LIBERTY INTERACTIVE CORPORATION

2016 ANNUAL REPORT

LIBERTY INTERACTIVE CORPORATION

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LIBERTY INTERACTIVE CORPORATION

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; our proposed transactions involving General Communication, Inc. ("GCI"); revenue growth at QVC, Inc.; 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 Shareholders" 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 proposed transactions involving GCI;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends;
- changes in tariffs, trade policy and trade relations following the 2016 U.S. presidential election and the vote by the U.K. to exit from the European Union;
- consumer spending levels, including the availability and amount of individual consumer debt;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and Internet protocol television and their impact on home shopping programming;
- rapid technological changes;
- 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, political unrest in international markets and ongoing military action around the world; and
- fluctuations in foreign currency exchange rates.

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 and in our publicly filed documents, including our most recent Forms 10-K and 10-Q. 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, as amended. Information contained in this Annual Report concerning those companies has been derived from the reports and other information filed by them with the SEC. If you would like further information about these companies, the reports and other information they file with the SEC can be accessed on the Internet website maintained by the SEC at www.sec.gov. Those reports and other information are not incorporated by reference in this Annual Report.

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

It was an eventful year for Liberty Interactive at both QVC Group and Liberty Ventures, but for very different reasons. At QVC Group, we experienced our first sales decline since the Great Recession. Since seeing this decline in June 2016, we've had plenty of time to diagnose the issues and take action to get back to growth. At Liberty Ventures, we completed the spin-off of CommerceHub and the split-off of Liberty Expedia Holdings. While these transactions were successful in reducing the complexity associated with our Ventures Group, we believe our stocks continue to trade at a discount to net asset value. In April 2017, we announced the proposed acquisition of General Communication, Inc. ("GCI") through a combination with certain Liberty Ventures assets and liabilities and the subsequent split-off of our interest in the combined company, which will also create an asset-backed QVC Group. We believe this acquisition and split-off will provide real value for all of our shareholders by:

- Reducing the tracking stock discounts at Liberty Ventures and QVC Group
- Providing greater flexibility for future acquisitions and transactions
- Creating efficient and attractive currencies for management compensation and retention

QVC Group

2016 started strong, with first quarter QVC US revenue growth of 5%. However, we saw a sharp fall in demand in June. With the benefit of data and time, we've assessed that this was caused by weakness in five categories: jewelry, electronics, kitchen, handbags and haircare. On average these categories make up about a third of our revenue mix, have higher average selling prices (ASPs), and are our top drivers of new customers. How did this weakness hit us all at once? We experienced an unfortunate confluence of unrelated headwinds across these categories. Some — kitchen and consumer electronics — related to a lack of innovation in the categories, jewelry has struggled for a period of time but our inventories are much cleaner now compared with 2016, haircare had some specific brand related issues and handbags suffered across all retail. Further, our strength in apparel probably masked some of these issues for a period of time. QVC's nimble business model is structured to sustain one to two underperforming categories at any given time, but never in QVC's history have we seen the confluence of this many underperforming categories at once. Given the unusual decline in our business, we've gone over these drivers in extensive detail on our earnings calls and at our investor day and encourage you to review those transcripts if you'd like more.

So, what are we doing about this? A lot. We have four key priorities that we believe will lead to improving sales trends in 2017 and the long-term:

1. Achieve more consistent and balanced growth across categories; offer a more diverse mix of exclusive and proprietary brands and key items at great values, along with compelling and entertaining programming
2. Re-accelerate new customer acquisition
3. Extend the ways we reach and serve both current and prospective customers on broadcast and digital platforms
4. Continue to reduce costs to fund innovation

In the five categories mentioned above, we're diversifying our brands, leveraging our global network to introduce established brands from other QVC markets and working with our current US brand portfolio to emphasize innovative new products (the Dyson Supersonic hair dryer being a great example).

Our existing customer count remained strong and we increased both the count of existing customers and units purchased per customer in 2016. She still purchases an astounding 24 items per year from QVC. We are focused on getting new name acquisition back to growth by finding these new customers across our diverse platforms. We were pleased to see the decline in new customer growth substantially moderate in Q4 and are focused on reestablishing growth in new customers in 2017 as we reinvigorate the kitchen and electronics categories, expand our beauty business and capitalize on new ways to reach potential customers.

In 2016, we took a page from our European playbook and extended our network reach. We launched Beauty iQ, our third network which reaches 40 million homes and is available everywhere through live streaming simulcasts. We're innovating with new selling styles and using the platform to launch new beauty brands. We are encouraged as the Beauty iQ customers are about six years younger than our average customer, more heavily skewed to the West Coast, more engaged on digital platforms and have higher incomes and purchase frequency. In addition, QVC2, our newly enhanced second channel, now reaches 60 million homes. We are increasing live programing hours, including *In the Kitchen with Mary*, an extension of our extremely popular *In the Kitchen* franchise.

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LETTER TO SHAREHOLDERS, CONTINUED

On the cost front, we already have some significant initiatives in place to provide savings over the long-term. Our West Coast distribution center opened in August 2016 and continues to ramp, and we expect to realize margin relief in the second half from these initiatives. Additionally, our global business service center launched in 2016. This initiative will be cost neutral in 2017, with annual savings of $10 million when fully operational.

While overshadowed by the US results, it's important to note that our international markets performed well in 2016, and all markets generated local currency growth in the fourth quarter. Additionally, zulily delivered strong revenue growth and margin expansion in 2016. We continue to focus on realizing synergies and sharing best practices across QVC and zulily. In 2016, zulily started its Deal of the Day, which is similar to QVC's TSV, created more than 550 events in which zulily accessed QVC's inventory, delivered 165 TSVs that redirected zulily visitors to QVC and launched more than 150 brands from the QVC portfolio. In addition, QVC is leveraging zulily's operational expertise in technology and supply chain, we've transferred top talent from zulily to work with both companies and we will be experimenting with more zulily like offerings on the QVC platforms.

As hopefully evidenced by this discussion, the US is our main focus and we have a tremendous amount of resources focused on getting the US back to growth. We feel confident in our initiatives and have started to see more positive trends in early 2017.

As mentioned, the proposed acquisition of GCI through a combination with certain Liberty Ventures assets and liabilities and the subsequent split-off of our interest in the combined company will create an asset-backed QVC Group. We believe there are multiple benefits for QVC Group in becoming an asset-backed stock, such as:

- Make QVC Group eligible for possible inclusion in stock indices through elimination of the tracking stock structure
- Reduce the tracking stock discount
- Increase near-term and annual liquidity through reattribution of approximately $329 million of cash and ongoing free cash flow from tax savings from the exchangeable bonds estimated at $130 million in 2018 and growing annually; this cash flow can be used for investments, stock repurchases and debt reduction
- Establish a strong currency that will be a more effective tool for management compensation and retention and for potential future acquisitions
- Improved clarity with renaming of Liberty Interactive as QVC Group, Inc.

