforms, and development of the hotel metasearch product, as well as an increase in stock based compensation (excluded from Adjusted OIBDA but included in operating income) and additional personnel costs related to employees acquired in recent business acquisitions.

### *General and administrative*

General and administrative expense consists primarily of personnel and related overhead costs, including executive leadership, finance, legal and human resource functions and stock-based compensation as well as professional service fees and other fees including audit, legal, tax and accounting, and other costs including bad debt expense and the charitable foundation costs.

General and administrative costs increased \$22 million or 30% during the year ended December 31, 2013, when compared to the same period in 2012, primarily due to increased personnel costs related to an increase in stock-based compensation (excluded from Adjusted OIBDA but included in operating income), as well as increased headcount to support business growth and additional professional service fees in order to support the operations and an increase to the bad debt provision.

### *Operating Income (Loss)*

Operating income was impacted by the above explanations on a standalone basis in addition to the amortization of intangibles and the increase in stock-based compensation, both additional stock-based compensation at the TripAdvisor level (as included in the discussion above) and incremental stock-based compensation resulting from the application of purchase accounting. The year ended December 31, 2012 standalone results included only one month of activity therefore the largest portion of the adjustment for that period related to the elimination of results prior to consolidation.

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

Revenue increased \$182 million and \$154 million for the years ended December 31, 2013 and 2012 as compared to the corresponding prior year periods, respectively. Such increases were the result of increased marketing efforts driving additional traffic, greater conversion resulting from continual investments and upgrades in site optimization, broader inventory offerings and additional sales from discounted pricing of seasonal inventory.

Adjusted OIBDA for the E-commerce businesses decreased \$11 million and increased \$27 million for the years ended December 31, 2013 and 2012, respectively, representing 5% of revenue in 2013, as compared to 6% of revenue in 2012 and 9% in 2011. The decrease in Adjusted OIBDA as a percentage of sales for the year ended December 31, 2013 and 2012 was the result of increased spending in paid search as a percentage of revenue, increased promotional activity and product discounting to move seasonal inventory, which impacted gross margins, and lower advertising revenue due to unfavorable pricing and a shift to mobile applications. The most significant declines in operating

results for the E-commerce businesses, as compared to prior periods, were the Celebrate retail business and the non-perishable businesses within Provide (Red Envelope and Personal Creations). These businesses had declining revenues as well as decreasing contribution margin (product margin less direct expenses of the business) which hurt the overall Celebrate and Provide businesses. These declining operating results were partially offset by the growth of other E-commerce businesses primarily CommerceHub and Bodybuilding.com. Additionally, for the year ended December 31, 2012 the E-commerce companies recorded legal settlements (\$6 million), additional inventory reserves (\$4 million) and retention compensation of certain key personnel at one E-commerce subsidiary (\$5 million).

Operating loss for the year ended December 31, 2013 was slightly improved over the same periods of December 31, 2012 due primarily to a smaller impairment of goodwill and other intangibles recorded during the current year. In 2013, further impairments of \$33 million were recorded for intangibles at Evite and certain Provide intangibles. In 2012, Celebrate and Evite required the recognition of \$92 million of impairments as a result of continued declining operating results and disappointing business environment and operational trends.

### Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of December 31, 2013, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
	dollar amounts in millions			
Interactive Group				
QVC . . . . .	\$922	1.9%	\$2,899	6.0%
Corporate and other . . . . .	\$ 49	2.4%	\$1,203	5.9%
Ventures Group				
TripAdvisor . . . . .	\$369	2.0%	\$ —	NA
Coporate and other . . . . .	\$ —	NA	\$2,091	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, when utilized, are recorded at fair value based on option pricing models.

At December 31, 2013, the fair value of our AFS equity securities was \$1,497 million. Had the market price of such securities been 10% lower at December 31, 2013, the aggregate value of such securities would have been \$150 million lower. Our stock in Expedia and other equity method affiliates which are publicly traded securities are not reflected at fair value in our balance sheet. These securities are also subject to market risk that is not directly reflected in our statement of operations. Additionally, our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the price of the respective underlying security generally result in higher liabilities and unrealized losses in our statement of operations.

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

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

#### **Financial Statements and Supplementary Data.**

The consolidated financial statements of Liberty Interactive Corporation are filed under this Item, beginning on Page F-30. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

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

None.

#### **Controls and Procedures.**

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and



procedures were effective as of December 31, 2013 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

See page F-28 for *Management's Report on Internal Control Over Financial Reporting*.

See page F-29 for *Report of Independent Registered Public Accounting Firm* for their attestation regarding our internal control over financial reporting.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

**Other Information.**

None.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2013, using the criteria in *Internal Control—Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation the Company's management believes that, as of December 31, 2013, its internal control over financial reporting is effective.

The Company's independent registered public accounting firm audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K and have issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page F-29 of this Annual Report on Form 10-K.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Liberty Interactive Corporation:

We have audited Liberty Interactive Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Liberty Interactive Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Liberty Interactive Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Liberty Interactive Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2013, and our report dated February 28, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado  
February 28, 2014

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Liberty Interactive Corporation:

We have audited the accompanying consolidated balance sheets of Liberty Interactive Corporation and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the threeyear period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Interactive Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the threeyear period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Liberty Interactive Corporation and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado  
February 28, 2014

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
	<b>amounts in millions</b>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 1,256	2,660
Trade and other receivables, net . . . . .	1,274	1,201
Inventory, net . . . . .	1,135	1,106
Short-term marketable securities . . . . .	543	186
Other current assets . . . . .	218	105
Total current assets . . . . .	4,426	5,258
Investments in available-for-sale securities and other cost investments (note 8) . . . .	1,501	1,819
Investments in affiliates, accounted for using the equity method (note 9) . . . . .	1,237	851
Property and equipment, at cost . . . . .	2,256	2,170
Accumulated depreciation . . . . .	(1,009)	(935)
	1,247	1,235
Intangible assets not subject to amortization (note 10):		
Goodwill . . . . .	9,332	9,556
Trademarks . . . . .	4,343	4,324
	13,675	13,880
Intangible assets subject to amortization, net (note 10) . . . . .	2,492	3,117
Other assets, at cost, net of accumulated amortization . . . . .	98	95
Total assets . . . . .	\$24,676	26,255

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets (Continued)**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
	<u>amounts in millions</u>	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable . . . . .	\$ 591	719
Accrued liabilities . . . . .	1,067	918
Current portion of debt (note 11) . . . . .	978	1,638
Deferred income tax liabilities (note 12) . . . . .	925	912
Other current liabilities . . . . .	195	302
Total current liabilities . . . . .	<u>3,756</u>	<u>4,489</u>
Long-term debt, including \$2,355 million and \$2,930 million measured at fair value (note 11) . . . . .	6,406	6,246
Deferred income tax liabilities (note 12) . . . . .	2,844	3,209
Other liabilities . . . . .	235	260
Total liabilities . . . . .	<u>13,241</u>	<u>14,204</u>
<i>Equity</i>		
Stockholders' equity (note 13):		
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 471,625,030 shares at December 31, 2013 and 516,009,627 shares at December 31, 2012 . . . . .	5	5
Series B Liberty Interactive common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 28,884,103 shares at December 31, 2013 and 28,942,403 shares at December 31, 2012 . . . . .	—	—
Series A Liberty Ventures common stock, \$.01 par value. Authorized 200,000,000 shares; issued and outstanding 35,380,604 shares at December 31, 2013 and 35,355,434 shares at December 31, 2012 . . . . .	—	—
Series B Liberty Ventures common stock, \$.01 par value. Authorized 7,500,000 shares; issued and outstanding 1,442,689 shares at December 31, 2013 and 1,446,916 shares at December 31, 2012 . . . . .	—	—
Additional paid-in capital . . . . .	1,147	2,225
Accumulated other comprehensive earnings, net of taxes . . . . .	99	148
Retained earnings . . . . .	5,685	5,184
Total stockholders' equity . . . . .	<u>6,936</u>	<u>7,562</u>
Noncontrolling interests in equity of subsidiaries . . . . .	4,499	4,489
Total equity . . . . .	<u>11,435</u>	<u>12,051</u>
Commitments and contingencies (note 18)		
Total liabilities and equity . . . . .	<u>\$24,676</u>	<u>26,255</u>

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Operations**

**Years ended December 31, 2013, 2012 and 2011**

	2013	2012	2011
	amounts in millions, except per share amounts		
Net retail sales . . . . .	\$10,307	10,018	9,616
Service and other revenue, net . . . . .	945	36	—
Total revenue, net . . . . .	<u>11,252</u>	<u>10,054</u>	<u>9,616</u>
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below) .	6,602	6,396	6,114
Operating expense, including stock-based compensation (note 3) . . . . .	1,029	840	866
Selling, general and administrative, including stock-based compensation (note 3) . . . . .	1,525	1,009	862
Depreciation and amortization . . . . .	943	609	641
Impairment of intangible assets . . . . .	33	92	—
	<u>10,132</u>	<u>8,946</u>	<u>8,483</u>
Operating income . . . . .	1,120	1,108	1,133
Other income (expense):			
Interest expense . . . . .	(373)	(432)	(427)
Share of earnings (losses) of affiliates, net (note 9) . . . . .	33	85	140
Realized and unrealized gains (losses) on financial instruments, net (note 7) . . . . .	(22)	(351)	84
Gains (losses) on transactions, net (note 5) . . . . .	(2)	1,531	—
Other, net . . . . .	(46)	44	9
	<u>(410)</u>	<u>877</u>	<u>(194)</u>
Earnings (loss) from continuing operations before income taxes . . . . .	710	1,985	939
Income tax (expense) benefit (note 12) . . . . .	(130)	(394)	(352)
Earnings (loss) from continuing operations . . . . .	580	1,591	587
Earnings (loss) from discontinued operations, net of taxes (note 6) . . .	—	—	378
Net earnings (loss) . . . . .	580	1,591	965
Less net earnings (loss) attributable to the noncontrolling interests . . .	79	61	53
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	<u>\$ 501</u>	<u>1,530</u>	<u>912</u>
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
Liberty Capital common stock . . . . .	NA	NA	211
Liberty Starz common stock . . . . .	NA	NA	177
Liberty Interactive Corporation common stock . . . . .	NA	294	524
Liberty Interactive common stock . . . . .	438	212	NA
Liberty Ventures common stock . . . . .	63	1,024	NA
	<u>\$ 501</u>	<u>1,530</u>	<u>912</u>

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Operations (Continued)**

**Years ended December 31, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Basic net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock . . . . .	NA	NA	0.12
Series A and Series B Liberty Interactive Corporation common stock . . . . .	NA	0.53	0.88
Series A and Series B Liberty Interactive common stock . . . . .	\$0.84	0.39	NA
Series A and Series B Liberty Ventures common stock . . . . .	\$1.70	31.03	NA
Diluted net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock . . . . .	NA	NA	0.12
Series A and Series B Liberty Interactive Corporation common stock . . . . .	NA	0.52	0.87
Series A and Series B Liberty Interactive common stock . . . . .	\$0.83	0.38	NA
Series A and Series B Liberty Ventures common stock . . . . .	\$1.70	31.03	NA
Basic net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock . . . . .	NA	NA	2.60
Series A and Series B Liberty Starz common stock . . . . .	NA	NA	3.47
Series A and Series B Liberty Interactive Corporation common stock . . . . .	NA	0.53	0.88
Series A and Series B Liberty Interactive common stock . . . . .	\$0.84	0.39	NA
Series A and Series B Liberty Ventures common stock . . . . .	\$1.70	31.03	NA
Diluted net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B Liberty Capital common stock . . . . .	NA	NA	2.54
Series A and Series B Liberty Starz common stock . . . . .	NA	NA	3.34
Series A and Series B Liberty Interactive Corporation common stock . . . . .	NA	0.52	0.87
Series A and Series B Liberty Interactive common stock . . . . .	\$0.83	0.38	NA
Series A and Series B Liberty Ventures common stock . . . . .	\$1.70	31.03	NA

See accompanying notes to consolidated financial statements.



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Comprehensive Earnings (Loss)**

**Years ended December 31, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>amounts in millions</u>		
Net earnings (loss) . . . . .	\$580	1,591	965
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments . . . . .	(76)	(25)	(11)
Share of other comprehensive earnings (loss) of equity affiliates . . . . .	2	3	(2)
Other comprehensive earnings (loss) from discontinued operations . . . . .	—	—	(26)
Other comprehensive earnings (loss) . . . . .	<u>(74)</u>	<u>(22)</u>	<u>(39)</u>
Comprehensive earnings (loss) . . . . .	506	1,569	926
Less comprehensive earnings (loss) attributable to the noncontrolling interests	<u>54</u>	<u>43</u>	<u>57</u>
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	<u>\$452</u>	<u>1,526</u>	<u>869</u>
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
Liberty Capital common stock . . . . .	NA	NA	189
Liberty Starz common stock . . . . .	NA	NA	173
Liberty Interactive Corporation common stock . . . . .	NA	277	507
Liberty Interactive common stock . . . . .	\$387	222	NA
Liberty Ventures common stock . . . . .	<u>65</u>	<u>1,027</u>	<u>NA</u>
	<u>\$452</u>	<u>1,526</u>	<u>869</u>

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Consolidated Statements Of Cash Flows**

**Years ended December 31, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>amounts in millions</u>		
	(See note 4)		
Cash flows from operating activities:			
Net earnings (loss) . . . . .	\$ 580	1,591	965
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations . . . . .	—	—	(378)
Depreciation and amortization . . . . .	943	609	641
Stock-based compensation . . . . .	178	91	49
Cash payments for stock-based compensation . . . . .	(10)	(12)	(3)
Excess tax benefit from stock-based compensation . . . . .	(23)	(64)	(19)
Noncash interest expense . . . . .	13	9	9
Share of (earnings) losses of affiliates, net . . . . .	(33)	(85)	(140)
Cash receipts from returns on equity investments . . . . .	35	45	22
Realized and unrealized (gains) losses on financial instruments, net . . . . .	22	351	(84)
(Gains) losses on transactions, net . . . . .	2	(1,531)	—
(Gains) losses on extinguishment of debt . . . . .	57	—	—
Impairment of intangible assets . . . . .	33	92	—
Deferred income tax expense (benefit) . . . . .	(136)	13	44
Other noncash charges (credits), net . . . . .	(2)	(30)	(5)
Changes in operating assets and liabilities			
Current and other assets . . . . .	(81)	(70)	(174)
Payables and other liabilities . . . . .	(218)	423	(27)
Net cash provided (used) by operating activities . . . . .	<u>1,360</u>	<u>1,432</u>	<u>900</u>
Cash flows from investing activities:			
Cash proceeds from dispositions . . . . .	1,137	1,030	—
Proceeds (payments) from settlement of financial instruments, net . . . . .	—	(258)	—
Investment in and loans to cost and equity investees . . . . .	(384)	(236)	(65)
Capital expended for property and equipment . . . . .	(352)	(339)	(312)
Cash (paid) for acquisitions, net of cash acquired . . . . .	(58)	28	(14)
Purchases of short term investments and other marketable securities . . . . .	(1,391)	(76)	(251)
Sales of short term investments and other marketable securities . . . . .	726	46	205
Other investing activities, net . . . . .	(38)	(42)	—
Net cash provided (used) by investing activities . . . . .	<u>(360)</u>	<u>153</u>	<u>(437)</u>
Cash flows from financing activities:			
Borrowings of debt . . . . .	4,373	2,316	383
Repayments of debt . . . . .	(5,474)	(1,512)	(899)
Repurchases of Liberty Interactive common stock . . . . .	(1,089)	(815)	(366)
Shares repurchased by subsidiary . . . . .	(145)	—	—
Shares issued by subsidiary . . . . .	27	—	—
Proceeds from rights offering . . . . .	—	328	—
Taxes paid in lieu of shares issued for stock-based compensation . . . . .	(38)	(128)	(5)
Excess tax benefit from stock-based compensation . . . . .	23	64	19
Other financing activities, net . . . . .	(57)	(5)	(48)
Net cash provided (used) by financing activities . . . . .	<u>(2,380)</u>	<u>248</u>	<u>(916)</u>
Effect of foreign currency exchange rates on cash . . . . .	(24)	(20)	(4)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities . . . . .	—	—	304
Cash provided (used) by investing activities . . . . .	—	—	(104)
Cash provided (used) by financing activities . . . . .	—	—	(264)
Change in available cash held by discontinued operations . . . . .	—	—	15
Net cash provided (used) by discontinued operations . . . . .	<u>—</u>	<u>—</u>	<u>(49)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(1,404)	1,813	(506)
Cash and cash equivalents at beginning of period . . . . .	2,660	847	1,353
Cash and cash equivalents at end of period . . . . .	<u>\$ 1,256</u>	<u>2,660</u>	<u>847</u>