Liberty Ventures Group

The discount to net asset value stubbornly persisted in 2016, even with the investment in Liberty Broadband, the spin-off of CommerceHub and the split-off of Liberty Expedia. As discussed with many of you, due to the complexities inherent in our corporate structure, the legal separation of our two tracking stocks is not a simple task, but we've reached an agreement whereby GCI will combine with certain assets of Liberty Ventures to form a new company — GCI Liberty. Through a redemptive split-off, GCI Liberty will become an asset-backed stock. In addition to the benefits mentioned at the beginning of this letter, this new structure eliminates our tracking stock structure in a tax efficient manner through the separation of our controlling interest in GCI Liberty, which will include our Charter and Liberty Broadband stakes, and full redemption of our Liberty Ventures tracking stock. We believe this value creation from the split-off will more than offset any dilution from the GCI acquisition.

GCI is a telecommunications company based in Alaska. It has over 140,000 data subscribers, has grown EBITDA at a CAGR of 11% over the past 20 years and has achieved sustained margins greater than 30%. Furthermore, it's a strategic fit with our Liberty Broadband and Charter investments. We expect this transaction and separation to occur simultaneously and close in the first quarter of 2018. Obviously we are thrilled about this transaction and hope you share our enthusiasm.

Looking Ahead

We expect 2017 to be active and that the coming separation of QVC Group and Liberty Ventures will be a positive for all shareholders. We are grateful for your continued trust in us as we work to get back to growth at QVC US and continue to evolve Liberty Ventures.

We look forward to seeing many of you at this year's annual investor meeting, which will take place on November 16th at the TimesCenter at 242 West 41st Street in New York City.

We appreciate your ongoing support.

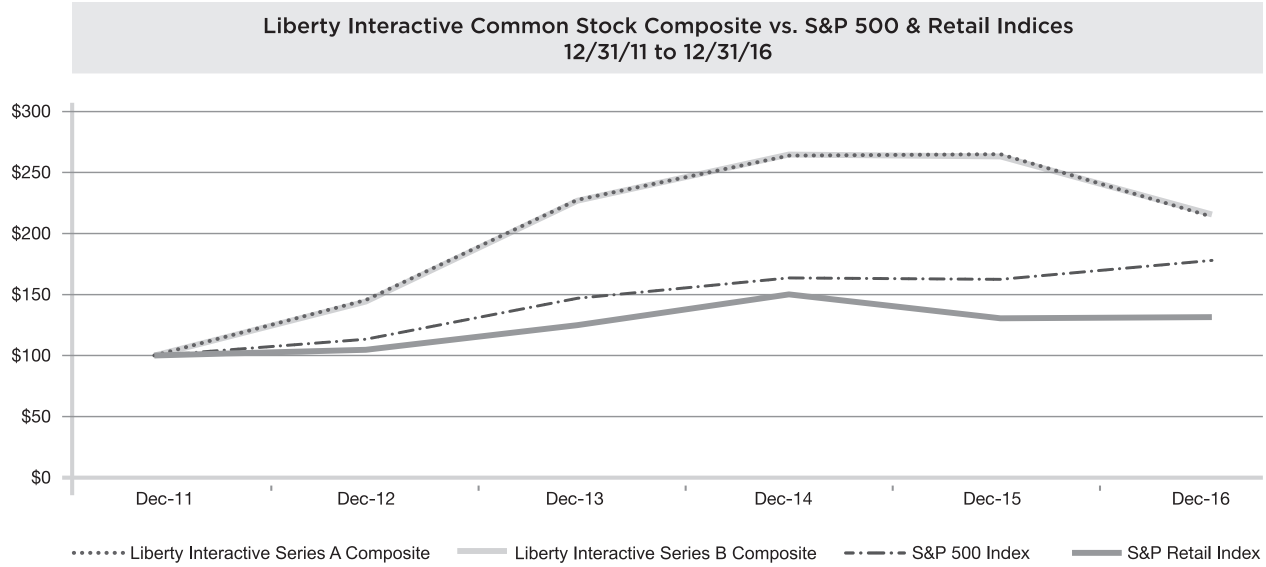
Very truly yours,

Gregory B. Maffei
President & 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 (and its successor issuances) from December 31, 2011 through December 31, 2016, to the percentage change in the cumulative total return on the S&P 500 Index and the S&P Retail Index. This chart includes the impact of (i) the performance of the pro rata portion of the shares of the Liberty Ventures Group, which began trading on August 10, 2012, (ii) the impact of the Liberty Ventures Group rights offering, (iii) the spin-off of Liberty TripAdvisor Holdings, Inc. on August 27, 2014, assuming a sale of the resulting Liberty TripAdvisor shares on the one-year anniversary of the spin-off and reinvestment of the proceeds in Liberty Ventures common stock, (iv) the distribution of Series A and Series B Liberty Ventures shares to QVC Group shareholders as part of the reattribution transaction (ex-dividend date of October 15, 2014), (v) the spin-off of CommerceHub, Inc. on July 22, 2016 and (vi) the split-off of Liberty Expedia Holdings, Inc. on November 4, 2016.

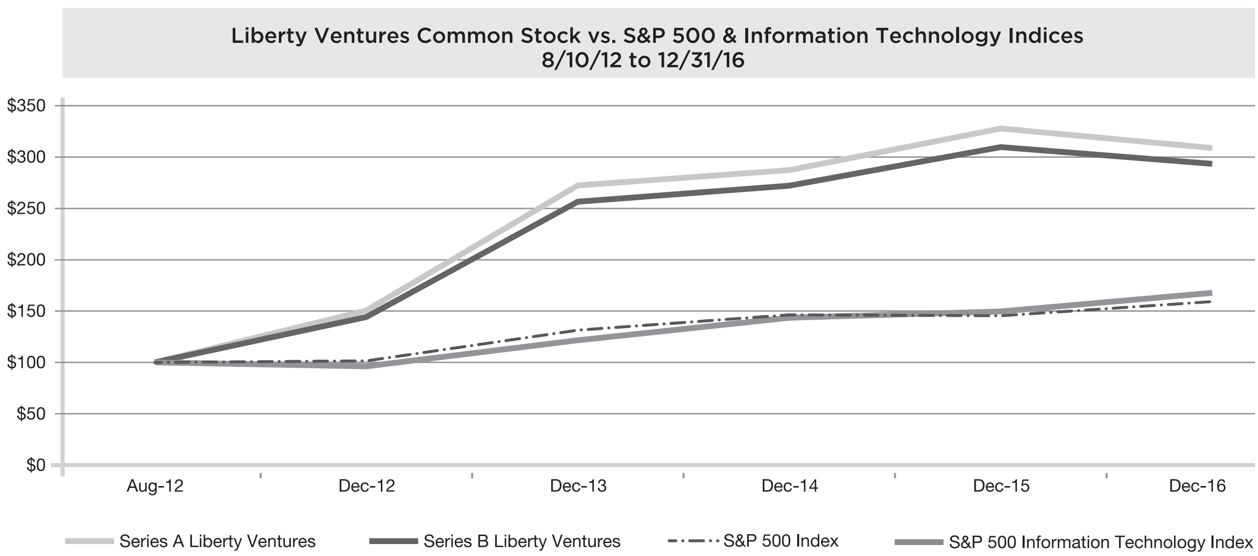


	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Liberty Interactive Series A Composite	$100.00	$145.45	$227.55	$263.86	$264.91	$213.86
Liberty Interactive Series B Composite	$100.00	$144.24	$226.84	$264.81	$263.23	$215.53
S&P 500 Index	$100.00	$113.41	$146.98	$163.72	$162.53	$178.02
S&P Retail Index	$100.00	$104.75	$125.01	$150.06	$130.59	$131.44

Note: Trading data for all Series B shares is limited as they are thinly traded.