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

**Consolidated Statement Of Equity**

**Years ended December 31, 2013, 2012 and 2011**

	Stockholders' Equity										Noncontrolling interest in equity of subsidiaries	Total equity		
	Common stock													
	Preferred Stock	Liberty Capital		Liberty Starz		Liberty Interactive		Liberty Ventures		Additional paid-in capital			Accumulated other comprehensive earnings	Retained Earnings
	Series A	Series B	Series A	Series B	Series A	Series B	Series A	Series B	Series A	Series B				
	amounts in millions													
Balance at January 1, 2011 . . . . .	1	—	—	—	6	—	—	—	—	—	8,338	2,742	129	11,442
Net earnings . . . . .	—	—	—	—	—	—	—	—	—	—	—	912	53	965
Other comprehensive earnings (loss) . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	4	(39)
Stock compensation . . . . .	—	—	—	—	—	—	—	—	—	—	58	—	—	58
Minimum withholding taxes on net share settlements of stock-based compensation . . . . .	—	—	—	—	—	—	—	—	—	—	(5)	—	—	(5)
Excess tax benefits on stock-based compensation . . . . .	—	—	—	—	—	—	—	—	—	—	19	—	—	19
Stock issued upon exercise of stock options . . . . .	—	—	—	—	—	—	—	—	—	—	17	—	—	17
Series A Liberty Starz stock repurchases . . . . .	—	—	—	—	—	—	—	—	—	—	(366)	—	—	(366)
Series A Liberty Capital stock repurchases . . . . .	—	—	—	—	—	—	—	—	—	—	(213)	—	—	(213)
Distributions to noncontrolling interests . . . . .	—	—	—	—	—	—	—	—	—	—	(16)	—	(51)	(67)
Sale of noncontrolling interest, net of tax impacts . . . . .	—	—	—	—	—	—	—	—	—	—	(100)	—	(6)	(106)
Split-off of Liberty Media Corporation (note 6) . . . . .	—	(1)	—	—	—	—	—	—	—	—	(5,110)	—	5	(5,137)
Transfer of tax attributes from Liberty Media . . . . .	—	—	—	—	—	—	—	—	—	—	59	—	—	59
Balance at December 31, 2011 . . . . .	—	—	—	—	6	—	—	—	—	—	2,681	3,654	134	6,627
Net earnings . . . . .	—	—	—	—	—	—	—	—	—	—	—	1,530	61	1,591
Other comprehensive earnings (loss) . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	(18)	(22)
Stock compensation . . . . .	—	—	—	—	—	—	—	—	—	—	76	—	—	76
Minimum withholding taxes on net share settlements of stock-based compensation . . . . .	—	—	—	—	—	—	—	—	—	—	(128)	—	—	(128)
Excess tax benefits on stock-based compensation . . . . .	—	—	—	—	—	—	—	—	—	—	64	—	—	64

See accompanying notes to consolidated financial statements.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**  
**Consolidated Statement Of Equity (Continued)**  
**Years ended December 31, 2013, 2012 and 2011**

	Stockholders' Equity										Noncontrolling interest in equity of subsidiaries	Total equity				
	Preferred Stock					Common stock										
	Series A	Series B	Liberty Starz	Liberty Interactive	Liberty Ventures	Series A	Series B	Series A	Series B	Series A			Series B	Additional paid-in capital	Accumulated other comprehensive earnings	Retained Earnings
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	28	—	—	—	28
Series A Liberty Interactive stock repurchases	—	—	—	—	(1)	—	—	—	—	—	—	(814)	—	—	—	(815)
Series A Liberty Ventures stock issued for rights offering	—	—	—	—	—	—	—	—	—	—	—	328	—	—	—	328
Noncontrolling interest recognized with acquisition of a controlling interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	—	4,341	4,341
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(29)	(29)
Other	—	—	—	—	—	—	—	—	—	—	—	(10)	—	—	(10)	(10)
Balance at December 31, 2012	\$—	—	—	—	5	—	—	—	—	—	—	2,225	148	5,184	4,489	12,051
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	—	501	79	580
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	—	—	—	—	—	(49)	—	(25)	(74)
Stock compensation	—	—	—	—	—	—	—	—	—	—	—	93	—	—	49	142
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	(38)	—	—	—	(38)
Excess tax benefits on stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	23	—	—	—	23
Stock issued upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	5	—	—	—	5
Series A Liberty Interactive stock repurchases	—	—	—	—	—	—	—	—	—	—	—	(1,089)	—	—	—	(1,089)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(45)	(45)
Shares repurchased by subsidiary	—	—	—	—	—	—	—	—	—	—	—	(63)	—	—	(82)	(145)
Shares issued by subsidiary	—	—	—	—	—	—	—	—	—	—	—	(7)	—	—	34	27
Other	—	—	—	—	—	—	—	—	—	—	—	(2)	—	—	(2)	(2)
Balance at December 31, 2013	\$—	—	—	—	5	—	—	—	—	—	—	1,147	99	5,685	4,499	11,435

See accompanying notes to consolidated financial statements.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2013, 2012 and 2011

#### (1) Basis of Presentation

The accompanying consolidated financial statements include the accounts of Liberty Interactive Corporation (formerly known as Liberty Media Corporation) and its controlled subsidiaries (collectively, “Liberty” or the “Company” unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation.

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

On October 10, 2013, Liberty announced that its board has authorized management to pursue a plan to recapitalize its Interactive Group tracking stock into two new tracking stocks, one (currently the Liberty Interactive common stock) to be renamed the QVC Group common stock and the other to be designated as the Liberty Digital Commerce common stock. The Digital Commerce Group would have attributed to it Liberty’s subsidiaries Provide Commerce, Backcountry.com, Bodybuilding.com, CommerceHub, Right Start, and Evite, which is currently a part of Liberty’s subsidiary Celebrate, along with cash and certain liabilities. The QVC Group, which is currently known as the Interactive Group, would have attributed to it Liberty’s subsidiary QVC, Inc. and its approximate 38% interest in HSN, Inc., along with cash and certain liabilities. Additionally, on October 10, 2013, Liberty announced that its board has also authorized management to pursue a plan to spin-off to holders of its Liberty Ventures common stock shares of a newly formed company to be called Liberty TripAdvisor Holdings (“Trip Holdings”). Trip Holdings would be comprised of, among other things, Liberty’s 22% economic and 57% voting interest in TripAdvisor, as well as Liberty’s Celebrate retail business, which is currently a part of Liberty’s subsidiary Celebrate, and an anticipated initial corporate level net debt balance of \$350 million. Management continues to review the proposed restructurings and no assurance can be given as to when or if either such transaction will be completed.

#### (2) Tracking Stocks

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

Tracking stock is a type of common stock that the issuing company intends to reflect or “track” the economic performance of a particular business or “group,” rather than the economic performance of the company as a whole. Liberty has two tracking stocks—Liberty Interactive common stock and Liberty Ventures common stock, which are intended to track and reflect the economic performance of the Interactive Group and Ventures Group, respectively. While the Interactive Group and the Ventures Group have separate collections of businesses, assets and liabilities attributed to them, no group is a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of tracking stocks have no direct claim to the group’s stock or assets and are not represented by separate boards of directors. Instead, holders of tracking stock are stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (2) Tracking Stocks (Continued)

The term “Ventures Group” does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Ventures Group is comprised primarily of our consolidated subsidiary TripAdvisor and interests in Expedia, Inc., Interval Leisure Group, Inc., Tree.com, Inc., investments in Time Warner Inc. and Time Warner Cable Inc., as well as cash in the amount of approximately \$658 million (at December 31, 2013), including subsidiary cash. The Ventures Group also has attributed to it certain liabilities related to our Exchangeable Debentures and certain deferred tax liabilities. The Ventures Group is primarily focused on the maximization of the value of these investments and investing in new business opportunities.

The term “Interactive Group” does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The Interactive Group is primarily focused on our video and E-commerce operating businesses and has attributed to it the remainder of our businesses and assets, including our operating subsidiaries QVC, Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, LLC and CommerceHub as well as our interest in HSN, Inc. including cash of approximately \$598 million (at December 31, 2013), including subsidiary cash. The Interactive Group has attributed to it liabilities that reside with QVC and the other consolidated subsidiaries, described above, as well as our outstanding senior notes and certain deferred tax liabilities.

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

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

#### (3) Summary of Significant Accounting Policies

##### *Cash and Cash Equivalents*

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

##### *Receivables*

Receivables are reflected net of an allowance for doubtful accounts and sales returns. A provision for bad debts is provided as a percentage of accounts receivable based on historical experience and included in selling, general and administrative expense. A provision for vendor receivables are

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(3) Summary of Significant Accounting Policies (Continued)**

determined based on an estimate of probable expected losses and included in cost of goods sold. A summary of activity in the allowance for doubtful accounts is as follows:

	Balance beginning of year	Additions		Deductions- write-offs	Balance end of year
		Charged to expense	Other		
		amounts in millions			
2013 . . . . .	\$79	83	—	(73)	89
2012 . . . . .	\$80	75	5	(81)	79
2011 . . . . .	\$67	68	—	(55)	80

***Inventory***

Inventory, consisting primarily of products held for sale, is stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method. Assessments about the realizability of inventory require the Company to make judgments based on currently available information about the likely method of disposition including sales to individual customers, returns to product vendors, liquidations and the estimated recoverable values of each disposition category. Inventory is stated net of inventory obsolescence reserves of \$88 million and \$97 million for the years ended December 31, 2013 and 2012, respectively.

***Investments***

All marketable equity and debt securities held by the Company are classified as available-for-sale (“AFS”) and are carried at fair value generally based on quoted market prices. U.S. generally accepted accounting principles (“GAAP”) permit entities to choose to measure many financial instruments, such as AFS securities, and certain other items at fair value and to recognize the changes in fair value of such instruments in the entity’s statement of operations (the “fair value option”). Liberty has entered into economic hedges for certain of its non-strategic AFS securities (although such instruments are not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges were reflected in Liberty’s statement of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company’s financial statements, Liberty has elected the fair value option for those of its AFS securities which it considers to be non-strategic (“Fair Value Option Securities”). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments in the accompanying consolidated statement of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated \$1,309 million and \$1,716 million as of December 31, 2013 and 2012, respectively.

Other investments in which the Company’s ownership interest is less than 20%, unless the company has the ability to exercise significant influence, and that are not considered marketable securities are carried at cost.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### **(3) Summary of Significant Accounting Policies (Continued)**

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

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

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

#### ***Derivative Instruments and Hedging Activities***

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statement of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. The Company has entered into several interest rate swap agreements to mitigate the cash flow risk associated with interest payments related to certain of its variable rate debt. None of the Company's derivatives are currently designated as hedges.



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(3) Summary of Significant Accounting Policies (Continued)**

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

***Property and Equipment***

Property and equipment consisted of the following:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<b>amounts in millions</b>	
Land . . . . .	\$ 91	100
Buildings and improvements . . . . .	1,022	909
Support equipment . . . . .	1,058	948
Projects in progress . . . . .	85	213
Total property and equipment . . . . .	<u>\$2,256</u>	<u>2,170</u>

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 3 to 20 years for support equipment and 8 to 40 years for buildings and improvements. Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was \$159 million, \$147 million and \$151 million, respectively.

***Intangible Assets***

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

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

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### **(3) Summary of Significant Accounting Policies (Continued)**

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

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

#### ***Impairment of Long-lived Assets***

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

#### ***Noncontrolling Interests***

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

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (3) Summary of Significant Accounting Policies (Continued)

##### *Foreign Currency Translation*

The functional currency of the Company is the United States (“U.S.”) dollar. The functional currency of the Company’s foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders’ equity.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated statements of operations and comprehensive earnings (loss) as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions.

##### *Revenue Recognition*

Retail revenue is recognized at the time of delivery to customers. The revenue for shipments in-transit is recorded as deferred revenue and included in other current liabilities. Service revenue is recognized when the applicable criteria are met: persuasive evidence of an arrangement exists, services have been rendered, the price is fixed and determinable and collectability is reasonably assured.

An allowance for returned merchandise is provided as a percentage of sales based on historical experience. The total reduction in sales due to returns for the years ended December 31, 2013, 2012 and 2011 aggregated \$2,137 million, \$2,041 million and \$1,966 million, respectively. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.

##### *Cost of Sales*

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

##### *Advertising Costs*

Advertising costs generally are expensed as incurred. Advertising expense aggregated \$509 million, \$271 million and \$242 million for the years ended December 31, 2013, 2012 and 2011, respectively.

##### *Stock-Based Compensation*

As more fully described in note 15, the Company has granted to its directors, employees and employees of its subsidiaries options, restricted stock and stock appreciation rights (“SARs”) to purchase shares of Liberty Interactive and/or Liberty Ventures common stock (“Liberty common stock”) (collectively, “Awards”). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(3) Summary of Significant Accounting Policies (Continued)**

cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Included in the accompanying consolidated statements of operations are the following amounts of stock-based compensation :

	Year ended December 31,		
	2013	2012	2011
	amounts in millions		
Operating expense . . . . .	\$ 26	—	—
Selling, general and administrative . . . . .	152	91	49
	<u>\$178</u>	<u>91</u>	<u>49</u>

***Income Taxes***

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

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

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

Basic earnings (loss) per common share (“EPS”) is computed by dividing net earnings (loss) attributable to such common stock 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 Consolidated Financial Statements (Continued)**

**December 31, 2013, 2012 and 2011**

**(3) Summary of Significant Accounting Policies (Continued)**

*Series A and Series B Liberty Capital Common Stock*

The basic and diluted EPS calculation is based on the following weighted average shares outstanding (“WASO”). As discussed in more detail in note 6, Liberty Capital common stock was redeemed for shares in a subsidiary in the third quarter of 2011. Therefore, the amounts presented below are through the LMC Split-Off date.

	<u>Year ended December 31, 2011</u>
Basic WASO .....	81
Stock options .....	<u>2</u>
Diluted WASO .....	<u>83</u>

*Series A and Series B Liberty Starz Common Stock*

The basic and diluted EPS calculation is based on the following weighted average shares outstanding. As discussed in more detail in note 6, Liberty Starz common stock was redeemed for shares in a subsidiary in the third quarter of 2011. Therefore, the amounts presented below are through the LMC Split-Off date.

	<u>Year ended December 31, 2011</u>
Basic WASO .....	51
Stock options .....	<u>2</u>
Diluted WASO .....	<u>53</u>

*Series A and Series B Liberty Interactive Corporation Common Stock*

The basic and diluted EPS calculation for Liberty Interactive Corporation prior to the recapitalization is based on the following weighted average outstanding shares. Excluded from diluted EPS, for the period prior to the recapitalization, are less than a million potential common shares because their inclusion would be antidilutive.

	<u>January 1, 2012 August 9, 2012</u>	<u>Year ended December 31, 2011</u>
	<u>number of shares in millions</u>	
Basic WASO .....	559	595
Stock options .....	<u>9</u>	<u>7</u>
Diluted WASO .....	<u>568</u>	<u>602</u>

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(3) Summary of Significant Accounting Policies (Continued)**

*Series A and Series B Liberty Interactive Common Stock*

Liberty completed a recapitalization on August 9, 2012, whereby each holder of current Liberty Interactive Corporation common stock became a holder of the same number of Liberty Interactive common stock. EPS for the period from the recapitalization through December 31, 2013, are based on the following weighted average outstanding shares. Excluded from diluted EPS for the year ended December 31, 2013 are less than a million potential common shares because their inclusion would be antidilutive.