STOCK PERFORMANCE

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, 2016, to the percentage change in the cumulative total return on the S&P 500 Index and the S&P 500 Information Technology Index. Liberty Ventures Group performance includes (i) the spin-off of Liberty TripAdvisor Holdings, Inc. on August 27, 2014, assuming a sale of the resulting Liberty TripAdvisor shares on the one-year anniversary of the spin-off and reinvestment of the proceeds in Liberty Ventures common stock, (ii) the spin-off of CommerceHub Inc. on July 22, 2016 and (iii) the split-off of Liberty Expedia Holdings, Inc. on November 4, 2016.

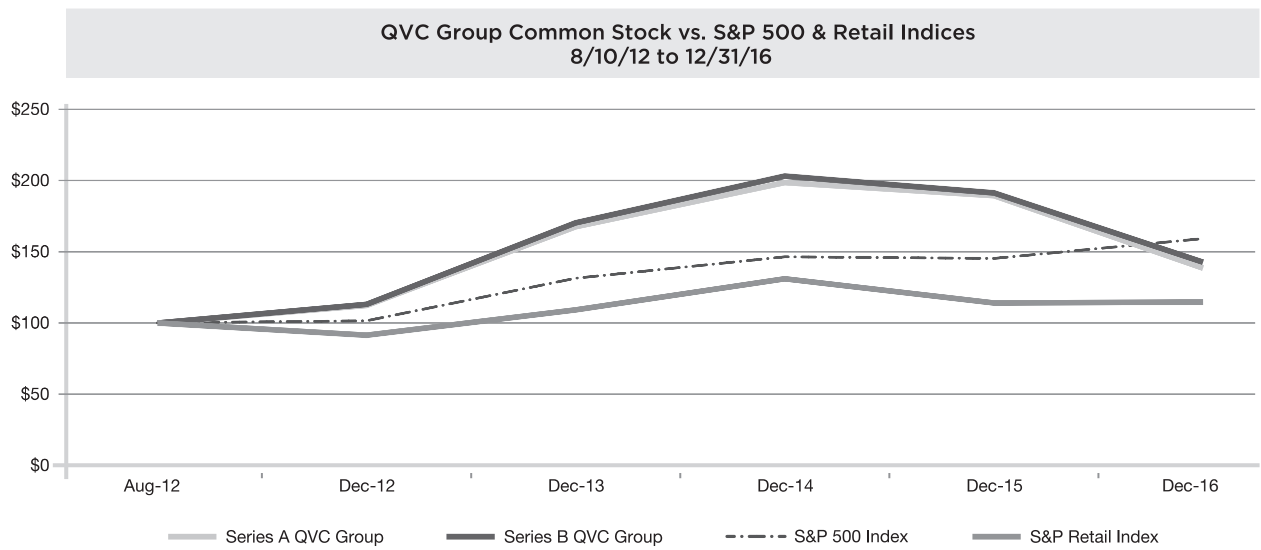


	8/10/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Series A Liberty Ventures	$100.00	$150.58	$272.42	$287.20	$327.84	$308.85
Series B Liberty Ventures	$100.00	$144.12	$256.43	$272.15	$309.71	$293.38
S&P 500 Index	$100.00	$101.45	$131.47	$146.45	$145.39	$159.25
S&P 500 Information Technology Index	$100.00	$96.24	$121.49	$143.58	$149.71	$167.65

Note: LVNTA began trading on 8/10/12, LVNTB first priced on 8/15/12. Trading data for all Series B shares is limited as they are thinly traded.

STOCK PERFORMANCE

The following graph compares the percentage change in the cumulative total stockholder return on Series A and Series B QVC Group common stock (formerly referred to as 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, 2016, to the percentage change in the cumulative total return on the S&P 500 Index and the S&P 500 Retail Index. QVC Group performance includes the distribution of Series A and Series B Liberty Ventures shares to QVC Group shareholders as part of the reattribution transaction (ex-dividend date of October 15, 2014), assuming a sale of the resulting Liberty Ventures shares on the one-year anniversary of the reattribution and reinvestment of the proceeds in QVC Group common stock.



	8/10/2012	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Series A QVC Group	$100.00	$112.33	$167.52	$198.53	$189.33	$138.46
Series B QVC Group	$100.00	$113.04	$170.38	$203.19	$191.26	$142.61
S&P 500 Index	$100.00	$101.45	$131.47	$146.45	$145.39	$159.25
S&P Retail Index	$100.00	$91.43	$109.10	$130.97	$113.98	$114.72

Note: Trading data for all Series B shares is limited as they are thinly traded.

INVESTMENT SUMMARY

Based on publicly available information as of January 31, 2017 — 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: the QVC Group and Liberty Ventures Group.

The following tables set forth some of Liberty Interactive Corporation's assets that are held directly and indirectly through partnerships, joint ventures, common stock investments and/or 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.

QVC GROUP			
ENTITY	**DESCRIPTION OF OPERATING BUSINESS**	**ATTRIBUTED SHARE COUNT[1]** *(in millions)*	**ATTRIBUTED OWNERSHIP[2]**
HSN, Inc. (NASDAQ: HSNI)	An interactive multi-channel retailer offering customers innovative and differentiated experiences through various platforms including television, online, mobile, catalogs and in retail and outlet stores through the six brands of its two operating segments, HSN and Cornerstone.	20.0	38%
QVC, Inc.	QVC combines the best of retail, media and social to create the most engaging shopping experience, one that exceeds the expectations of everyone we touch by delivering the joy of discovery through the power of relationships. Every day, in nine countries, QVC engages millions of shoppers in a journey of discovery through an ever-changing collection of familiar brands and fresh new products, from home and fashion to beauty, electronics and jewelry.	N/A	100%
zulily, llc	A leading pure-play online retailer focused on delivering a boutique experience every day — thousands of unique up-and-coming brands alongside top brands every day, all at incredible prices. zulily offers a highly personalized experience through its innovative technology and always-fresh curated collection of products for the whole family, including clothing, home décor, toys, gifts and more.	N/A	100%