	<u>Year ended December 31, 2013</u>	<u>Year ended December 31, 2012</u>
	<u>number of shares in millions</u>	
Basic WASO . . . . .	519	541
Stock options . . . . .	<u>8</u>	<u>10</u>
Diluted WASO . . . . .	<u>527</u>	<u>551</u>

*Series A and Series B Liberty Ventures Common Stock*

Liberty completed a recapitalization on August 9, 2012, whereby each holder of then-existing Liberty Interactive common stock received 0.05 of a share of the corresponding series of Liberty Ventures common stock, by means of a dividend, with cash paid in lieu of fractional shares of Liberty Ventures common stock. Additionally, as part of the recapitalization Liberty distributed subscription rights, which were priced at a discount to the market value, to all holders of Liberty Ventures common stock, see further discussion in note 11. The rights offering, because of the discount, is considered a stock dividend which requires retroactive treatment for prior periods for the weighted average shares outstanding. EPS for the period from the recapitalization through December 31, 2013, are based on the following weighted average outstanding shares. Excluded from diluted EPS for the year ended December 31, 2013 are less than a million potential common shares because their inclusion would be antidilutive.

	<u>Year ended December 31, 2013</u>	<u>Year ended December 31, 2012</u>
	<u>number of shares in millions</u>	
Basic WASO . . . . .	37	33
Stock options . . . . .	<u>—</u>	<u>—</u>
Diluted WASO . . . . .	<u>37</u>	<u>33</u>

***Reclasses and adjustments***

Certain prior period amounts have been reclassified for comparability with the current year presentation.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(3) Summary of Significant Accounting Policies (Continued)**

*Estimates*

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

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

**(4) Supplemental Disclosures to Consolidated Statements of Cash Flows**

	<b>Years ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
Cash paid for acquisitions:			
Fair value of assets acquired . . . . .	\$ 9	362	3
Intangibles not subject to amortization . . . . .	41	5,494	10
Intangibles subject to amortization . . . . .	21	1,235	3
Net liabilities assumed . . . . .	(25)	(587)	(3)
Deferred tax assets (liabilities) . . . . .	12	(1,199)	1
Other . . . . .	—	12	—
Fair value of previously held ownership interest . . . . .	—	(1,004)	—
Noncontrolling interest . . . . .	—	(4,341)	—
Cash paid for acquisitions, net of cash (acquired) . . . .	<u>\$ 58</u>	<u>(28)</u>	<u>14</u>
Cash paid for interest . . . . .	<u>\$371</u>	<u>411</u>	<u>426</u>
Cash paid for income taxes . . . . .	<u>\$460</u>	<u>151</u>	<u>370</u>

**(5) TripAdvisor, Inc. Transactions**

In May 2012, Liberty sold approximately 8.5 million shares of TripAdvisor for cash proceeds of \$338 million. The sale resulted in a \$288 million gain recorded in gain (losses) on transactions, net, based on the average cost, in the statement of operations.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(5) TripAdvisor, Inc. Transactions (Continued)**

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

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

	<u>Initial</u>	<u>Adjustments</u>	<u>Final</u>
Fair value of ownership interest held prior to transaction . . . . .	\$ 1,004	—	1,004
Controlling interest acquired . . . . .	300	—	300
Noncontrolling interest . . . . .	<u>4,341</u>	<u>—</u>	<u>4,341</u>
	<u>\$ 5,645</u>	<u>—</u>	<u>5,645</u>
Cash and cash equivalents . . . . .	\$ 411	—	411
Receivables . . . . .	116	—	116
Other assets . . . . .	233	—	233
Goodwill . . . . .	3,649	(220)	3,429
Tradenames . . . . .	1,800	30	1,830
Intangible assets subject to amortization . . . . .	1,195	(30)	1,165
Debt . . . . .	(417)	—	(417)
Other liabilities assumed . . . . .	(151)	(7)	(158)
Deferred tax liabilities . . . . .	<u>(1,191)</u>	<u>227</u>	<u>(964)</u>
	<u>\$ 5,645</u>	<u>—</u>	<u>5,645</u>

Liberty finalized its purchase price allocation during the year ended December 31, 2013. The Adjustments were primarily related to tax impacts of our initial allocation. The differences would not have had a significant effect on any prior period amounts and accumulated differences have been included in the year ended December 31, 2013 results.

The Pro Forma summarized unaudited statements of operations of Liberty were prepared utilizing the historical financial statements of TripAdvisor, giving effect to purchase accounting related



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(5) TripAdvisor, Inc. Transactions (Continued)**

adjustments made at the time of acquisition and excluding the impact of gains recorded in 2012, as if the transaction discussed above had occurred on January 1, 2011, are as follows:

Summary Operations Data:

	<b>Years ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>in millions, except per share amounts (unaudited)</b>	
Revenue . . . . .	\$10,781	10,253
Operating income (loss) . . . . .	1,219	1,166
Income tax (expense) benefit . . . . .	(383)	(382)
Net earnings (loss) from continuing operations . . . . .	530	589
Less earnings (loss) attributable to the noncontrolling interests . .	175	190
Net Earnings (loss) from continuing operations attributable to Liberty shareholders:		
Liberty Capital common stock . . . . .	NA	10
Liberty Interactive Corporation common stock . . . . .	44	389
Liberty Interactive common stock . . . . .	212	NA
Liberty Ventures common stock . . . . .	99	NA
	<u>\$ 355</u>	<u>399</u>
Pro Forma basic net earnings (loss) from continuing operations attributable to Liberty shareholders per common share (note 3):		
Liberty Capital common stock . . . . .	NA	0.12
Liberty Interactive Corporation common stock . . . . .	\$ 0.08	0.65
Liberty Interactive common stock . . . . .	\$ 0.39	NA
Liberty Ventures common stock . . . . .	\$ 3.00	NA
Pro Forma diluted net earnings (loss) from continuing operations attributable to Liberty shareholders per common share (note 3):		
Liberty Capital common stock . . . . .	NA	0.12
Liberty Interactive Corporation common stock . . . . .	\$ 0.08	0.65
Liberty Interactive common stock . . . . .	\$ 0.38	NA
Liberty Ventures common stock . . . . .	\$ 3.00	NA

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

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (6) Discontinued Operations

##### *Split-Off of Liberty Media Corporation*

Prior to the LMC Split-Off (as defined below), Liberty's equity was structured into three separate tracking stocks. A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty had three tracking stocks, Liberty Interactive common stock, Liberty Starz common stock and Liberty Capital common stock, which were intended to track and reflect the economic performance of the separate businesses, assets and liabilities attributed to each group. These attributed businesses, assets and liabilities were not separate legal entities and therefore no group could own assets, issue securities or enter into legally binding agreements. Holders of the tracking stocks did not have direct claim to the group's stock or assets and were not represented by separate boards of directors.

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

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

The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and LMC and other agreements related to tax matters. Liberty is party to on-going discussions with the IRS under the Compliance Assurance Process audit program. The IRS may propose adjustments that relate to tax attributes allocated to and income allocable to LMC in the LMC Split-Off. Any potential outcome associated with any proposed adjustments would be covered by the Tax Sharing Agreement and are not expected to have any impact on Liberty's financial position. Pursuant to the Services Agreement, LMC will provide Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. Liberty will reimburse LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Liberty's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Liberty. Under the Facilities Sharing Agreement, Liberty will share office space with LMC and related amenities at LMC's corporate headquarters. Under these various agreements approximately \$15 million, \$12 million and \$2 million of these allocated expenses were reimbursable from Liberty to LMC for the years ended December 31, 2013, 2012 and 2011 (since the LMC Split-Off date), respectively.

The consolidated financial statements and accompanying notes of Liberty have been prepared to reflect LMC as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(6) Discontinued Operations (Continued)**

expenses, and cash flows of the businesses, assets and liabilities owned by LMC at the time of LMC Split-Off (for periods prior to the LMC Split-Off) have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

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

	<u>Year ended December 31, 2011</u>
Revenue . . . . .	\$2,008
Earnings (loss) before income taxes . . . . .	\$ 628

*Earnings per share impact of discontinued operations*

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

	<u>Year ended December 31, 2011</u>
Basic earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):	
Series A and Series B Liberty Capital common stock . . . . .	2.48
Series A and Series B Liberty Starz common stock . . . . .	3.47
Diluted earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):	
Series A and Series B Liberty Capital common stock . . . . .	2.42
Series A and Series B Liberty Starz common stock . . . . .	3.34

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

**(7) 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

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(7) Assets and Liabilities Measured at Fair Value (Continued)**

entity has the ability to access at the measurement date. Level 2 inputs, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

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

Description	December 31, 2013			December 31, 2012		
	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 . . . . .	\$ 918	918	—	2,316	2,305	11
Short term marketable securities . . . . .	\$ 543	62	481	186	—	186
Available-for-sale securities .	\$1,497	1,047	450	1,815	1,668	147
Debt . . . . .	\$2,355	—	2,355	2,930	—	2,930

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

**Realized and Unrealized Gains (Losses) on Financial Instruments**

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

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Fair Value Option Securities . . . . .	\$ 514	470	55
Exchangeable senior debentures . . . . .	(553)	(602)	(46)
Other financial instruments . . . . .	17	(219)	75
	<u>\$ (22)</u>	<u>(351)</u>	<u>84</u>

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

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

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

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

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	<u>amounts in millions</u>	
Interactive Group		
Other cost investments . . . . .	\$ 4	4
Total attributed Interactive Group . . . . .	<u>\$ 4</u>	<u>4</u>
Ventures Group		
Time Warner Inc.(1) . . . . .	\$ 306	1,042
Time Warner Cable Inc. . . . .	741	531
Other AFS investments(1) . . . . .	262	143
TripAdvisor AFS Securities . . . . .	188	99
Total attributed Ventures Group . . . . .	<u>1,497</u>	<u>1,815</u>
Consolidated Liberty . . . . .	<u>\$1,501</u>	<u>1,819</u>

(1) Liberty sold 17.4 million shares of Time Warner Inc. and 2.0 million shares of AOL Inc. for proceeds of \$1,099 million during 2013 in connection with the redemption of the 3.125% Exchangeable Senior Debentures, as discussed in note 11.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

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

Liberty has various investments accounted for using the equity method. The following table includes Liberty's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2013 and the carrying amount at December 31, 2012:

	December 31, 2013			December 31, 2012
	Percentage ownership	Market value	Carrying amount	Carrying amount
			dollars in millions	
Interactive Group				
HSN, Inc.(3) . . . . .	38%	\$1,247	\$ 293	242
Other . . . . .	various	N/A	50	62
Total Interactive Group . . . . .			<u>343</u>	<u>304</u>
Ventures Group				
Expedia(2)(3) . . . . .	18%	\$1,608	477	431
Other(4) . . . . .	various	N/A	417	116
Total Ventures Group . . . . .			<u>894</u>	<u>547</u>
Consolidated Liberty . . . . .			<u>\$1,237</u>	<u>851</u>

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

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Interactive Group			
HSN, Inc. . . . .	\$ 61	40	38
Other . . . . .	(13)	(12)	(15)
Total Interactive Group . . . . .	<u>48</u>	<u>28</u>	<u>23</u>
Ventures Group			
Expedia, Inc.(1)(2) . . . . .	31	67	119
TripAdvisor(1)(4) . . . . .	NA	38	NA
Other(5) . . . . .	(46)	(48)	(2)
Total Ventures Group . . . . .	<u>(15)</u>	<u>57</u>	<u>117</u>
Consolidated Liberty . . . . .	<u>\$ 33</u>	<u>85</u>	<u>140</u>

- (1) During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, a wholly owned subsidiary. Therefore, the Company had a 26% ownership interest in each of Expedia, Inc. and TripAdvisor as of December 31, 2011.
- (2) Liberty entered into a forward sales contract on 12 million shares of Expedia common stock in March 2012 at a per share forward price of \$34.316. The forward contract was settled in October 2012 for total cash proceeds of \$412 million and the 12 million shares

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

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

of Expedia common stock, previously held as collateral, were released to the counterparty. In the fourth quarter of 2012, when the forward contract settled, the difference between the fair value of the Expedia shares and the carrying value of the shares (\$443 million) was recognized in the gain (loss) on transactions, net line item in the statement of operations. Liberty owns an approximate 18% equity interest and 58% voting interest in Expedia. Liberty has entered into governance arrangements pursuant to which Mr. Barry Diller, Chairman of the Board and Senior Executive Officer of Expedia, may vote its interests of Expedia, subject to certain limitations. Additionally, through our governance arrangements with Mr. Diller, we have the right to appoint and have appointed 20% of the members of Expedia's board of directors, which is currently comprised of 10 members. Therefore, we determined based on these arrangements that we have significant influence and have accounted for the investment as an equity method affiliate.

- (3) During the years ended December 31, 2013 and 2012, Expedia, Inc. paid dividends aggregating \$13 million and \$23 million, respectively, and HSN, Inc. paid dividends of \$16 million during the year ended December 31, 2013 which were recorded as reductions to the investment balances.
- (4) In May 2012, Liberty sold approximately 8.5 million shares of TripAdvisor for cash proceeds of \$338 million. The sale resulted in a \$288 million gain recorded in gain (losses) on transactions, net, based on the average cost, in the statement of operations. On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor (an additional 4% equity ownership interest) for \$300 million and obtained voting control of TripAdvisor, see note 5 for additional details of the fourth quarter transaction with TripAdvisor.
- (5) Liberty invested \$300 million in a solar energy plant during 2013. Liberty expects to receive a portion of the initial investment back within a year as the entity expects to receive grant proceeds and other favorable tax attributes. The Company expects to record its share of losses of the solar plant but expects to record the impacts of favorable tax attributes (primarily accelerated depreciation) as a current tax benefit with an offsetting deferred tax expense in the tax expense (benefit) line item in the Statement of Operations.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

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

***HSN, Inc.***

Liberty records the share of earnings (loss) for HSN, Inc. on a quarter lag due to timeliness considerations and access to financial information. Summarized unaudited financial information for HSN, Inc., on a quarter lag, is as follows:

**HSN, Inc. Consolidated Balance Sheets**

	<b>September 30, 2013</b>	<b>September 30, 2012</b>
	<b>amounts in millions</b>	
Current assets . . . . .	\$ 773	776
Property and equipment, net . . . . .	171	159
Goodwill . . . . .	10	10
Intangible assets . . . . .	266	267
Other assets . . . . .	6	7
Total assets . . . . .	<u>\$1,226</u>	<u>1,219</u>
Current liabilities . . . . .	\$ 412	411
Deferred income taxes . . . . .	90	76
Long-term debt . . . . .	231	244
Other liabilities . . . . .	11	15
Equity . . . . .	482	473
Total liabilities and equity . . . . .	<u>\$1,226</u>	<u>1,219</u>

**HSN, Inc. Consolidated Statements of Operations**

	<b>Trailing twelve months ended September 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
Revenue . . . . .	\$ 3,367	3,206	2,949
Cost of revenue . . . . .	<u>(2,152)</u>	<u>(2,039)</u>	<u>(1,865)</u>
Gross profit . . . . .	1,215	1,167	1,084
Selling, general and administrative expenses . . . . .	(898)	(877)	(816)
Amortization . . . . .	<u>(40)</u>	<u>(38)</u>	<u>(35)</u>
Operating income . . . . .	277	252	233
Interest expense . . . . .	(7)	(27)	(32)
Other income (expense), net . . . . .	1	(18)	—
Income tax (expense) benefit . . . . .	<u>(98)</u>	<u>(78)</u>	<u>(79)</u>
Income (loss) from continuing operations . . . . .	173	129	122
Discontinued operations, net of tax . . . . .	1	(8)	(5)
Net earnings (loss) attributable to HSN shareholders . .	<u>\$ 174</u>	<u>121</u>	<u>117</u>



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(10) Goodwill and Other Intangible Assets**

*Goodwill*

Changes in the carrying amount of goodwill are as follows:

	<u>QVC</u>	<u>E-commerce</u>	<u>TripAdvisor</u>	<u>Total</u>
	<b>amounts in millions</b>			
Balance at January 1, 2012 . . . . .	\$5,354	624	—	5,978
Acquisitions . . . . .	21	19	3,649	3,689
Impairments . . . . .	—	(82)	—	(82)
Foreign currency translation adjustments . . . . .	(26)	—	—	(26)
Other . . . . .	<u>—</u>	<u>(3)</u>	<u>—</u>	<u>(3)</u>
Balance at December 31, 2012 . . .	\$5,349	558	3,649	9,556
Foreign currency translation adjustments . . . . .	(37)	—	3	(34)
Acquisitions . . . . .	—	7	28	35
Impairments . . . . .	—	(5)	—	(5)
Purchase price allocation adjustments (note 5) . . . . .	<u>—</u>	<u>—</u>	<u>(220)</u>	<u>(220)</u>
Balance at December 31, 2013 . . .	<u>\$5,312</u>	<u>560</u>	<u>3,460</u>	<u>9,332</u>

Goodwill recognized from acquisitions primarily relate to assembled workforces, website community and other intangible assets that do not qualify for separate recognition.

As presented in the accompanying consolidated balance sheets, trademarks is the other significant indefinite lived intangible asset.

*Intangible Assets Subject to Amortization*

Intangible assets subject to amortization are comprised of the following:

	<u>December 31, 2013</u>			<u>December 31, 2012</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	<b>amounts in millions</b>					
Television distribution rights	\$2,324	(1,700)	624	2,304	(1,540)	764
Customer relationships . . .	3,612	(2,198)	1,414	3,630	(1,761)	1,869
Other . . . . .	<u>1,032</u>	<u>(578)</u>	<u>454</u>	<u>943</u>	<u>(459)</u>	<u>484</u>
Total . . . . .	<u>\$6,968</u>	<u>(4,476)</u>	<u>2,492</u>	<u>6,877</u>	<u>(3,760)</u>	<u>3,117</u>

The weighted average life of these amortizable intangible assets was approximately 9 years, at the time of acquisition. However, amortization is expected to match the usage of the related asset and will be on an accelerated basis as demonstrated in table below.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(10) Goodwill and Other Intangible Assets (Continued)**

Amortization expense for intangible assets with finite useful lives was \$784 million, \$462 million and \$490 million for the years ended December 31, 2013, 2012 and 2011, respectively. Based on its amortizable intangible assets as of December 31, 2013, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2014 .....	\$747
2015 .....	\$650
2016 .....	\$539
2017 .....	\$366
2018 .....	\$ 81

*Impairments*

During the year ended December 31, 2013 and 2012 we recorded \$33 million and \$92 million, respectively, in goodwill and other intangibles impairments for two of our E-commerce companies (Celebrate and Evite). Continued declining operating results as compared to budgeted results and certain trends required a Step 2 impairment test and a determination of fair value for these subsidiaries. Fair value for these subsidiaries, including the related intangibles and goodwill, were determined using the respective Company's projections of future operating performance and applying a combination of market multiples (market approach) and discounted cash flow (income approach) calculations (Level 3). As of December 31, 2013 accumulated impairment losses for the E-commerce companies was \$143 million.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(11) Debt**

Debt is summarized as follows:

	Outstanding principal December 31, 2013	Carrying value	
		December 31, 2013	December 31, 2012
	amounts in millions		
<b>Interactive Group</b>			
Corporate level notes and debentures			
5.7% Senior Notes due 2013 . . . . .	\$ —	—	240
8.5% Senior Debentures due 2029 . . . . .	287	285	285
8.25% Senior Debentures due 2030 . . . . .	504	501	501
1% Exchangeable Senior Debentures due 2043 . . . . .	400	423	—
Subsidiary level notes and facilities			
QVC 7.125% Senior Secured Notes due 2017 . . . . .	—	—	500
QVC 7.5% Senior Secured Notes due 2019 . . . . .	769	761	988
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	—
QVC 5.95% Senior Secured Notes due 2043 . . . . .	300	300	—
QVC Bank Credit Facilities . . . . .	922	922	903
Other subsidiary debt . . . . .	141	141	125
Total Interactive Group . . . . .	<u>\$5,073</u>	<u>5,083</u>	<u>4,542</u>
<b>Ventures Group</b>			
Corporate level debentures			
3.125% Exchangeable Senior Debentures due 2023 . . . . .	\$ —	—	1,639
4% Exchangeable Senior Debentures due 2029 . . . . .	439	284	311
3.75% Exchangeable Senior Debentures due 2030 . . . . .	439	270	297
3.5% Exchangeable Senior Debentures due 2031 . . . . .	363	316	292
3.25% Exchangeable Senior Debentures due 2031 . . . . .	—	—	391
0.75% Exchangeable Senior Debentures due 2043 . . . . .	850	1,062	—
Subsidiary level facilities			
TripAdvisor Debt Facilities . . . . .	369	369	412
Total Ventures Group . . . . .	<u>\$2,460</u>	<u>2,301</u>	<u>3,342</u>
Total consolidated Liberty debt . . . . .	<u>\$7,533</u>	7,384	7,884
Less debt classified as current . . . . .		(978)	(1,638)
Total long-term debt . . . . .		<u>\$6,406</u>	<u>6,246</u>

**Exchangeable Senior Debentures**

Each \$1,000 debenture of Liberty's 3.125% Exchangeable Senior Debentures was exchangeable at the holder's option for the value of 19.1360 shares of Time Warner Inc. common stock, 4.8033 shares of Time Warner Cable Inc. common stock and 1.7396 shares of AOL Inc. common stock. On April 9,

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (11) Debt (Continued)

2013, Liberty's wholly owned subsidiary, Liberty Interactive LLC, called for the redemption of all the outstanding 3.125% Exchangeable Senior Debentures due 2023 ("3.125% Exchangeable Senior Debentures") on May 9, 2013 (the "redemption date"). In accordance with the redemption provisions of the 3.125% Exchangeable Senior Debentures and the related indenture, the 3.125% Exchangeable Senior Debentures were redeemed at a redemption price of approximately \$1,667 for each \$1,000 principal amount outstanding. All of the outstanding 3.125% Exchangeable Senior Debentures were redeemed, using cash provided by the 0.75% Debenture (defined below) and cash provided by the sale of shares of Time Warner Inc. and AOL, Inc. common stock.

Also on April 9, 2013, Liberty Interactive LLC, a wholly owned subsidiary Liberty, completed the offer and sale of \$850 million aggregate original principal amount of Liberty Interactive LLC's 0.75% Exchangeable Senior Debentures due 2043 (the "0.75% Debenture") in a private placement transaction. The Debentures mature on March 30, 2043. Interest on the Debentures will accrue from April 9, 2013 at an annual rate of 0.75% of the original principal amount of \$1,000 per Debenture, payable quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, commencing June 30, 2013. Each \$1,000 original principal amount of Debentures is initially exchangeable for a basket of 6.3040 shares of common stock of Time Warner Cable Inc. and 5.1635 shares of common stock of Time Warner Inc., which may change over time to include other publicly traded common equity securities that may be distributed on or in respect of those shares of Time Warner Cable Inc. and Time Warner Inc. (or into which any of those securities may be converted or exchanged). This basket of shares for which each Debenture in the original principal amount of \$1,000 may be exchanged is referred to as the Reference Shares attributable to such Debenture, and to each issuer of Reference Shares as a Reference Company. Each Debenture is exchangeable at the option of the holder at any time, upon which they will be entitled to receive the Reference Shares attributable to such Debenture or, at the election of Liberty Interactive LLC, cash or a combination of Reference Shares and cash having a value equal to such Reference Shares. Upon exchange, holders will not be entitled to any cash payment representing accrued interest or outstanding additional distributions. Liberty has elected to account for this instrument using the fair value option. Accordingly, changes in the fair value of this instrument are recognized as unrealized gains (losses) in the statements of operations.

Each \$1,000 debenture of Liberty's 4% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 11.4743 shares of Sprint common stock and 0.7860 shares of CenturyLink, Inc. ("CenturyLink") common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and CenturyLink common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest.

Each \$1,000 debenture of Liberty's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 8.3882 shares of Sprint common stock and 0.5746 shares of CenturyLink common stock. Liberty may, at its election, pay the exchange value in cash, Sprint and CenturyLink common stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (11) Debt (Continued)

Each \$1,000 debenture of Liberty's 3.5% Exchangeable Senior Debentures (the "Motorola Exchangeables") was exchangeable at the holder's option for the value of 5.2598 shares of Motorola Solutions, Inc. and 4.6024 shares of Motorola Mobility Holdings, Inc., as a result of Motorola Inc.'s separation of Motorola Mobility Holdings, Inc. ("MMI") in a 1 for 8 stock distribution, and the subsequent 1 for 7 reverse stock split of Motorola, Inc. (which has been renamed Motorola Solutions, Inc. ("MSI")), effective January 4, 2011. MMI was acquired on May 22, 2012 for \$40 per share in cash. Pursuant to the indenture, the cash paid to shareholders in the MMI acquisition was to be paid to the holders of the Motorola Exchangeables as an extraordinary distribution. Liberty made a cash payment of \$184.096 per debenture in the second quarter of 2012 for a total payment of \$111 million. The remaining exchange value is payable, at Liberty's option, in cash or MSI stock or a combination thereof. Liberty, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of a cash distribution made by Liberty in 2007, the cash disbursement discussed above and various principal payments made to holders of the Motorola Exchangeables, the adjusted principal amount of each \$1,000 debenture is \$619, as of December 31, 2013.

Liberty's 3.25% Exchangeable Senior Debentures (the "Viacom Exchangeables") were exchangeable at the holder's option for the value of 9.2833 shares of Viacom Class B common stock and 9.2833 shares of CBS Corporation ("CBS") Class B common stock. During the year ended December 31, 2013, Liberty retired all outstanding 3.25% Exchangeable Senior Debentures due 2031. Liberty paid approximately \$414 million to retire the outstanding principal balance.

On September 9, 2013, Liberty LLC, a wholly owned subsidiary of Liberty, issued \$400 million aggregate original principal amount of the 1% Exchangeable Senior Debentures due 2043 (the "HSNi Exchangeables"). The HSNi Exchangeables mature on September 30, 2043 and interest on the HSNi Exchangeables accrues at an annual rate of 1% of the original principal amount of \$1,000 per debenture, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing December 31, 2013. Each \$1,000 original principal amount of HSNi Exchangeables is initially exchangeable for 13.4580 shares of common stock of HSNi (the "HSNi Reference Shares").

Each of the HSNi Exchangeables is exchangeable at the option of the holder, for certain triggering events (primarily the increase in an average trading period at the end of the quarter for HSNi reference shares above 130% or below 98% of the adjusted principal amount at the end of a quarter) after the calendar quarter ending March 31, 2014, upon achieving certain trading prices of the underlying HSNi Reference Shares. Upon exchange, holders of HSNi Exchangeables will be entitled to receive the HSNi Reference Shares attributable to such HSNi Exchangeables or, at the election of Liberty LLC, cash or a combination of HSNi Reference Shares and cash having a value equal to such HSNi Reference Shares. For purposes of the HSNi Exchangeables, Liberty LLC is treated as an affiliate of HSNi under the Securities Act. Therefore, for as long as Liberty LLC is treated as an affiliate of HSNi for purposes of the HSNi Exchangeables, any reference shares consisting of HSNi common stock (or common stock of any other reference company of which Liberty LLC is treated as an affiliate for purposes of the HSNi Exchangeables) delivered by Liberty LLC upon exchange or purchase of a HSNi Exchangeables will be "restricted securities" under the Securities Act and subject to restrictions on transfer. Liberty LLC may deliver HSNi Reference Shares upon exchange or purchase of the HSNi Exchangeables only if (1) permitted under certain contractual arrangements between the

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (11) Debt (Continued)

Company and HSNi and (2) such Reference Shares would be freely transferable by the holders of the HSNi Reference Shares (other than by affiliates of HSNi) under the Securities Act, or if not freely transferable, there is at that time an effective registration statement under a registration rights agreement that Liberty LLC has with HSNi (or such other Reference Company) pursuant to which the recipients of such HSNi Reference Shares may sell those shares in a registered transaction under the Securities Act.

Liberty LLC will make an additional distribution on the HSNi Exchangeables if HSNi makes a distribution of cash (an "Excess Regular Cash Dividend") in excess of the regular quarterly cash dividend of \$0.18, currently paid by the HSNi, securities (other than publicly traded common equity securities) or other property with respect to the HSNi Reference Shares. The principal amount of the HSNi Exchangeables will not be reduced by any amount we pay that corresponds to any Excess Regular Cash Dividends on the HSNi Reference Shares.

On October 5, 2016, Liberty LLC may, at its option, redeem the HSNi Exchangeables, in whole or in part, in each case at a redemption price, in cash, equal to the adjusted principal amount of the HSNi Exchangeables plus accrued and unpaid interest to the date of redemption plus any final period distribution. Additionally, as of such date, holders may tender HSNi Exchangeables for purchase by Liberty LLC, at a purchase price equal to the adjusted principal amount plus accrued and unpaid interest to the purchase date plus any final period distribution. Liberty LLC may pay the purchase price, at its election, in cash or through delivery of HSNi Reference Shares (subject to the restrictions discussed previously) having a value equal to the purchase price or a combination of HSNi Reference Shares and cash. If Liberty LLC makes a partial redemption, HSNi Exchangeables in an aggregate original principal amount of at least \$100 million must remain outstanding.

Liberty has elected to account for the HSNi Exchangeables using the fair value option. Accordingly, changes in the fair value of this instrument are recognized as unrealized gains (losses) in the statements of operations. Liberty will review the triggering event on a quarterly basis to determine whether a triggering event has occurred to require current classification of the HSNi Exchangeables upon a call event. As of December 31, 2013 the balance of the HSNi Exchangeables have been classified as long term.

Liberty has sold, split-off or otherwise disposed of all of its shares of Motorola, Sprint and CenturyLink common stock which underlie the respective Exchangeable Senior Debentures. Because such exchangeable debentures are exchangeable at the option of the holder at any time and Liberty can no longer use owned shares to redeem the debentures, Liberty has classified for financial reporting purposes the portion of the debentures that could be redeemed for cash as a current liability. Such amount aggregated \$870 million at December 31, 2013. Although such amount has been classified as a current liability for financial reporting purposes, the Company believes the probability that the holders of such instruments will exchange a significant principal amount of the debentures prior to maturity is remote.

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

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (11) Debt (Continued)

##### *Senior Notes and Debentures*

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

The Senior Notes and Senior Debentures are stated net of an aggregate unamortized discount of \$5 million and \$6 million at December 31, 2013 and 2012, respectively. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

##### *QVC Senior Secured Notes*

During the year ended December 31, 2013 QVC tendered and called for all the outstanding 7.125% senior secured notes due 2017 (the "7.125% Senior Notes") and tendered for \$231 million of its 7.5% senior secured notes due 2019 (the "7.5% Senior Notes"). The 7.125% Senior Notes were tendered and called for cash consideration of \$518 million. The 7.5% Senior Notes were tendered for cash consideration of \$259 million. These debt retirements were funded by proceeds from new senior secured notes as discussed below.

On March 18, 2013, QVC completed the offering of \$750 million principal amount of new 4.375% senior secured notes due 2023 and \$300 million principal amount of new 5.95% senior secured notes due 2043 (collectively, the "Notes"). Interest on the Notes will be paid semi-annually in March and September. The Notes are secured by a first-priority lien on QVC's capital stock, pari passu with the Amended and Restated Credit Agreement and QVC's existing notes. The net proceeds from the offering of the Notes were used to fund the debt retirements discussed above, repay outstanding amounts on QVC's existing bank credit facility and, via dividend from QVC, retire Liberty's 5.7% Senior Notes due May 2013, and for general corporate purposes.

As a result of these refinancing transactions, QVC recorded extinguishment losses of \$57 million for the year ended December 31, 2013, which is recorded in other, net in the Company's statements of operations.

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

During prior years, QVC issued \$500 million principal amount of 7.375% Senior Secured Notes due 2020 at par and QVC issued \$1,000 million principal amount of QVC 7.50% Senior Secured Notes due 2019 at an issue price of 98.28% of par.