INVESTMENT SUMMARY

LIBERTY VENTURES GROUP			
ENTITY	DESCRIPTION OF OPERATING BUSINESS	ATTRIBUTED SHARE COUNT(1) *(in millions)*	ATTRIBUTED OWNERSHIP(2)
Brit Media, Inc. (Brit + Co)	Online lifestyle platform offering content, e-classes and eCommerce to millennial women.	N/A	7%
Charter Communications, Inc. (NYSE: CHTR)	One of the largest providers of cable services in the United States, offering a variety of entertainment, information and communications solutions to residential and commercial customers.	5.4(3)	2%
Evite, Inc.	Leading online invitation and social event planning service on the web.	N/A	100%
FTD Companies, Inc. (NASDAQ: FTD)	A premier floral and gifting company with a presence in the United States, Canada, the United Kingdom and the Republic of Ireland.	10.2	37%
giggle, Inc.	A trusted resource for today's design-conscious new parent with retail stores around the United States, an extensive eCommerce business, a licensed products business, and a signature line of giggle baby products.	N/A	32%
ILG, Inc. (NASDAQ: ILG)	A leading provider of professionally delivered vacation experiences, offering its owners, members, and guests access to an array of benefits and services, as well as world-class destinations through its international portfolio of resorts and clubs.	16.6	13%
Liberty Broadband Corporation (NASDAQ: LBRDK)	Liberty Broadband Corporation holds ownership interests in Charter Communications, Inc. and Skyhook Holding, Inc. (formerly TruePosition, Inc.)	42.7	24%
LendingTree, Inc. (NASDAQ: TREE)	Operates the nation's leading online loan marketplace, provides an array of online tools and information to consumers and connects them with multiple, competing lenders to help and empower consumers find the best loan for their needs.	2.8	24%
Liberty Israel Venture Fund II, LLC	Investment fund focused on Israeli technology companies.	N/A	80%
Quid, Inc.	Software company that combines natural language processing and visualization techniques to make it easy to analyze very large amounts of data in a relatively short amount of time.	N/A	18%

1) Applicable only for publicly-traded entities.
2) Represents undiluted ownership interest.
3) Liberty Interactive Corporation has granted to Liberty Broadband Corporation a proxy and a right of first refusal with respect to its Charter shares.

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

Market Information

On October 3, 2014, Liberty Interactive Corporation, formerly known as Liberty Media Corporation (“Liberty,” the “Company,” “we,” “us” and “our”), reattributed from the Interactive Group to the Ventures Group approximately $1 billion in cash and its Digital Commerce businesses (as defined below). Subsequent to the reattribution, the Interactive Group is now referred to as the QVC Group. In connection with the reattribution, the Liberty Interactive tracking stock trading symbol “LINTA” was changed to "QVCA" and the "LINTB" tracking stock trading symbol was changed to "QVCB," effective October 7, 2014. Effective June 4, 2015, the name of the “Liberty Interactive common stock” was changed to the “QVC Group common stock.” In connection with the Expedia Holdings Split-Off (as defined below), Liberty redeemed (i) 0.4 of each outstanding share of Liberty’s Series A and Series B Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series A and Series B common stock, respectively, at 5:00 p.m., New York City time, on November 4, 2016. Accordingly, the high and low sales prices of the Series A and Series B Liberty Ventures common stock have been retroactively restated in the table below. 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, 2016 and 2015.

	QVC Group			
	Series A (QVCA)		Series B (QVCB)	
	High	Low	High	Low
2015				
First quarter	$ 29.73	27.03	30.10	27.45
Second quarter	$ 29.70	27.01	30.06	27.91
Third quarter	$ 31.62	24.72	30.75	25.80
Fourth quarter	$ 28.71	25.01	28.26	26.02
2016				
First quarter	$ 26.97	22.51	30.62	24.40
Second quarter	$ 27.25	23.01	26.98	24.02
Third quarter	$ 27.06	18.42	26.69	19.00
Fourth quarter	$ 22.33	17.88	24.10	17.78

	Liberty Ventures				
	Series A (LVNTA)			Series B (LVNTB)	
		High	Low	High	Low
2015					
First quarter	$	38.31	31.64	37.88	33.60
Second quarter	$	41.06	35.13	40.62	34.42
Third quarter	$	39.57	32.08	40.70	35.46
Fourth quarter	$	41.03	35.96	42.24	39.08
2016					
First quarter	$	40.22	29.24	36.83	33.14
Second quarter	$	36.55	30.97	36.72	34.36
Third quarter (July 1 - July 22)	$	38.59	32.76	37.87	37.33
Third quarter (July 23 - September 30) (1)	$	40.80	36.09	39.89	38.05
Fourth quarter (October 1 - November 4)	$	41.37	38.40	41.57	39.29
Fourth quarter (November 5 - December 31) (2)	$	41.74	36.54	41.94	36.93

(1) As discussed in Part I of this report, the CommerceHub Spin-Off (as defined below) was effected on July 22, 2016 as a pro-rata dividend of shares of CommerceHub to the stockholders of Liberty's Series A and Series B Liberty Ventures common stock.

(2) As discussed in Part I of this report, the Expedia Holdings Split-Off was effected on November 4, 2016 as a redemption of Liberty's Series A and Series B Liberty Ventures common stock for shares of Expedia Holdings.

Holders

As of January 31, 2017, there were 1,717 and 99 record holders of our Series A and Series B QVC Group common stock, respectively, and 1,083 and 64 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 will be is incorporated by reference to our definitive proxy statement for our 2017 Annual Meeting of Stockholders that will be filed with the Securities and Exchange Commission on or before May 1, 2017.

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 QVC Group common stock. On each of May 5, 2006, November 3, 2006 and October 30, 2007 our board authorized the repurchase of $1 billion of Series A and Series B Liberty Interactive common stock for a total of $3 billion. These previous authorizations remained effective following the 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 (as defined below) 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. Additionally, on each of October 30, 2012 and February 27, 2014, the board authorized the repurchase of an additional $1 billion of Series A and Series B Liberty Interactive common stock. In connection with the TripAdvisor Holdings Spin-Off (as defined below) during August 2014, the board authorized $350 million for the repurchase of either the Liberty Interactive or Liberty Ventures tracking stocks. In October 2014, the board authorized the repurchase of an additional $650 million of Series A and Series B Liberty Ventures common stock. In August 2015, the board authorized the repurchase of an additional $1 billion of Series A or Series B QVC Group common stock. In addition, on October 26, 2016, the board authorized the repurchase of an additional $300 million of either the QVC Group common stock or the Liberty Ventures common stock.