QVC was in compliance with all of its debt covenants related to its outstanding senior notes at December 31, 2013.

##### *QVC Bank Credit Facilities*

On March 1, 2013, QVC entered into an amended and restated syndicated senior secured credit agreement which served to refinance QVC's existing bank credit facility (the "Amended and Restated Credit Agreement"). The Amended and Restated Credit Agreement is a multi-currency facility providing for a \$2 billion revolving credit facility, with a \$250 million sub-limit for standby letters of

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (11) Debt (Continued)

credit and \$1 billion of uncommitted incremental revolving loan commitments or incremental term loans. The loans are scheduled to mature on March 1, 2018. The covenants contained in the Amended and Restated Credit Agreement are substantially similar to those contained in QVC's previously existing bank credit facility. Borrowings under the Amended and Restated Credit Agreement bear interest at either the alternate base rate or LIBOR (based on an interest period selected by QVC of one week, one month, two months, three months or six months, or to the extent available from all lenders, nine months or twelve months) at QVC's election in each case plus a margin. Borrowings that are alternate base rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% and 1.00% depending on QVC's ratio of consolidated total debt to consolidated Adjusted OIBDA (the "consolidated leverage ratio"). Borrowings that are LIBOR loans will bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 1.25% and 2.00% depending on QVC's consolidated leverage ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. Any amounts prepaid on the revolving facility may be reborrowed. The Amended and Restated Credit Agreement is secured by the stock of QVC. Availability under the QVC Amended and Restated Credit Agreement at December 31, 2013 was \$1.1 billion. QVC was in compliance with all debt covenants related to the Amended and Restated Credit Agreement at December 31, 2013.

#### *QVC Interest Rate Swap Arrangements*

In prior years QVC entered into forward interest rate swap arrangements with an aggregate notional amount of \$3.1 billion. Such arrangements matured in March 2013 and no further interest swap arrangements were entered into. These swap arrangements did not qualify as cash flow hedges under GAAP. Accordingly, changes in the fair value of the swaps were reflected in realized and unrealized gains or losses on financial instruments in the accompanying consolidated statements of operations.

#### *TripAdvisor Debt Facilities*

TripAdvisor has in place a Credit Agreement, which provides \$600 million of borrowing including the Term Loan Facility, or Term Loan, in an aggregate principal amount of \$400 million with a term of five years due December 2016; and the Revolving Credit Facility in an aggregate principal amount of \$200 million available in U.S. dollars, Euros and British pound sterling with a term of five years expiring December 2016. The Credit Agreement requires certain affirmative covenants for maintaining a maximum leverage ratio, a minimum cash interest coverage ratio and other customary covenants. As of December 31, 2013 TripAdvisor was in compliance with all of its covenants.

The Term Loan and any loans under the Revolving Credit Facility bear interest by reference to a base rate or a Eurocurrency rate, in either case plus an applicable margin based on TripAdvisor's leverage ratio. TripAdvisor is required to pay a quarterly commitment fee, on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The Term Loan and loans under the Revolving Credit Facility currently bear interest at LIBOR plus 150 basis points, or the Eurocurrency Spread, or the alternate base rate ("ABR") plus 50 basis points, and undrawn amounts are currently subject to a commitment fee of 22.5



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(11) Debt (Continued)**

basis points. As of December 31, 2013 TripAdvisor is using a one-month interest period Eurocurrency Spread which is approximately 1.7% per annum.

In addition to the borrowings under the Credit Agreement, TripAdvisor maintains Chinese credit facilities. As of December 31, 2013 and 2012 TripAdvisor had approximately \$29 million and \$32 million, respectively, of short term borrowings outstanding.

***Other Subsidiary Debt***

Other subsidiary debt at December 31, 2013 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

***Five Year Maturities***

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

2014 .....	\$118
2015 .....	\$ 62
2016 .....	\$282
2017 .....	\$ 43
2018 .....	\$946

***Fair Value of Debt***

Liberty estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Liberty for debt of the same remaining maturities. The fair value, based on quoted prices of instruments but not considered to be active markets (level 2), of Liberty's publicly traded debt securities that are not reported at fair value in the accompanying consolidated balance sheets is as follows (amounts in millions):

	December 31,	
	2013	2012
Senior notes .....	\$ —	244
Senior debentures .....	\$ 845	849
QVC senior secured notes .....	\$2,861	2,723

Due to the variable rate nature, Liberty believes that the carrying amount of its subsidiary debt not discussed above approximated fair value at December 31, 2013.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(12) Income Taxes**

Income tax benefit (expense) consists of:

	<b>Years ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
Current:			
Federal .....	\$(128)	(214)	(156)
State and local .....	(36)	(27)	(32)
Foreign .....	<u>(102)</u>	<u>(140)</u>	<u>(120)</u>
	<u>\$(266)</u>	<u>(381)</u>	<u>(308)</u>
Deferred:			
Federal .....	\$ (11)	(31)	(42)
State and local .....	122	11	(6)
Foreign .....	<u>25</u>	<u>7</u>	<u>4</u>
	<u>136</u>	<u>(13)</u>	<u>(44)</u>
Income tax benefit (expense) .....	<u>\$(130)</u>	<u>(394)</u>	<u>(352)</u>

The following table presents a summary of our domestic and foreign earnings from continuing operations before income taxes:

	<b>Years ended</b>		
	<b>December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
Domestic .....	\$553	1,769	770
Foreign .....	<u>157</u>	<u>216</u>	<u>169</u>
Total .....	<u>\$710</u>	<u>1,985</u>	<u>939</u>

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(12) Income Taxes (Continued)**

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

	<b>Years ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
Computed expected tax benefit (expense) . . . . .	\$(249)	(695)	(329)
Consolidation of previously held equity method affiliate . . . .	—	294	—
State and local income taxes, net of federal income taxes . . .	(17)	(11)	(22)
Foreign taxes, net of foreign tax credits . . . . .	8	5	(3)
Impairment of intangibles not deductible for tax purposes . .	(2)	(29)	—
Dividends received deductions . . . . .	9	13	5
Alternative energy tax credits . . . . .	58	48	3
Change in valuation allowance affecting tax expense . . . . .	(32)	(8)	(15)
Impact of change in state rate on deferred taxes . . . . .	112	—	—
Other, net . . . . .	(17)	(11)	9
Income tax benefit (expense) . . . . .	<u><u>\$</u>(130)</u>	<u><u>(394)</u></u>	<u><u>(352)</u></u>

During 2013, Liberty changed its estimate of the effective state tax rate used to measure its net deferred tax liabilities, based on expected changes to the Company's state apportionment factors. The rate change required an adjustment to the recognized deferred taxes at the corporate level. The change in state apportionment factors also changed the potential utilization of the Company's state net operating loss carryforwards, which resulted in a valuation allowance being recorded for certain state net operating loss carryforwards that may expire unused.

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

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(12) Income Taxes (Continued)**

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

	December 31,	
	2013	2012
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards . . . . .	\$ 102	110
Foreign tax credit carryforwards . . . . .	129	87
Accrued stock compensation . . . . .	54	32
Other accrued liabilities . . . . .	85	80
Other future deductible amounts . . . . .	128	120
Deferred tax assets . . . . .	498	429
Valuation allowance . . . . .	(68)	(52)
Net deferred tax assets . . . . .	430	377
Deferred tax liabilities:		
Investments . . . . .	569	492
Intangible assets . . . . .	2,281	2,751
Discount on exchangeable debentures . . . . .	958	890
Deferred gain on debt retirements . . . . .	313	321
Other . . . . .	73	44
Deferred tax liabilities . . . . .	4,194	4,498
Net deferred tax liabilities . . . . .	\$3,764	4,121

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

	December 31,	
	2013	2012
	amounts in millions	
Current deferred tax asset of TripAdvisor(1) . . . . .	(5)	—
Current deferred tax liabilities . . . . .	925	912
Long-term deferred tax liabilities . . . . .	2,844	3,209
Net deferred tax liabilities . . . . .	\$3,764	4,121

(1) TripAdvisor's deferred tax asset is not offset with Liberty's deferred tax liabilities as TripAdvisor is not included in the group tax return of Liberty. TripAdvisor's deferred tax asset has been included in other current assets in the accompanying consolidated balance sheet.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(12) Income Taxes (Continued)**

The Company's valuation allowance increased \$16 million in 2013. Of the change in valuation allowance, \$32 million affected tax expense, and the remainder of the change was due to purchase accounting for certain acquisitions.

The Company has not provided for deferred U.S. income taxes on undistributed earnings of certain foreign subsidiaries of TripAdvisor that are intended to be permanently reinvested outside the United States; the total amount of such earnings as of December 31, 2013 was \$481 million. Should these amounts be distributed or treated under certain U.S. tax rules as having been distributed earnings of foreign subsidiaries in the form of dividends or otherwise, the Company may be subject to U.S. income taxes. Due to complexities in tax laws and various assumptions that would have to be made, it is not practicable at this time to estimate the amount of unrecognized deferred U.S. taxes on these earnings.

At December 31, 2013, Liberty had net operating losses (on a tax effected basis) and foreign tax credit carryforwards for income tax purposes aggregating approximately \$102 million and \$129 million, respectively, which, if not utilized to reduce domestic, state or foreign income tax liabilities in future periods, will expire as follows: \$30 million in 2015; \$2 million in 2016; \$7 million in 2017; and \$192 million beyond 2020. These net operating losses and foreign tax credit carryforwards are expected to be utilized prior to expiration, except for \$68 million of net operating losses which based on current projections of domestic, state and foreign income may expire unused.

A reconciliation of unrecognized tax benefits is as follows:

	<b>Years ended</b>	
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>amounts in</b>	
	<b>millions</b>	
Balance at beginning of year . . . . .	\$146	123
Additions based on tax positions related to the current year . . . . .	31	12
Additions for tax positions of prior years . . . . .	5	2
Reductions for tax positions of prior years . . . . .	(7)	(4)
Acquisition of TripAdvisor . . . . .	—	24
Lapse of statute and settlements . . . . .	(15)	(11)
Balance at end of year . . . . .	<u>\$160</u>	<u>146</u>

As of December 31, 2013, the Company had recorded tax reserves of \$160 million related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$103 million would be reflected in the Company's tax expense and affect its effective tax rate. Liberty's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment. The Company has tax positions for which the amount of related unrecognized tax benefits could change during 2014, including federal transfer pricing and nonfederal tax issues. The amount of unrecognized tax benefits related to these issues could change as a result of potential settlements, lapsing of statute of limitations and revisions of estimates. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may decrease within the next twelve months by up to \$41 million.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (12) Income Taxes (Continued)

As of December 31, 2013, the Company's 2001 through 2009 tax years are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2010 through 2012 tax years. The Company's tax loss carryforwards from its 2010 through 2012 tax years are still subject to adjustment. The Company's 2013 tax year is being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. QVC is currently under audit in the UK and Germany. TripAdvisor, which does not consolidate with Liberty for income tax purposes, has ongoing federal, state and foreign income tax audits by virtue of filing consolidated tax returns with Expedia in prior years. As of December 31, 2013, no material assessments have resulted from these audits. TripAdvisor is no longer subject to tax examinations by tax authorities for years prior to 2007.

As of December 31, 2013, the Company had recorded \$28 million of accrued interest and penalties related to uncertain tax positions.

#### (13) Stockholders' Equity

##### *Preferred Stock*

Liberty's preferred stock is issuable, from time to time, with such designations, preferences and relative participating, optional or other rights, qualifications, limitations or restrictions thereof, as shall be stated and expressed in a resolution or resolutions providing for the issue of such preferred stock adopted by Liberty's Board of Directors. As of December 31, 2013, no shares of preferred stock were issued.

##### *Common Stock*

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

As of December 31, 2013, Liberty reserved for issuance upon exercise of outstanding stock options approximately 30.6 million shares of Series A Liberty Interactive common stock and 432 thousand shares of Series B Liberty Interactive common stock. As of December 31, 2013, Liberty reserved for issuance upon exercise of outstanding stock options approximately 1.0 million shares of Series A Liberty Ventures common stock and 22 thousand shares of Series B Liberty Ventures common stock.

In addition to the Series A and Series B Liberty Interactive and Ventures common stock there are 4 billion and 200 million shares of Series C Liberty Interactive and Ventures common stock authorized for issuance, respectively. As of December 31, 2013, no shares of any Series C Liberty Interactive and 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, to be effected by means of a dividend. The stock split is being 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,

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (13) Stockholders' Equity (Continued)

holders of Series A and Series B Liberty Ventures common stock on April 4, 2014 will receive a dividend of one share of Series A or Series B Liberty Ventures common stock for each share of Series A or Series B Liberty Ventures common stock, respectively, held by them as of such time. The payment date for the dividend will be April 11, 2014.

#### *Purchases of Common Stock*

During the year ended December 31, 2011 the Company repurchased 3,146,913 shares of Series A Liberty Capital common stock for aggregate cash consideration of \$213 million and 23,864,733 shares of Series A Liberty Starz common stock for aggregate cash consideration of \$366 million.

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

During the year ended December 31, 2013 the Company repurchased 46,305,637 shares of Series A Liberty Interactive common stock for aggregate cash consideration of \$1,089 million.

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

During 2012, in connection with the creation of the Liberty Ventures tracking stock, the Company distributed subscription rights to purchase shares of Series A Liberty Ventures common stock (each, a "Series A Right"). Each whole Series A Right entitled its holder to subscribe, at a per share subscription price of \$35.99, for one share of Series A Liberty Ventures common stock. In the fourth quarter of 2012, the Company issued approximately 9 million shares in connection with the rights offering and raised approximately \$328 million of cash.

#### (14) Transactions with Officers and Directors

##### *Chief Executive Officer Compensation Arrangement*

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

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (14) Transactions with Officers and Directors (Continued)

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

Salary compensation related to services provided are allocated from LMC to Liberty pursuant to the Services Agreement. Any cash bonus attributable to the performance of Liberty is paid directly by Liberty. The stock options relating to Liberty Capital common stock and Liberty Starz common stock were assumed by LMC at the time of the LMC Split-Off.

#### (15) Stock-Based Compensation

##### *Liberty—Incentive Plans*

Pursuant to the Liberty Interactive Corporation 2000 Incentive Plan, as amended from time to time (the “2000 Plan”), and the Liberty Interactive Corporation 2007 Incentive Plan, as amended from time to time (the “2007 Plan”) the Company has granted to certain of its employees stock options and SARs (collectively, “Awards”) to purchase shares of Liberty common stock. The 2000 Plan and 2007 Plan provide for Awards to be issued in respect of a maximum of 2.9 million shares and 4.2 million shares, respectively, of Liberty common stock. No additional grants may be made pursuant to these plans. On June 24, 2010, stockholders of the Company approved the Liberty Interactive Corporation 2010 Incentive Plan, as amended from time to time (the “2010 Plan”). The 2010 Plan provides for Awards to be made in respect of a maximum of 42.9 million shares of Liberty common stock. Additionally, pursuant to the Liberty Interactive Corporation 2012 Incentive Plan, as amended (the “2012 Plan”), the Company may grant Awards to be made in respect of a maximum of 40 million shares of Liberty common stock. Awards generally vest over 4-5 years and have a term of 5-10 years. Liberty issues new shares upon exercise of equity awards.

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

##### *Liberty—Grants*

During the year ended December 31, 2013, Liberty granted, primarily to QVC employees, 4.3 million options to purchase shares of Series A Liberty Interactive common stock. Such options had a weighted average grant-date fair value of \$8.26 per share. Liberty also granted approximately 7,000 options to purchase shares of Series A Liberty Ventures common stock. Such options had a weighted average grant-date fair value of \$57.37 per share.



## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (15) Stock-Based Compensation (Continued)

In connection with the 2012 Option Exchange (see below), Liberty granted 20.1 million and 905 thousand options to purchase shares of Series A Liberty Interactive common stock and Series A Liberty Ventures common stock, respectively. Such options had a weighted average grant-date fair value of \$7.15 and \$26.58 per share, respectively.