A summary of the repurchase activity for the three months ended December 31, 2016 is as follows:

	Series A QVC Group Common Stock (QVCA)			
Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs**
October 1 - 31, 2016	751,582	$ 19.96	751,582	$ 331 million
November 1 - 30, 2016	2,901,493	$ 21.05	2,901,493	$ 270 million
December 1 - 31, 2016	5,794,210	$ 20.60	5,794,210	$ 150 million
Total	9,447,285		9,447,285	

	Series B Liberty Ventures Common Stock (LVNTB)			
Period	**Total Number of Shares Purchased/ surrendered (1)**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs**
October 1 - 31, 2016	—		—	
November 1 - 30, 2016	91	$ 39.01	—	
December 1 - 31, 2016	—		—	
Total	91	$ 39.01	—	

(1) In connection with the Expedia Holdings Split-Off, holders of Liberty Ventures common stock were paid cash in lieu of fractional shares of Series A and Series B Liberty Ventures common stock. In order to fund the cash payments made to holders of shares of Series B Liberty Ventures common stock, the fractional shares that would have otherwise been issued to those holders were aggregated by the Company's transfer agent and repurchased by Liberty.

25,450 shares of Series A QVC Group common stock and 3,376 shares of Series A Liberty Ventures common stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended December 31, 2016.

Selected Financial Data.

The following tables present selected historical information relating to our financial condition and results of operations for the past five years. Certain prior period amounts have been reclassified for comparability with the current year presentation. The following data should be read in conjunction with our consolidated financial statements.

	December 31,				
	2016	2015	2014	2013	2012
	amounts in millions				
Summary Balance Sheet Data:					
Cash and cash equivalents	$ 825	2,449	2,306	902	2,291
Investments in available-for-sale securities and other cost investments	$ 1,922	1,353	1,224	1,313	1,720
Investment in affiliates, accounted for using the equity method	$ 581	714	1,119	760	420
Investment in Liberty Broadband measured at fair value	$ 3,161	—	—	—	—
Intangible assets not subject to amortization	$ 9,354	9,485	7,893	8,383	8,424
Noncurrent assets of discontinued operations (1) (2)	$ —	927	514	7,572	7,859
Total assets	$ 20,355	21,180	18,598	24,642	26,223
Long-term debt	$ 7,166	7,481	7,062	6,072	5,873
Deferred income tax liabilities	$ 3,636	3,217	2,681	2,794	2,805
Noncurrent liabilities of discontinued operations (1) (2)	$ —	285	140	1,584	1,878
Total equity	$ 6,861	6,875	5,780	11,435	12,051
Noncontrolling interest in equity of subsidiaries (1)	$ 89	88	107	4,499	4,489

	Years ended December 31,				
	2016	2015	2014	2013	2012
	amounts in millions, except per share amounts				
Summary Statement of Operations Data:					
Revenue	$ 10,647	9,989	10,499	10,219	9,888
Operating income (loss)	$ 968	1,116	1,188	1,136	1,163
Interest expense	$ (363)	(360)	(387)	(380)	(466)
Share of earnings (losses) of affiliates, net	$ (68)	(178)	(19)	2	(20)
Realized and unrealized gains (losses) on financial instruments, net	$ 1,175	114	(57)	(22)	(81)
Gains (losses) on transactions, net	$ 9	110	74	(1)	—
Earnings (loss) from continuing operations (3):					
Liberty Interactive Corporation common stock	NA	NA	NA	NA	33
QVC Group common stock	$ 511	674	574	500	291
Liberty Ventures common stock	743	(43)	(36)	27	125
	$ 1,254	631	538	527	449
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share (4):					
Series A and Series B Liberty Interactive Corporation common stock	NA	NA	NA	NA	—
Series A and Series B QVC Group common stock	$ 0.99	1.35	1.10	0.88	0.48
Series A and Series B Liberty Ventures common stock	$ 5.54	(0.36)	(0.43)	0.37	1.89
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share (4):					
Series A and Series B Liberty Interactive Corporation common stock	$ NA	NA	NA	NA	—
Series A and Series B QVC Group common stock	$ 0.98	1.33	1.09	0.86	0.47
Series A and Series B Liberty Ventures common stock (2)	$ 5.49	(0.36)	(0.43)	0.36	1.87

(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 owned approximately 22% of the equity and 57% of the total votes of all classes of TripAdvisor common stock. On August 27, 2014, we completed the TripAdvisor Holdings Spin-Off. At the time of the TripAdvisor Holdings Spin-Off, TripAdvisor Holdings (as defined below) was comprised of Liberty's former interest in TripAdvisor as well as

BuySeasons, Inc., Liberty's former wholly-owned subsidiary, and corporate level debt. Following the completion of the TripAdvisor Holdings Spin-Off, Liberty and TripAdvisor Holdings operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. The consolidated financial statements of Liberty have been prepared to reflect TripAdvisor Holdings as discontinued operations. However, the noncontrolling interest attributable to our former ownership interest in TripAdvisor is included in the noncontrolling interest line item in the consolidated balance sheet from the date of acquisition until the date of completion of the TripAdvisor Holdings Spin-Off. See note 6 of the accompanying consolidated financial statements for further details on the TripAdvisor Holdings Spin-Off.

(2) The Expedia Holdings Split-Off was effected on November 4, 2016 as a split-off through the redemption of a portion of Liberty's Series A and Series B Liberty Ventures common stock for shares of Expedia Holdings (as defined below). The consolidated financial statements of Liberty have been prepared to reflect Liberty's interest in Expedia (as defined below) as a discontinued operation.

(3) Includes earnings (losses) from continuing operations attributable to the noncontrolling interests of $39 million, $42 million, $40 million, $45 million and $63 million for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(4) Basic and diluted earnings per share have been calculated for Liberty Interactive Corporation common stock for the periods from May 9, 2006 to August 9, 2012. Basic and diluted earnings per share have been calculated for QVC Group 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. Additionally, see note 3 in the accompanying consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

We own controlling and non-controlling interests in a broad range of video and online commerce companies. Our largest business and reportable segment, is QVC, Inc. ("QVC"). QVC markets and sells a wide variety of consumer products in the United States and several foreign countries, primarily by means of its televised shopping programs and via the Internet through its domestic and international websites and mobile applications. On October 1, 2015, we acquired zulily, inc. ("zulily") (now known as zulily, llc), an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched every day. See note 5 of the accompanying consolidated financial statements for further details on the acquisition of zulily.

Our "Corporate and Other" category includes entire or majority interests in consolidated subsidiaries, which operate online commerce businesses in a broad range of retail categories, ownership interests in unconsolidated businesses and corporate expenses. These consolidated subsidiaries include Evite, Inc. ("Evite"), Provide Commerce, Inc. ("Provide") (through December 31, 2014, see note 9 of the accompanying consolidated financial statements), Backcountry.com, Inc. ("Backcountry") (through June 30, 2015, see note 6 of the accompanying consolidated financial statements), CommerceHub, Inc. ("CommerceHub") (through July 22, 2016, see note 6 of the accompanying consolidated financial statements) and Bodybuilding.com, LLC ("Bodybuilding") (through November 4, 2016, see note 6 of the accompanying consolidated financial statements) (collectively, the "Digital Commerce businesses"). Evite is an online invitation and social event planning service on the web. Provide operates an e-commerce marketplace of websites for perishable goods, including flowers, fruits and desserts, as well as upscale personalized gifts. Backcountry operates websites offering sports gear and clothing for outdoor and active individuals in a variety of categories. CommerceHub provides a cloud-based platform for online retailers and their suppliers (manufacturers and distributors) to sell products to consumers without physically owning inventory, or managing the fulfillment of those products. Bodybuilding manages websites related to sports nutrition, bodybuilding and fitness. We also hold ownership interests in FTD Companies, Inc. ("FTD"), HSN, Inc. ("HSN") and LendingTree, which we account for as equity method investments; an interest in Liberty Broadband Corporation ("Liberty Broadband"), which we account for at fair value; and we maintain investments and related financial instruments in public companies such as Charter Communications, Inc. ("Charter"), Interval Leisure Group, Inc. ("Interval") and Time Warner Inc. ("Time Warner"), which are accounted for at their respective fair market values.

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.

On October 3, 2014, Liberty reattributed from the QVC Group to the Ventures Group its Digital Commerce businesses. In connection with the reattribution, each holder of Liberty Interactive common stock received 0.14217 of a share of the corresponding series of Liberty Ventures common stock for each share of Liberty Interactive common stock held as of the record date, with cash paid in lieu of fractional shares. The distribution date for the dividend was on October 20, 2014, and the Liberty Interactive common stock began trading ex-dividend on October 15, 2014 which resulted in an aggregate of 67.7 million shares of Series A and Series B Liberty Ventures common stock being issued. The reattribution of the Digital Commerce businesses is presented on a prospective basis from the date of the reattribution in Liberty's consolidated financial statements and attributed financial information, with October 1, 2014 used as a proxy for the date of the reattribution. Other than the issuance of Liberty Ventures shares in the fourth quarter of 2014, the reattribution had no consolidated impact on Liberty. Effective June 4, 2015, the name of the "Liberty Interactive common stock" was changed to the "QVC Group 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. Following the reattribution, the Ventures Group is comprised primarily of our interests in FTD, LendingTree, Inc. ("LendingTree") and Liberty Broadband, the Digital Commerce businesses, investments in Charter, Interval and Time Warner, as well as cash in the amount of approximately $487 million (at December 31, 2016), 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 "QVC Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The QVC Group is primarily focused on our video operating businesses. Following the reattribution, the QVC Group has attributed to it the remainder of our businesses and assets, including our wholly-owned subsidiaries QVC and zulily (as of October 1, 2015), and our 38% interest in HSN, Inc. as well as cash in the amount of approximately $338 million (at December 31, 2016), including subsidiary cash.

Disposals

On August 27, 2014, Liberty completed the spin-off to holders of its Liberty Ventures common stock shares of its former wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. ("TripAdvisor Holdings") (the "TripAdvisor Holdings Spin-Off"), which was effected as a pro-rata dividend of shares of TripAdvisor Holdings to the stockholders of Liberty's Series A and Series B Liberty Ventures common stock. At the time of the TripAdvisor Holdings Spin-Off, TripAdvisor Holdings was comprised of Liberty's former 22% economic and 57% voting interest in TripAdvisor as well as BuySeasons, Liberty's former wholly-owned subsidiary, and a corporate level net debt balance of $350 million. In connection with the TripAdvisor Holdings Spin-Off during August 2014, TripAdvisor Holdings drew down $400 million in margin loans and distributed approximately $350 million to Liberty. Concurrently with the margin loans, Liberty and TripAdvisor Holdings entered into a promissory note that expires in August 2017 pursuant to which TripAdvisor Holdings may request, if the closing price per share of TripAdvisor common stock were to fall below certain minimum values, up to $200 million in funds from Liberty. The TripAdvisor Holdings Spin-Off has been recorded at historical cost due to the pro rata nature of the distribution. Following the completion of the TripAdvisor Holdings Spin-Off, Liberty and TripAdvisor Holdings operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. The consolidated financial statements of Liberty have been prepared to reflect TripAdvisor Holdings as discontinued operations. Accordingly, the assets and liabilities, revenue, costs and expenses, and cash flows of the businesses, assets and liabilities owned by TripAdvisor Holdings at the time of the TripAdvisor Holdings Spin-Off have been excluded from the respective captions in the accompanying consolidated balance sheets, statements of operations, comprehensive earnings and cash flows in such consolidated financial statements.

On December 31, 2014, Liberty sold Provide to FTD. Under the terms of the transaction, Liberty received approximately 10.2 million shares of FTD common stock representing approximately 35% of the combined company and approximately $145 million in cash. We recognized a gain of $75 million as a result of this transaction, which is included in the Gains (losses) on transactions, net line item in the consolidated statements of operations. Given our significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the consolidated financial statements of Liberty.

On June 30, 2015, Liberty sold Backcountry for aggregate consideration, including assumption of debt, amounts held in escrow, and a noncontrolling interest, of approximately $350 million. The sale resulted in a $105 million gain, which is included in "Gains (losses) on transactions, net" in the accompanying consolidated statements of operations. Backcountry is included in the Corporate and other segment through June 30, 2015 and is not presented as a discontinued operation as the sale did not represent a strategic shift that had a major effect on Liberty's operations and financial results.

On July 22, 2016, Liberty completed its previously announced spin-off (the "CommerceHub Spin-Off") of its former wholly-owned subsidiary CommerceHub. CommerceHub is included in the Corporate and other segment through July 22, 2016 and is not presented as a discontinued operation as the CommerceHub Spin-Off did not represent a strategic shift that had a major effect on Liberty's operations and financial results.

On November 4, 2016, Liberty completed its previously announced split-off (the "Expedia Holdings Split-Off") of its former wholly-owned subsidiary Liberty Expedia Holdings, Inc. ("Expedia Holdings"). Expedia Holdings is comprised of, among other things, Liberty's former interest in Expedia, Inc. ("Expedia") and Liberty's former wholly-owned subsidiary Bodybuilding. On November 2, 2016, Expedia Holdings borrowed $350 million under a new margin loan and distributed $299 million, net of certain debt related costs, to Liberty on November 4, 2016.

Liberty views Expedia and Bodybuilding as separate components and evaluated them separately for discontinued operations presentation. Based on a quantitative analysis, the split-off of Liberty's interest in Expedia represents a strategic shift that has a major effect on Liberty's operations, primarily due to prior year one-time gains on transactions recognized by Expedia. Accordingly, the consolidated financial statements of Liberty have been prepared to reflect Liberty's interest in Expedia as a discontinued operation. The disposition of Bodybuilding as part of the Expedia Holdings Split-Off does not have a major effect on Liberty's historical results nor is it expected to have a major effect on Liberty's future operations. The disposition of Bodybuilding does not represent a strategic shift in Liberty's operations. Accordingly, Bodybuilding is not presented as a discontinued operation in the consolidated financial statements of Liberty. Bodybuilding is included in the Corporate and other segment through November 4, 2016.