During the years ended December 31, 2012 and 2011, the Company granted approximately 3.4 million and 6.2 million options to purchase shares of Series A Liberty Interactive common stock, respectively. Such options had a weighted average grant-date fair value of \$8.44 and \$7.32 per share, respectively. During the year ended December 31, 2012, the Company also granted 36 thousand options to purchase shares of Series A Liberty Ventures common stock, which options had a weighted average grant-date fair value of \$27.29 per share.

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

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

The 2012 Option Exchange was considered a modification under ASC 718—*Stock Compensation* and resulted in incremental compensation expense in 2012 of \$17 million and \$4 million for LINTA and LVNTA, respectively. Incremental compensation expense is also being recognized over the

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(15) Stock-Based Compensation (Continued)**

remaining vesting periods of the new unvested options and the restricted shares and is included in unrecognized compensation.

The Company has calculated the grant-date fair value for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2013, 2012 and 2011, the range of expected terms was 1.3 to 9.0 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty's stocks and the implied volatility of publicly traded Liberty options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the range of volatilities used by Liberty in the Black-Scholes Model for the 2013, 2012 and 2011 Liberty Interactive and Liberty Ventures grants.

	<u>Volatility</u>
2013 grants	
Liberty Interactive options . . . . .	38.3% - 38.7%
Liberty Ventures options . . . . .	43.7% - 49.9%
2012 grants	
Liberty Interactive options . . . . .	28.2% - 47.51%
Liberty Ventures options . . . . .	47.5% - 49.94%
2011 grants	
Liberty Interactive options . . . . .	44.8% - 47.51%

***Liberty—Outstanding Awards***

The following table presents the number and weighted average exercise price (“WAEP”) of the Awards to purchase Liberty Interactive and Liberty Ventures common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

	<u>Liberty Interactive</u>							
	<u>Series A</u>				<u>Series B</u>			
	<u>Awards (000's)</u>	<u>WAEP</u>	<u>Weighted average remaining life</u>	<u>Aggregate Intrinsic Value (000's)</u>	<u>Awards (000's)</u>	<u>WAEP</u>	<u>Weighted average remaining life</u>	<u>Aggregate Intrinsic Value (000's)</u>
Outstanding at January 1,								
2013 . . . . .	33,839	\$16.92			432	\$17.92		
Granted . . . . .	4,296	\$21.25			—	\$ —		
Exercised . . . . .	(6,933)	\$15.05			—	\$ —		
Forfeited/Cancelled/ Exchanged . . . . .	<u>(595)</u>	\$15.28			<u>—</u>	\$ —		
Outstanding at								
December 31, 2013 . . . . .	<u>30,607</u>	\$17.98	5.0 years	\$348,277	<u>432</u>	\$17.92	1.4 years	\$4,955
Exercisable at December 31,								
2013 . . . . .	<u>14,056</u>	\$16.47	4.4 years	\$181,315	<u>432</u>	\$17.92	1.4 years	\$4,955

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(15) Stock-Based Compensation (Continued)**

	Liberty Ventures							
	Series A				Series B			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate Intrinsic Value (000's)	Awards (000's)	WAEP	Weighted average remaining life	Aggregate Intrinsic Value (000's)
Outstanding at January 1, 2013 . . . . .	1,155	\$ 56.26			22	46.69		
Granted . . . . .	7	\$116.03			—	—		
Exercised . . . . .	(195)	\$ 52.81			—	—		
Forfeited/Cancelled/ Exchanged . . . . .	(1)	\$ 45.28			—	—		
Outstanding at December 31, 2013 . . . . .	<u>966</u>	\$ 57.42	5.0 years	\$62,981	<u>22</u>	46.69	1.4 years	\$1,631
Exercisable at December 31, 2013 . . . . .	<u>492</u>	\$ 55.47	4.6 years	\$33,042	<u>22</u>	46.69	1.4 years	\$1,631

As of December 31, 2013, the total unrecognized compensation cost related to unvested Liberty Awards was approximately \$109 million, including incremental compensation under the Option Exchange. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.5 years.

***Liberty—Exercises***

The aggregate intrinsic value of all options exercised during the years ended December 31, 2013, 2012 and 2011 was \$76 million, \$339 million and \$33 million, respectively. The aggregate intrinsic value of options exercised for the year ended December 31, 2012 includes approximately \$242 million related to the intrinsic value of options exercised as a result of the 2012 Option Exchange.

***Liberty—Restricted Stock***

Associated with the Option Exchange the Company issued approximately 4.6 million and 0.3 million shares of unvested restricted Liberty Interactive and Liberty Ventures common stock, respectively, of which 2.0 million and 0.1 million vested during the year ended December 31, 2013. These shares continue to vest over the next two years and since the Option Exchange was accounted for as a modification, the compensation expense associated with these restricted shares was treated as incremental compensation, as discussed above, and is included in the total unrecognized compensation costs under the outstanding Awards section above. The Company had approximately 1.5 million shares and 50 thousand shares of unvested restricted Liberty Interactive and Liberty Ventures common stock, respectively, held by certain directors, officers and employees of the Company as of December 31, 2013, not issued under the Option Exchange. These unvested restricted shares of LINTA and LVNTA had a weighted average grant date fair value of \$17.09 and \$13.36 per share, respectively.

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2013, 2012 and 2011 was \$16 million, \$12 million and \$14 million, respectively.

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (15) Stock-Based Compensation (Continued)

##### *TripAdvisor—Stock-based Compensation*

TripAdvisor has outstanding options and restricted stock which is exercisable in their common stock. During the year ended December 31, 2013, TripAdvisor issued 2.8 million of primarily service based stock options under their outstanding 2011 Incentive Plan with a weighted average exercise price per option of \$58.03 and a grant date fair value of \$28.30. Approximately 1.5 million equity awards were exercised during the period at a weighted average exercise price of \$23.81. As of December 31, 2013 TripAdvisor has 9.5 million options outstanding of which 3.5 million are exercisable with a weighted average exercise price of \$40.18 and \$30.11, respectively. The aggregate intrinsic value of these outstanding and exercisable options were \$404 million and \$186 million, respectively.

As of December 31, 2013, the total unrecognized compensation cost related to unvested TripAdvisor stock options was approximately \$104 million and will be recognized over a weighted average period of approximately 3.0 years. Additionally, TripAdvisor had unrecognized compensation, related to outstanding restricted stock units, of \$33 million.

##### *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.

#### (16) Employee Benefit Plans

Subsidiaries of Liberty sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment in Liberty common stock, as well as other mutual funds. The Company's subsidiaries make matching contributions to their plans based on a percentage of the amount contributed by employees. Employer cash contributions to all plans aggregated \$29 million, \$19 million and \$18 million for the years ended December 31, 2013, 2012 and 2011, respectively.

#### (17) Other Comprehensive Earnings (Loss)

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

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(17) Other Comprehensive Earnings (Loss) (Continued)**

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

	<u>Foreign currency translation adjustments</u>	<u>Share of AOCI of equity affiliates</u>	<u>AOCI of discontinued operations</u>	<u>AOCI</u>
	<u>amounts in millions</u>			<u>AOCI</u>
Balance at January 1, 2011 . . . . .	\$173	(4)	57	226
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders . . . . .	(15)	(2)	(26)	(43)
Distribution to stockholders for split-off of Liberty Media Corporation . . . . .	<u>—</u>	<u>—</u>	<u>(31)</u>	<u>(31)</u>
Balance at December 31, 2011 . . .	158	(6)	—	152
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders . . . . .	<u>(7)</u>	<u>3</u>	<u>—</u>	<u>(4)</u>
Balance at December 31, 2012 . . .	151	(3)	—	148
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders . . . . .	<u>(51)</u>	<u>2</u>	<u>—</u>	<u>(49)</u>
Balance at December 31, 2013 . . .	<u>\$100</u>	<u>(1)</u>	<u>—</u>	<u>99</u>

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(17) Other Comprehensive Earnings (Loss) (Continued)**

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

	<u>Before-tax amount</u>	<u>Tax (expense) benefit</u>	<u>Net-of-tax amount</u>
	<u>amounts in millions</u>		
<i>Year ended December 31, 2013:</i>			
Foreign currency translation adjustments . . . . .	\$ (123)	47	(76)
Share of other comprehensive earnings (loss) of equity affiliates . . . . .	<u>3</u>	<u>(1)</u>	<u>2</u>
Other comprehensive earnings (loss) . . . . .	<u>\$ (120)</u>	<u>46</u>	<u>(74)</u>
<i>Year ended December 31, 2012:</i>			
Foreign currency translation adjustments . . . . .	\$ (40)	15	(25)
Share of other comprehensive earnings (loss) of equity affiliates . . . . .	<u>5</u>	<u>(2)</u>	<u>3</u>
Other comprehensive earnings (loss) . . . . .	<u>\$ (35)</u>	<u>13</u>	<u>(22)</u>
<i>Year ended December 31, 2011:</i>			
Foreign currency translation adjustments . . . . .	\$ (18)	7	(11)
Share of other comprehensive earnings (loss) of equity affiliates . . . . .	(3)	1	(2)
Other comprehensive earnings (loss) from discontinued operations . . . . .	<u>(42)</u>	<u>16</u>	<u>(26)</u>
Other comprehensive earnings (loss) . . . . .	<u>\$ (63)</u>	<u>24</u>	<u>(39)</u>

**(18) Commitments and Contingencies**

***Operating Leases***

Liberty leases business offices, has entered into satellite transponder lease agreements and uses certain equipment under lease arrangements. Rental expense under such arrangements amounted to \$65 million, \$56 million and \$46 million for the years ended December 31, 2013, 2012 and 2011, respectively.

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(18) Commitments and Contingencies (Continued)**

A summary of future minimum lease payments under noncancelable operating leases as of December 31, 2013 follows (amounts in millions):

Years ending December 31:	
2014 .....	\$ 48
2015 .....	\$ 43
2016 .....	\$ 45
2017 .....	\$ 41
2018 .....	\$ 37
Thereafter .....	\$282

It is expected that in the normal course of business, leases that expire generally will be renewed or replaced by leases on other properties; thus, it is anticipated that future lease commitments will not be less than the amount shown for 2013.

***Litigation***

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

**(19) Information About Liberty's Operating Segments**

Liberty, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce industries. Liberty identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Liberty's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

Liberty evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per customer equivalent. In addition, Liberty reviews nonfinancial measures such as unique website visitors, conversion rates and active customers, as appropriate.

Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of

## LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

December 31, 2013, 2012 and 2011

#### (19) Information About Liberty's Operating Segments (Continued)

operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the year ended December 31, 2013, Liberty has identified the following consolidated subsidiaries as its reportable segments:

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

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

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

Liberty's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the Company's summary of significant accounting policies.



**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(19) Information About Liberty's Operating Segments (Continued)**

**Performance Measures**

	Years ended December 31,					
	2013		2012		2011	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
Interactive Group						
QVC . . . . .	\$ 8,623	1,841	8,516	1,828	8,268	1,733
E-commerce . . . . .	1,684	85	1,502	96	1,348	123
Corporate and other . . . . .	—	(20)	—	(27)	—	(29)
Total Interactive Group . . . . .	<u>10,307</u>	<u>1,906</u>	<u>10,018</u>	<u>1,897</u>	<u>9,616</u>	<u>1,827</u>
Ventures Group						
TripAdvisor . . . . .	945	379	36	8	—	—
Corporate and other . . . . .	—	(11)	—	(5)	—	(4)
Total Ventures Group . . . . .	<u>945</u>	<u>368</u>	<u>36</u>	<u>3</u>	<u>—</u>	<u>(4)</u>
Consolidated Liberty . . . . .	<u>\$11,252</u>	<u>2,274</u>	<u>10,054</u>	<u>1,900</u>	<u>9,616</u>	<u>1,823</u>

**Other Information**

	December 31, 2013			December 31, 2012		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions					
Interactive Group						
QVC . . . . .	\$13,031	51	217	13,414	52	246
E-commerce . . . . .	1,255	—	78	1,488	9	91
Corporate and other . . . . .	576	292	—	213	243	1
Total Interactive Group . . . . .	<u>14,862</u>	<u>343</u>	<u>295</u>	<u>15,115</u>	<u>304</u>	<u>338</u>
Ventures Group						
TripAdvisor . . . . .	7,061	—	57	7,377	—	1
Corporate and other . . . . .	2,923	894	—	3,919	547	—
Total Ventures Group . . . . .	<u>9,984</u>	<u>894</u>	<u>57</u>	<u>11,296</u>	<u>547</u>	<u>1</u>
Inter-group eliminations . . . . .	(170)	—	—	(156)	—	—
Consolidated Liberty . . . . .	<u>\$24,676</u>	<u>1,237</u>	<u>352</u>	<u>26,255</u>	<u>851</u>	<u>339</u>

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(19) Information About Liberty's Operating Segments (Continued)**

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

	<b>Years ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
Consolidated segment Adjusted OIBDA . . . . .	\$2,274	1,900	1,823
Stock-based compensation . . . . .	(178)	(91)	(49)
Depreciation and amortization . . . . .	(943)	(609)	(641)
Impairment of intangible assets . . . . .	(33)	(92)	—
Interest expense . . . . .	(373)	(432)	(427)
Share of earnings (loss) of affiliates, net . . . . .	33	85	140
Realized and unrealized gains (losses) on financial instruments, net . . . . .	(22)	(351)	84
Gains (losses) on transactions, net . . . . .	(2)	1,531	—
Other, net . . . . .	(46)	44	9
Earnings (loss) from continuing operations before income taxes . . . . .	<u>\$ 710</u>	<u>1,985</u>	<u>939</u>

**Revenue by Geographic Area**

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

	<b>Years ended December 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>amounts in millions</b>		
United States . . . . .	\$ 7,872	7,009	6,670
Japan . . . . .	1,029	1,251	1,133
Germany . . . . .	971	957	1,068
Other foreign countries . . . . .	1,380	837	745
	<u>\$11,252</u>	<u>10,054</u>	<u>9,616</u>

**Long-lived Assets by Geographic Area**

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>amounts in millions</b>	
United States . . . . .	\$ 582	529
Japan . . . . .	220	280
Germany . . . . .	245	247
Other foreign countries . . . . .	200	179
	<u>\$1,247</u>	<u>1,235</u>

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(20) Quarterly Financial Information (Unaudited)**

	<u>1st</u> <u>Quarter</u>	<u>2nd</u> <u>Quarter</u>	<u>3rd</u> <u>Quarter</u>	<u>4th</u> <u>Quarter</u>
	amounts in millions, except per share amounts			
<i>2013:</i>				
Revenue . . . . .	\$2,664	2,647	2,500	3,441
Operating income . . . . .	\$ 271	284	205	360
Earnings from continuing operations . . . . .	\$ 53	150	131	246
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B Liberty Interactive common stock . . . . .	95	109	77	157
Series A and Series B Liberty Ventures common stock . . . . .	(68)	11	36	84
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Interactive common stock . . . . .	\$ 0.18	0.21	0.15	0.31
Series A and Series B Liberty Ventures common stock . . . . .	\$(1.89)	0.30	1.00	2.27
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B Liberty Interactive common stock . . . . .	\$ 0.18	0.21	0.15	0.31
Series A and Series B Liberty Ventures common stock . . . . .	\$(1.89)	0.30	0.97	2.27

**LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES**

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

**December 31, 2013, 2012 and 2011**

**(20) Quarterly Financial Information (Unaudited) (Continued)**

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

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

Our Liberty Interactive common stock is intended to reflect the separate performance of our Interactive Group which is comprised of our businesses engaged in video and on-line commerce, including our subsidiaries, QVC, Inc., Provide Commerce, Inc., Backcountry.com, Inc., Bodybuilding.com, LLC, Celebrate Interactive Holdings, LLC and our interest in HSN, Inc. Our Liberty Ventures common stock is intended to reflect the separate performance of our Ventures Group which consists of all of our businesses not included in the Interactive Group including our consolidated subsidiary TripAdvisor, Inc. (“TripAdvisor”), as of December 11, 2012, and our interest in equity method investments of Expedia, Inc., Interval Leisure Group, Inc. and Tree.com, Inc. and available-for-sale securities Time Warner, Time Warner Cable and AOL.

The following tables present our assets and liabilities as of December 31, 2013 and 2012 and revenue, expenses and cash flows for the three years ended December 31, 2013, 2012 and 2011. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Interactive Group and the Ventures Group, respectively, as if those businesses and assets had been attributed to those respective groups at the beginning of each period, for comparative purposes. Therefore, the attributed earnings in the periods presented in the Unaudited Attributed Financial Information Statements are not the same as those reflected in the Liberty Interactive Corporation consolidated financial statements. The earnings attributed to the Liberty Interactive common stock and Liberty Ventures common stock for purposes of those financial statements only relate to the periods after the tracking stocks were issued. The financial information in this Exhibit should be read in conjunction with our consolidated financial statements for the year ended December 31, 2013 included in this Annual Report on Form 10-K.

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

## SUMMARY ATTRIBUTED FINANCIAL DATA

*Interactive Group*

	December 31, 2013	December 31, 2012	amounts in millions		
<b>Summary balance sheet data:</b>					
Current assets . . . . .	\$ 3,245	3,141			
Investments in affiliates, accounted for using the equity method . . . . .	\$ 343	304			
Intangible assets not subject to amortization, net . . . . .	\$ 8,387	8,431			
Total assets . . . . .	\$14,862	15,115			
Long-term debt . . . . .	\$ 5,044	4,277			
Long-term deferred income tax liabilities . . . . .	\$ 1,208	1,318			
Attributed net assets . . . . .	\$ 6,378	7,011			
<b>Years ended December 31,</b>					
	2013	2012	2011	amounts in millions	
<b>Summary operations data:</b>					
Revenue . . . . .	\$10,307	10,018	9,616		
Cost of sales . . . . .	(6,602)	(6,396)	(6,114)		
Operating expenses . . . . .	(876)	(833)	(866)		
Selling, general and administrative expenses(1) . . . . .	(1,033)	(977)	(858)		
Impairment of intangible assets . . . . .	(33)	(92)	—		
Depreciation and amortization . . . . .	(632)	(596)	(641)		
Operating income (loss) . . . . .	1,131	1,124	1,137		
Interest expense . . . . .	(292)	(322)	(317)		
Share of earnings (losses) of affiliates, net . . . . .	48	28	23		
Realized and unrealized gains (losses) on financial instruments, net . . . . .	(12)	51	75		
Gains (losses) on transactions, net . . . . .	(1)	—	—		
Other income (expense), net . . . . .	(53)	—	15		
Income tax benefit (expense) . . . . .	(338)	(352)	(353)		
Earnings (loss) from continuing operations . . . . .	483	529	580		
Earnings (loss) from discontinued operations, net of taxes . . . . .	—	—	378		
Net earnings (loss) . . . . .	483	529	958		
Less net earnings (loss) attributable to noncontrolling interests . . . . .	45	63	53		
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	<u>\$ 438</u>	<u>466</u>	<u>905</u>		

(1) Includes stock-based compensation of \$110 million, \$85 million and \$49 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Ventures Group

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	
	<u>amounts in millions</u>		
<b>Summary balance sheet data:</b>			
Cash and cash equivalents . . . . .	\$ 658	1,961	
Investments in available-for-sale securities and other cost investments . . . . .	\$1,497	1,815	
Investments in affiliates, accounted for using the equity method . . . . .	\$ 894	547	
Intangible assets not subject to amortization, net . . . . .	\$5,288	5,449	
Long-term debt, including current portion . . . . .	\$2,301	3,342	
Deferred tax liabilities, including current portion . . . . .	\$2,731	2,959	
Attributed net assets (liabilities) . . . . .	\$ 558	551	
	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>amounts in millions</u>		
<b>Summary operations data:</b>			
Revenue . . . . .	\$ 945	36	—
Operating expenses . . . . .	(153)	(7)	—
Selling, general and administrative expenses(1) . . . . .	(492)	(32)	(4)
Depreciation and amortization . . . . .	(311)	(13)	—
Operating income (loss) . . . . .	(11)	(16)	(4)
Interest expense . . . . .	(81)	(110)	(110)
Share of earnings (losses) of affiliates, net . . . . .	(15)	57	117
Realized and unrealized gains (losses) on financial instruments, net . . . . .	(10)	(402)	9
Gains (losses) on transactions, net . . . . .	(1)	1,531	—
Other, net . . . . .	7	44	(6)
Income tax benefit (expense) . . . . .	208	(42)	1
Net earnings (loss) . . . . .	97	1,062	7
Less net earnings (loss) attributable to noncontrolling interests . . . . .	34	(2)	—
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	<u>\$ 63</u>	<u>1,064</u>	<u>7</u>

(1) Includes stock-based compensation of \$68 million, \$6 million and zero for the years ended December 31, 2013, 2012 and 2011, respectively.

**BALANCE SHEET INFORMATION**

**December 31, 2013**

**(unaudited)**

	Attributed (note 1)		Inter-group eliminations	Consolidated Liberty
	Interactive Group	Ventures Group		
	amounts in millions			
<i>Assets</i>				
Current assets:				
Cash and cash equivalents . . . . .	\$ 598	658	—	1,256
Trade and other receivables, net . . . . .	1,150	124	—	1,274
Inventory, net . . . . .	1,135	—	—	1,135
Short-term marketable securities . . . . .	—	543	—	543
Other current assets . . . . .	362	26	(170)	218
Total current assets . . . . .	3,245	1,351	(170)	4,426
Investments in available-for-sale securities and other cost investments (note 2) . . . . .	4	1,497	—	1,501
Investments in affiliates, accounted for using the equity method (note 3) . . . . .	343	894	—	1,237
Property and equipment, net . . . . .	1,213	34	—	1,247
Intangible assets not subject to amortization, net . .	8,387	5,288	—	13,675
Intangible assets subject to amortization, net . . . . .	1,589	903	—	2,492
Other assets, at cost, net of accumulated amortization . . . . .	81	17	—	98
Total assets . . . . .	\$14,862	9,984	(170)	24,676
<i>Liabilities and Equity</i>				
Current liabilities:				
Intergroup payable (receivable) . . . . .	\$ 221	(221)	—	—
Accounts payable . . . . .	553	38	—	591
Accrued liabilities . . . . .	958	109	—	1,067
Current portion of debt (note 4) . . . . .	39	939	—	978
Deferred tax liabilities . . . . .	—	1,095	(170)	925
Other current liabilities . . . . .	145	50	—	195
Total current liabilities . . . . .	1,916	2,010	(170)	3,756
Long-term debt (note 4) . . . . .	5,044	1,362	—	6,406
Deferred income tax liabilities . . . . .	1,208	1,636	—	2,844
Other liabilities . . . . .	192	43	—	235
Total liabilities . . . . .	8,360	5,051	(170)	13,241
Equity/Attributed net assets (liabilities) . . . . .	6,378	558	—	6,936
Noncontrolling interests in equity of subsidiaries . .	124	4,375	—	4,499
Total liabilities and equity . . . . .	\$14,862	9,984	(170)	24,676



**BALANCE SHEET INFORMATION**

**December 31, 2012**

**(unaudited)**

	Attributed (note 1)		Inter-group eliminations	Consolidated Liberty
	Interactive Group	Ventures Group		
	amounts in millions			
<i>Assets</i>				
Current assets:				
Cash and cash equivalents . . . . .	\$ 699	1,961	—	2,660
Trade and other receivables, net . . . . .	1,095	106	—	1,201
Inventory, net . . . . .	1,106	—	—	1,106
Short-term marketable securities . . . . .	—	186	—	186
Other current assets . . . . .	241	20	(156)	105
Total current assets . . . . .	3,141	2,273	(156)	5,258
Investments in available-for-sale securities and other cost investments (note 2) . . . . .	4	1,815	—	1,819
Investments in affiliates, accounted for using the equity method (note 3) . . . . .	304	547	—	851
Property and equipment, net . . . . .	1,220	15	—	1,235
Intangible assets not subject to amortization, net . .	8,431	5,449	—	13,880
Intangible assets subject to amortization, net . . . . .	1,934	1,183	—	3,117
Other assets, at cost, net of accumulated amortization . . . . .	81	14	—	95
Total assets . . . . .	\$15,115	11,296	(156)	26,255
<i>Liabilities and Equity</i>				
Current liabilities:				
Intergroup payable (receivable) . . . . .	\$ 70	(70)	—	—
Accounts payable . . . . .	705	14	—	719
Accrued liabilities . . . . .	819	99	—	918
Current portion of debt (note 4) . . . . .	265	1,373	—	1,638
Deferred tax liabilities . . . . .	—	1,068	(156)	912
Other current liabilities . . . . .	267	35	—	302
Total current liabilities . . . . .	2,126	2,519	(156)	4,489
Long-term debt (note 4) . . . . .	4,277	1,969	—	6,246
Deferred income tax liabilities . . . . .	1,318	1,891	—	3,209
Other liabilities . . . . .	234	26	—	260
Total liabilities . . . . .	7,955	6,405	(156)	14,204
Equity/Attributed net assets (liabilities) . . . . .	7,011	551	—	7,562
Noncontrolling interests in equity of subsidiaries . .	149	4,340	—	4,489
Total liabilities and equity . . . . .	\$15,115	11,296	(156)	26,255

**STATEMENT OF OPERATIONS INFORMATION**

**Year ended December 31, 2013**

**(unaudited)**

	<b>Attributed (note 1)</b>		<b>Consolidated Liberty</b>
	<b>Interactive Group</b>	<b>Ventures Group</b>	
	<b>amounts in millions</b>		
Revenue:			
Net retail sales . . . . .	\$10,307	—	10,307
Service and other revenue, net . . . . .	—	945	945
Total revenue, net . . . . .	<u>10,307</u>	<u>945</u>	<u>11,252</u>
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below) . . . . .	6,602	—	6,602
Operating . . . . .	876	153	1,029
Selling, general and administrative, including stock-based compensation (note 5) . . . . .	1,033	492	1,525
Impairment of intangible assets . . . . .	33	—	33
Depreciation and amortization . . . . .	<u>632</u>	<u>311</u>	<u>943</u>
	<u>9,176</u>	<u>956</u>	<u>10,132</u>
Operating income (loss) . . . . .	1,131	(11)	1,120
Other income (expense):			
Interest expense . . . . .	(292)	(81)	(373)
Share of earnings (losses) of affiliates, net (note 3) . . . . .	48	(15)	33
Realized and unrealized gains (losses) on financial instruments, net . . . . .	(12)	(10)	(22)
Gains (losses) on transactions, net . . . . .	(1)	(1)	(2)
Other, net . . . . .	<u>(53)</u>	<u>7</u>	<u>(46)</u>
	<u>(310)</u>	<u>(100)</u>	<u>(410)</u>
Earnings (loss) before income taxes . . . . .	821	(111)	710
Income tax benefit (expense) . . . . .	<u>(338)</u>	<u>208</u>	<u>(130)</u>
Net earnings (loss) . . . . .	483	97	580
Less net earnings (loss) attributable to noncontrolling interests . . . . .	<u>45</u>	<u>34</u>	<u>79</u>
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	<u>\$ 438</u>	<u>63</u>	<u>501</u>

**STATEMENT OF OPERATIONS INFORMATION**

**Year ended December 31, 2012**

**(unaudited)**

	Attributed (note 1)		Consolidated Liberty
	Interactive Group	Ventures Group	
	amounts in millions		
Revenue:			
Net retail sales . . . . .	\$10,018	—	10,018
Service and other revenue, net . . . . .	—	36	36
Total revenue, net . . . . .	10,018	36	10,054
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below) . . . . .	6,396	—	6,396
Operating . . . . .	833	7	840
Selling, general and administrative, including stock-based compensation (note 5) . . . . .	977	32	1,009
Depreciation and amortization . . . . .	596	13	609
Impairment of intangible assets . . . . .	92	—	92
	8,894	52	8,946
Operating income (loss) . . . . .	1,124	(16)	1,108
Other income (expense):			
Interest expense . . . . .	(322)	(110)	(432)
Share of earnings (losses) of affiliates, net (note 3) . . . . .	28	57	85
Realized and unrealized gains (losses) on financial instruments, net . . . . .	51	(402)	(351)
Gains (losses) on transactions, net . . . . .	—	1,531	1,531
Other, net . . . . .	—	44	44
	(243)	1,120	877
Earnings (loss) from continuing operations before income taxes . . . . .	881	1,104	1,985
Income tax benefit (expense) . . . . .	(352)	(42)	(394)
Earnings (loss) from continuing operations . . . . .	529	1,062	1,591
Earnings (loss) from discontinued operations, net of taxes . . . . .	—	—	—
Net earnings (loss) . . . . .	529	1,062	1,591
Less net earnings (loss) attributable to noncontrolling interests . . . . .	63	(2)	61
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	\$ 466	1,064	1,530

**STATEMENT OF OPERATIONS INFORMATION**

**Year ended December 31, 2011**

**(unaudited)**

	<u>Attributed (note 1)</u>		<u>Consolidated Liberty</u>
	<u>Interactive Group</u>	<u>Ventures Group</u>	
	<u>amounts in millions</u>		
Revenue:			
Net retail sales . . . . .	\$9,616	—	9,616
Service and other revenue, net . . . . .	—	—	—
Total revenue, net . . . . .	<u>9,616</u>	<u>—</u>	<u>9,616</u>
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below) . . . . .	6,114	—	6,114
Operating . . . . .	866	—	866
Selling, general and administrative, including stock-based compensation (note 5) . . . . .	858	4	862
Depreciation and amortization . . . . .	<u>641</u>	<u>—</u>	<u>641</u>
	<u>8,479</u>	<u>4</u>	<u>8,483</u>
Operating income (loss) . . . . .	1,137	(4)	1,133
Other income (expense):			
Interest expense . . . . .	(317)	(110)	(427)
Share of earnings (losses) of affiliates, net (note 3) . . . . .	23	117	140
Realized and unrealized gains (losses) on financial instruments, net . . . . .	75	9	84
Other, net . . . . .	<u>15</u>	<u>(6)</u>	<u>9</u>
	<u>(204)</u>	<u>10</u>	<u>(194)</u>
Earnings (loss) before income taxes . . . . .	933	6	939
Income tax benefit (expense) . . . . .	<u>(353)</u>	<u>1</u>	<u>(352)</u>
Earnings (loss) from continuing operations . . . . .	580	7	587
Earnings (loss) from discontinued operations, net of taxes . . . . .	<u>378</u>	<u>—</u>	<u>378</u>
Net earnings (loss) . . . . .	958	7	965
Less net earnings (loss) attributable to noncontrolling interests . . . . .	<u>53</u>	<u>—</u>	<u>53</u>
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders . . . . .	<u>\$ 905</u>	<u>7</u>	<u>912</u>