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. 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 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.

The prolonged economic uncertainty in various regions of the world in which QVC's subsidiaries and affiliates operate could adversely affect demand for QVC's products and services since a substantial portion of QVC's revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets continue to experience disruptions, including increased volatility and diminished liquidity and credit availability. If economic and financial market conditions in the United States ("U.S.") or other key markets, including Japan and Europe, remain uncertain, persist, or deteriorate further, QVC's customers may respond by suspending, delaying, or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect revenue. Accordingly, QVC's ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline. Such weak economic conditions may also inhibit QVC's expansion into new European and other markets. QVC is currently unable to predict the extent of any of these potential adverse effects.

On June 23, 2016, the United Kingdom ("U.K.") held a referendum in which British citizens approved an exit from the European Union (the "EU"), commonly referred to as "Brexit." As a result of the referendum, the global markets and currencies have been adversely impacted, including a sharp decline in the value of the U.K. Pound Sterling as compared to the U.S. Dollar. Volatility in exchange rates is expected to continue in the short term as the U.K. negotiates its exit from the EU In the longer term, any impact from Brexit on QVC will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, it is possible that new terms may adversely affect QVC's operations and financial results.

During his campaign in the 2016 U.S. presidential election, the current President of the U.S. expressed apprehension towards existing trade agreements, such as the North American Free Trade Agreement and the Trans-Pacific Partnership, and suggested that the U.S. would renegotiate or withdraw from these agreements. He also raised the possibility of significantly increasing tariffs on goods imported into the United States, particularly from China and Mexico, which, if implemented, could adversely affect our subsidiaries' businesses because they sell imported products.

zulily. zulily's objective is to be the leading online retail destination for moms. zulily's goal is to be part of its customers' daily routine, allowing them to visit zulily sites and discover a selection of fresh, new and affordable merchandise curated for them every morning. zulily intends to employ the following strategies to achieve these goals and objectives (i) acquire new customers; (ii) increase customer loyalty and repeat purchasing; (iii) add new vendors and strengthen existing vendor relationships; and (iv) invest in mobile platform. In addition, zulily expects to invest in and develop international markets.

zulily has limited contractual assurances of continued supply, pricing or access to new products, and vendors could change the terms upon which they sell to zulily or discontinue selling to zulily for future sales at any time. As zulily grows, continuing to identify a sufficient number of new emerging brands and smaller boutique vendors may become more and more of a challenge. If zulily is not able to identify and effectively promote these new brands, it may lose customers to competitors. Even if zulily identifies new vendors, it may not be able to purchase desired merchandise in sufficient quantities or on acceptable terms in the future, and products from alternative sources, if any, may be of a lesser quality or more expensive than those from existing vendors. In addition, larger national brands may offer products that are less unique, and it may be easier for zulily's competitors to offer such products at prices or upon terms that may be compelling to consumers. An inability to purchase suitable merchandise on acceptable terms or to source new vendors could have an adverse effect on zulily's business.

To support its large and diverse base of vendors and its flash sales model that requires constantly changing products, zulily must incur costs related to its merchandising team, photography studios and creative personnel. As zulily grows, it may not be able to continue to expand its product offerings in a cost-effective manner. In addition, the variety in size and sophistication of zulily's vendors presents different challenges to its infrastructure and operations. zulily's emerging brands and smaller boutique vendors may be less experienced in manufacturing and shipping, which in the past has led to inconsistencies in quality, delays in the delivery of merchandise or additional fulfillment cost. zulily's larger national brands may impose additional requirements or offer less favorable terms than smaller vendors related to margins and inventory ownership and risk and may also be unable to ship products timely. If zulily is unable to maintain and effectively manage its relationships with emerging brands and smaller boutique vendors or larger national brands, zulily's business could be adversely affected.

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. The "Corporate and other" category consists of those assets or businesses which we do not disclose separately, including our Digital Commerce businesses, which are included in the QVC Group results through the date of reattribution and in the Ventures Group thereafter. 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,		
	2016	2015	2014
	amounts in millions		
Revenue			
QVC Group			
QVC	$ 8,682	8,743	8,801
zulily	1,547	426	NA
Corporate and other	—	—	1,227
Inter-segment eliminations	(10)	—	—
Total QVC Group	10,219	9,169	10,028
Ventures Group			
Corporate and other	428	820	471
Total Ventures Group	428	820	471
Consolidated Liberty	$ 10,647	9,989	10,499
Operating Income (Loss)			
QVC Group			
QVC	$ 1,203	1,275	1,279
zulily	(152)	(53)	NA
Corporate and other	(40)	(52)	(73)
Total QVC Group	1,011	1,170	1,206
Ventures Group			
Corporate and other	(43)	(54)	(18)
Total Ventures Group	(43)	(54)	(18)
Consolidated Liberty	$ 968	1,116	1,188
Adjusted OIBDA			
QVC Group			
QVC	$ 1,840	1,894	1,910
zulily	112	21	NA
Corporate and other	(16)	(28)	29
Total QVC Group	1,936	1,887	1,939
Ventures Group			
Corporate and other	3	59	26
Total Ventures Group	3	59	26
Consolidated Liberty	$ 1,939	1,946	1,965

Revenue. Our consolidated revenue increased 6.6% and decreased 4.9% for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. QVC's revenue decreased $61 million and $58 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. zulily's revenue for the period October 1, 2015 (date of acquisition) through December 31, 2015 was $426 million. Corporate and other revenue decreased $392 million for the year ended December 31, 2016, as compared to the corresponding prior year period due to the sale of Backcountry in June 2015 ($227 million), the disposition of Bodybuilding in November 2016 as part of the Expedia Holdings Split-Off ($109 million) and the CommerceHub Spin-Off in July 2016 ($38 million). Ignoring the reattribution, total Corporate and other revenue decreased $878 million for the year ended December 31, 2015, as compared to the corresponding prior year period, primarily due to the sale of Provide in December 2014 ($666 million) and sale of Backcountry in June 2015 ($244 million), partially offset by an increase of $23 million at CommerceHub and an increase of $8 million at Bodybuilding. CommerceHub's revenue growth was driven by an acquisition during the first quarter of 2015 and growth in active customers (vendors and suppliers), which increased the number of aggregate transactions processed through the CommerceHub platform. The increase in Bodybuilding revenue for the year ended December 31, 2015 was primarily due to increased order volume, driven by increased unique website visitors, on slightly decreased average order values. See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of QVC and zulily.