**STATEMENT OF CASH FLOWS INFORMATION**  
**Year ended December 31, 2013**  
**(unaudited)**

	Attributed (note 1)		Consolidated Liberty
	Interactive Group	Ventures Group	
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss) . . . . .	\$ 483	97	580
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization . . . . .	632	311	943
Stock-based compensation . . . . .	110	68	178
Cash payments for stock-based compensation . . . . .	(8)	(2)	(10)
Excess tax benefit from stock-based compensation . . . . .	(13)	(10)	(23)
Noncash interest expense . . . . .	11	2	13
Share of losses (earnings) of affiliates, net . . . . .	(48)	15	(33)
Cash receipts from return on equity investments . . . . .	16	19	35
Realized and unrealized gains (losses) on financial instruments, net . . . . .	12	10	22
(Gains) losses on transactions, net . . . . .	1	1	2
(Gains) losses on extinguishment of debt . . . . .	57	—	57
Impairment of intangible assets . . . . .	33	—	33
Deferred income tax (benefit) expense . . . . .	(131)	(5)	(136)
Other, net . . . . .	(3)	1	(2)
Intergroup tax allocation . . . . .	272	(272)	—
Intergroup tax payments . . . . .	(52)	52	—
Changes in operating assets and liabilities			
Current and other assets . . . . .	(63)	(18)	(81)
Payables and other current liabilities . . . . .	(337)	119	(218)
Net cash provided (used) by operating activities . . . . .	<u>972</u>	<u>388</u>	<u>1,360</u>
Cash flows from investing activities:			
Cash proceeds from dispositions . . . . .	1	1,136	1,137
Investments in and loans to cost and equity investees . . . . .	(4)	(380)	(384)
Capital expended for property and equipment . . . . .	(295)	(57)	(352)
Cash paid for acquisitions, net of cash acquired . . . . .	(24)	(34)	(58)
Purchases of short term and other marketable securities . . . . .	—	(1,391)	(1,391)
Sales of short term and other marketable securities . . . . .	—	726	726
Other investing activities, net . . . . .	(40)	2	(38)
Net cash provided (used) by investing activities . . . . .	<u>(362)</u>	<u>2</u>	<u>(360)</u>
Cash flows from financing activities:			
Borrowings of debt . . . . .	3,520	853	4,373
Repayments of debt . . . . .	(3,056)	(2,418)	(5,474)
Intergroup receipts (payments), net . . . . .	2	(2)	—
Repurchases of Liberty Interactive common stock . . . . .	(1,089)	—	(1,089)
Shares repurchased by subsidiary . . . . .	—	(145)	(145)
Shares issued by subsidiary . . . . .	—	27	27
Taxes paid in lieu of shares issued for stock-based compensation . . . . .	(21)	(17)	(38)
Excess tax benefit from stock-based compensation . . . . .	13	10	23
Other financing activities, net . . . . .	(56)	(1)	(57)
Net cash provided (used) by financing activities . . . . .	<u>(687)</u>	<u>(1,693)</u>	<u>(2,380)</u>
Effect of foreign currency rates on cash . . . . .	(24)	—	(24)
Net increase (decrease) in cash and cash equivalents . . . . .	(101)	(1,303)	(1,404)
Cash and cash equivalents at beginning of period . . . . .	699	1,961	2,660
Cash and cash equivalents at end period . . . . .	<u>\$ 598</u>	<u>658</u>	<u>1,256</u>

**STATEMENT OF CASH FLOWS INFORMATION**  
**Year ended December 31, 2012**  
**(unaudited)**

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

**STATEMENT OF CASH FLOWS INFORMATION**  
**Year ended December 31, 2011**  
**(unaudited)**

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

**Notes to Attributed Financial Information**  
**(unaudited)**

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

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

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

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

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



**Notes to Attributed Financial Information**  
(unaudited)

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

	December 31, 2013	December 31, 2012
	amounts in millions	
Interactive Group		
Other cost investments . . . . .	\$ 4	4
Total Interactive Group . . . . .	4	4
Ventures Group		
Time Warner Inc. . . . .	306	1,042
Time Warner Cable Inc. . . . .	741	531
Other AFS investments . . . . .	262	143
TripAdvisor AFS securities . . . . .	188	99
Total Ventures Group . . . . .	1,497	1,815
Consolidated Liberty . . . . .	\$1,501	1,819

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

		December 31, 2013			Share of earnings (losses)		
		Percentage ownership	Carrying value	Market value	Years ended December 31,		
					2013	2012	2011
dollar amounts in millions							
Interactive Group							
HSN, Inc.(3) . . . . .	38%	\$ 293	1,247	61	40	38	
Other . . . . .	various	50	N/A	(13)	(12)	(15)	
Total Interactive Group . . . . .		343		48	28	23	
Ventures Group							
Expedia, Inc.(1)(2)(3) . . . . .	18%	477	1,608	31	67	119	
TripAdvisor, Inc.(1)(4) . . . . .	N/A	N/A	N/A	NA	38	NA	
Other(5) . . . . .	various	417	N/A	(46)	(48)	(2)	
Total Ventures Group . . . . .		894		(15)	57	117	
Consolidated Liberty . . . . .		\$1,237		33	85	140	

- (1) During the fourth quarter of 2011 Expedia, Inc. completed the pro-rata split-off of TripAdvisor, a wholly owned subsidiary. Therefore, the Company had a 26% ownership interest in each of Expedia, Inc. and TripAdvisor as of December 31, 2011.
- (2) Liberty entered into a forward sales contract on 12 million shares of Expedia common stock in March 2012 at a per share forward price of \$34.316. The forward contract was settled in October 2012 for total cash proceeds of \$412 million and the 12 million shares of Expedia common stock, previously held as collateral, were released to the

**Notes to Attributed Financial Information**  
**(unaudited)**

counterparty. In the fourth quarter when the forward contract settled, the difference between the fair value of the Expedia shares and the carrying value of the shares (\$443 million) was recognized in the gain (loss) on dispositions, net line item in the statement of operations. Liberty owns an approximate 18% equity interest and 58% voting interest in Expedia. Liberty has entered into governance arrangements pursuant to which Mr. Barry Diller, Chairman of the Board and Senior Executive Officer of Expedia, may vote its interests of Expedia, subject to certain limitations. Additionally, through our governance arrangements with Mr. Diller, we have the right to appoint and have appointed 20% of the members of Expedia's board of directors, which is currently comprised of 10 members. Therefore, we determined based on these arrangements that we have significant influence through our arrangements with Expedia and have accounted for the investment as an equity method affiliate.

- (3) During the year ended December 31, 2013, Expedia, Inc. and HSN, Inc. paid dividends aggregating \$13 million and \$16 million, respectively, which were recorded as reductions to the investment balances.
- (4) In May 2012, Liberty sold approximately 8.5 million shares of TripAdvisor for cash proceeds of \$338 million. The sale resulted in a \$288 million gain recorded in gain (losses) on transactions, net, based on the average cost, in the statement of operations. On December 11, 2012, we acquired approximately 4.8 million additional shares of common stock of TripAdvisor (an additional 4% equity ownership interest), for \$300 million, and obtained voting control of TripAdvisor, see note 5 in the accompanying consolidated financial statements for additional details of the transactions related to TripAdvisor.
- (5) Liberty invested \$300 million in a solar energy plant during 2013. Liberty expects to receive a portion of the initial investment back within a year as the entity expects to receive grant proceeds and other favorable tax attributes. Similar to some of Liberty's other alternative energy investments, the Company expects to record the Company's share of losses of the solar plant initially but expects to record the impacts of favorable tax attributes (primarily accelerated depreciation) as a current tax benefit with an offsetting deferred tax expense in the tax expense (benefit) line item in the Statement of Operations.

**Notes to Attributed Financial Information**  
(unaudited)

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

	December 31, 2013	
	Outstanding principal	Carrying value
	amounts in millions	
<b>Interactive Group</b>		
Corporate level notes and debentures		
8.5% Senior Debentures due 2029 . . . . .	\$ 287	285
8.25% Senior Debentures due 2030 . . . . .	504	501
1% Exchangeable Senior Debentures due 2043 . . . . .	400	423
Subsidiary level notes and facilities		
QVC 7.5% Senior Secured Notes due 2019 . . . . .	769	761
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 5.95% Senior Secured Notes due 2043 . . . . .	300	300
QVC Bank Credit Facilities . . . . .	922	922
Other subsidiary debt . . . . .	141	141
Total Interactive Group . . . . .	5,073	5,083
<b>Ventures Group</b>		
Corporate level debentures		
4% Exchangeable Senior Debentures due 2029 . . . . .	439	284
3.75% Exchangeable Senior Debentures due 2030 . . . . .	439	270
3.5% Exchangeable Senior Debentures due 2031 . . . . .	363	316
0.75% Exchangeable Senior Debentures due 2043 . . . . .	850	1,062
Subsidiary level notes and facilities		
TripAdvisor Debt Facilities . . . . .	369	369
Total Ventures Group . . . . .	2,460	2,301
Total consolidated Liberty debt . . . . .	\$7,533	7,384
Less current maturities . . . . .		(978)
Total long-term debt . . . . .		\$6,406

(5) Cash compensation expense for our corporate employees will be allocated among the Interactive Group and the Ventures Group based on the estimated percentage of time spent providing services for each group. On a semi-annual basis estimated time spent will be determined through an interview process and a review of personnel duties unless transactions significantly change the composition of companies and investments in either respective group which would require a more timely reevaluation of estimated time spent. Other general and administrative expenses will be charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the Interactive Group to the Ventures Group was determined to be \$11 million and \$5 million for the years ended December 31, 2013 and 2012, respectively. We note that stock compensation related to each tracking stock group is determined based on actual options outstanding for each respective tracking stock group, therefore, as it relates to periods prior to the Split-Off no stock compensation expense was recognized by the Ventures group.

**Notes to Attributed Financial Information**  
(unaudited)

While we believe that this allocation method is reasonable and fair to each group, we may elect to change the allocation methodology or percentages used to allocate general and administrative expenses in the future.

- (6) We have accounted for income taxes for the Interactive Group and the Ventures Group in the accompanying attributed financial information in a manner similar to a stand-alone company basis. To the extent this methodology differs from our tax sharing policy, differences have been reflected in the attributed net assets of the groups.

**Interactive Group**

Income tax benefit (expense) consists of:

	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	amounts in millions		
Current:			
Federal . . . . .	\$(361)	(365)	(310)
State and local . . . . .	(26)	(26)	(32)
Foreign . . . . .	(82)	(140)	(120)
	<u>\$(469)</u>	<u>(531)</u>	<u>(462)</u>
Deferred:			
Federal . . . . .	\$ 196	152	103
State and local . . . . .	(58)	20	2
Foreign . . . . .	(7)	7	4
	<u>131</u>	<u>179</u>	<u>109</u>
Income tax benefit (expense) . . . . .	<u>\$(338)</u>	<u>(352)</u>	<u>(353)</u>

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

	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	amounts in millions		
Computed expected tax benefit (expense) . . . . .	\$(288)	(309)	(327)
State and local income taxes, net of federal income taxes . . .	(22)	(4)	(17)
Foreign taxes, net of foreign tax credits . . . . .	(7)	5	(3)
Change in valuation allowance affecting tax expense . . . . .	(26)	(8)	(15)
Impairment of intangible assets . . . . .	(2)	(29)	—
Other, net . . . . .	7	(7)	9
Income tax benefit (expense) . . . . .	<u>\$(338)</u>	<u>(352)</u>	<u>(353)</u>

**Notes to Attributed Financial Information**  
**(unaudited)**

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

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>amounts in millions</b>	
Deferred tax assets:		
Net operating and capital loss carryforwards . . . . .	\$ 68	92
Foreign tax credit carryforwards . . . . .	129	87
Accrued stock compensation . . . . .	26	11
Other accrued liabilities . . . . .	79	80
Investments . . . . .	—	16
Other future deductible amounts . . . . .	130	133
Deferred tax assets . . . . .	432	419
Valuation allowance . . . . .	(51)	(40)
Net deferred tax assets . . . . .	381	379
Deferred tax liabilities:		
Intangible assets . . . . .	1,419	1,541
Deferred tax liabilities . . . . .	1,419	1,541
Net deferred tax liabilities . . . . .	\$1,038	1,162

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

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>amounts in millions</b>	
Current deferred tax (assets) liabilities . . . . .	\$ (170)	(156)
Long-term deferred tax liabilities . . . . .	1,208	1,318
Net deferred tax liabilities . . . . .	\$1,038	1,162

**Notes to Attributed Financial Information**  
**(unaudited)**

**Ventures Group**

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Current:			
Federal .....	\$ 233	151	154
State and local .....	(10)	(1)	—
Foreign .....	(20)	—	—
	<u>\$ 203</u>	<u>150</u>	<u>154</u>
Deferred:			
Federal .....	\$(207)	(183)	(145)
State and local .....	180	(9)	(8)
Foreign .....	32	—	—
	<u>5</u>	<u>(192)</u>	<u>(153)</u>
Income tax benefit (expense) .....	<u>\$ 208</u>	<u>(42)</u>	<u>1</u>

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

	Years ended December 31,		
	2013	2012	2011
	amounts in millions		
Computed expected tax benefit (expense) .....	\$ 39	(386)	(2)
State and local income taxes, net of federal income taxes .....	5	(7)	(5)
Foreign taxes, net of foreign tax credits .....	15	—	—
Impact of change in state rate on deferred taxes .....	109	—	—
Consolidation of previously held equity method affiliate .....	—	294	—
Change in valuation allowance affecting tax expense .....	(6)	—	—
Dividends received deductions .....	—	10	5
Alternative energy tax credits .....	54	48	3
Other, net .....	(8)	(1)	—
Income tax benefit (expense) .....	<u>\$208</u>	<u>(42)</u>	<u>1</u>

**Notes to Attributed Financial Information**  
(unaudited)

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

	December 31,	
	2013	2012
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards . . . . .	\$ 34	18
Other . . . . .	48	36
	82	54
Valuation allowance . . . . .	(17)	(12)
	65	42
Deferred tax liabilities:		
Investments . . . . .	569	508
Intangible assets . . . . .	862	1,209
Discount on exchangeable debentures . . . . .	965	890
Deferred gain on debt retirements . . . . .	313	321
Other . . . . .	82	73
	2,791	3,001
Net deferred tax liabilities . . . . .	\$2,726	2,959

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

	December 31,	
	2013	2012
	amounts in millions	
Current deferred tax asset of TripAdvisor(1) . . . . .	\$ (5)	—
Current deferred tax liabilities . . . . .	1,095	1,068
Long-term deferred tax liabilities . . . . .	1,636	1,891
	2,726	2,959
	\$2,726	2,959

(1) TripAdvisor's deferred tax asset is not offset with Liberty's deferred tax liabilities as TripAdvisor is not included in the group tax return of Liberty. TripAdvisor's deferred tax asset has been included in other current assets in the accompanying consolidated balance sheet.

*Intergroup payable (receivable)*

The intergroup balance, at December 31, 2013, is primarily a result of timing of tax benefits taken by the Ventures group as a result of the Solar investment made in the third quarter and the resulting cash payments to be made from the Interactive group.

- (7) The Liberty Interactive Stock and the Liberty Ventures Stock have voting and conversion rights under our restated charter. Following is a summary of those rights. Holders of Series A common

**Notes to Attributed Financial Information**  
**(unaudited)**

stock of each group is entitled to one vote per share, and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, are entitled to 1/100th of a vote per share in certain limited cases and will otherwise not be entitled to vote. In general, holders of Series A and Series B common stock will vote as a single class. In certain limited circumstances, the board may elect to seek the approval of the holders of only Series A and Series B Liberty Interactive Stock or the approval of the holders of only Series A and Series B Liberty Ventures Stock.

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



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# corporate data

## BOARD OF DIRECTORS

John C. Malone  
*Chairman of the Board*  
Liberty Interactive Corporation

Michael A. George  
*President and CEO*  
QVC, Inc.

M. Ian G. Gilchrist  
*Retired Investment Banker*

Gregory B. Maffei  
*President and CEO*  
Liberty Interactive Corporation

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

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

M. LaVoy Robison  
*Director*  
The Anschutz Foundation

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

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

## EXECUTIVE COMMITTEE

Gregory B. Maffei  
John C. Malone

## COMPENSATION COMMITTEE

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

## AUDIT COMMITTEE

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

## NOMINATING & CORPORATE GOVERNANCE COMMITTEE

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

## SENIOR OFFICERS

John C. Malone  
*Chairman of the Board*

Gregory B. Maffei  
*President and CEO*

Richard N. Baer  
*Senior Vice President  
and General Counsel*

Albert E. Rosenthaler  
*Senior Vice President*

Christopher W. Shean  
*Senior Vice President  
and CFO*

## CORPORATE SECRETARY

Pamela L. Coe

## CORPORATE HEADQUARTERS

12300 Liberty Boulevard  
Englewood, CO 80112  
(720) 875-5300

## STOCK INFORMATION

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

## CUSIP NUMBERS

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

## TRANSFER AGENT

Liberty Interactive Corporation  
Shareholder Services  
c/o Computershare  
P.O. Box 43023  
Providence, RI 02940-3023  
Phone: (781) 575-4593  
Toll free: (866) 367-6355  
www.computershare.com  
Telecommunication Device for  
the Deaf (TDD) (800) 952-9245

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## LIBERTY INTERACTIVE CORPORATION ON THE INTERNET

Visit Liberty Interactive Corporation's website at [www.libertyinteractive.com](http://www.libertyinteractive.com)

## FINANCIAL STATEMENTS

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

**LIBERTY INTERACTIVE CORPORATION**

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