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

We recorded $97 million, $127 million and $108 million of stock compensation expense for the years ended December 31, 2016, 2015 and 2014, respectively. The decrease of $30 million in stock-based compensation during 2016 was primarily attributable to a $44 million decrease at CommerceHub due to a smaller change in company value and the CommerceHub Spin-Off, partially offset by the acquisition of zulily ($14 million). The increase of $19 million in stock-based compensation during 2015 was primarily attributable to an increase in stock-based compensation at a few subsidiaries due to the growth in the fair value of those entities and due to options granted to zulily employees upon acquisition. As of December 31, 2016, the total unrecognized compensation cost related to unvested Liberty equity awards was approximately $118 million. Such amount will be recognized in our consolidated statements of operations over a weighted average period of approximately 2.1 years.

Operating income (loss). Our consolidated operating income decreased $148 million and $72 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. QVC's operating income decreased $72 million and was relatively flat for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. zulily's operating losses for the year ended December 31, 2016 were $152 million and for the period October 1, 2015 (date of acquisition) through December 31, 2015 were $53 million. Operating losses for Corporate and other decreased $23 million for the year ended December 31, 2016, as compared to the corresponding prior year period, primarily due to $22 million of decreases at CommerceHub. Ignoring the reattribution, operating losses for Corporate and other increased $15 million for the year ended December 31, 2015, as compared to the corresponding prior year period, primarily due to $28 million of decreases in operating income at CommerceHub, $7 million of decreases at Backcountry, and $6 million of decreases at Bodybuilding, partially offset by improvements of $13 million at Evite and $11 million at Provide. See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of QVC and zulily.

Adjusted OIBDA. We define Adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative ("SG&A") expenses (excluding 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 generally accepted accounting policies ("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 operating income and earnings (loss) from continuing operations before income taxes.

Consolidated Adjusted OIBDA decreased $7 million and decreased $19 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. QVC's Adjusted OIBDA decreased $54 million and $16 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. zulily's Adjusted OIBDA for the year ended December 31, 2016 was $112 million and for the period October 1, 2015 (date of acquisition) through December 31, 2015 was $21 million, excluding certain purchase accounting adjustments. Corporate and other Adjusted OIBDA decreased $44 million for the year ended December 31, 2016, as compared to the corresponding prior year period, primarily due to the CommerceHub Spin-Off in July 2016 ($28 million), the sale of Backcountry in June 2015 ($8 million) and the disposition of Bodybuilding in November 2016 as part of the Expedia Holdings Split-Off ($5 million). Ignoring the reattribution, total Corporate and other Adjusted OIBDA decreased $24 million for the year ended December 31, 2015, as compared to the corresponding prior year period, primarily due to the sale of Provide in December 2014 ($8 million) and the sale of Backcountry in June 2015 ($15 million). See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of QVC and zulily.

Other Income and Expense

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Interest expense			
QVC Group	$ (289)	(283)	(312)
Ventures Group	(74)	(77)	(75)
Consolidated Liberty	$ (363)	(360)	(387)
Share of earnings (losses) of affiliate, net			
QVC Group	$ 42	55	51
Ventures Group	(110)	(233)	(70)
Consolidated Liberty	$ (68)	(178)	(19)
Realized and unrealized gains (losses) on financial instruments, net			
QVC Group	$ 2	42	(22)
Ventures Group	1,173	72	(35)
Consolidated Liberty	$ 1,175	114	(57)
Gains (losses) on transactions, net			
QVC Group	$ —	—	—
Ventures Group	9	110	74
Consolidated Liberty	$ 9	110	74
Other, net			
QVC Group	$ 42	(6)	(43)
Ventures Group	89	20	19
Consolidated Liberty	$ 131	14	(24)

Interest expense. Interest expense increased $3 million and decreased $27 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior year periods. The increase in interest expense for the year ended December 31, 2016 is due to higher average debt balances at QVC, partially offset by lower interest rates under QVC's credit facility. The decrease in interest expense for the year ended December 31, 2015 is attributable to QVC's refinancing activities resulting in a lower average interest rate.

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
QVC Group			
HSN, Inc.	$ 48	64	60
Other	(6)	(9)	(9)
Total QVC Group	42	55	51
Ventures Group			
FTD	(41)	(83)	—
Other	(69)	(150)	(70)
Total Ventures Group	(110)	(233)	(70)
Consolidated Liberty	$ (68)	(178)	(19)

On December 31, 2014, Liberty acquired an approximate 35% interest in FTD. Liberty's share of FTD's losses was $83 million for the year ended December 31, 2015. The carrying value of Liberty's investment in FTD was impaired to the fair value as of December 31, 2015. The Other category for the Ventures Group is comprised of investments in LendingTree, alternative energy investments and other investments. The alternative energy investments generally operate at a loss but provide favorable tax attributes recorded through the income tax (expense) benefit line item in the consolidated statements of operations. During the year ended December 31, 2015, Liberty recorded an impairment of approximately $98 million related to one of its alternative energy investments which has underperformed operationally.

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,		
	2016	2015	2014
	amounts in millions		
Fair Value Option Securities - AFS	$ 723	84	173
Fair Value Option Securities - Liberty Broadband	761	NA	NA
Exchangeable senior debentures	(308)	30	(230)
Other financial instruments	(1)	—	—
	$ 1,175	114	(57)

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 increase for the year ended December 31, 2016 as compared to the corresponding prior year period was primarily driven by the investment in Liberty Broadband, the investment in Charter, and the change in Liberty's ownership interest in Interval, which resulted in its classification as an available-for-sale security rather than an equity method investment.

Gains on transactions, net. The gain on transactions, net, for the year ended December 31, 2016 is primarily the result of the sale of Right Start in January 2016. The gain on transactions, net for the year ended December 31, 2015 primarily relates to the sale of Backcountry on June 30, 2015, which resulted in a $105 million gain.

Other, net. The primary components of other, net are gains (losses) on dilution of investments in affiliates, foreign exchange gains (losses) and interest income. Other, net increased $117 million for the year ended December 31, 2016 when compared to the corresponding prior year period primarily due to a $75 million gain on dilution of investments in affiliates and increases in foreign exchange gains.

Income taxes. Our effective tax rate for the years ended December 31, 2016, 2015 and 2014 was 32.3%, 22.7% and 30.6%, respectively. The effective tax rate is less than the U.S. federal tax rate of 35% during all years presented primarily due to tax credits and incentives derived from our alternative energy investments. In addition, in 2015, Liberty recognized tax benefits related to the receipt of taxable dividends that are subject to dividends received deductions. The effective tax rate during 2014 was further impacted by 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.

Net earnings. We had net earnings of $1,274 million, $911 million and $626 million for the years ended December 31, 2016, 2015 and 2014, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Liquidity and Capital Resources

As of December 31, 2016 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. Liberty and QVC are in compliance with their debt covenants as of December 31, 2016.

As of December 31, 2016, Liberty's liquidity position consisted of the following:

	Cash and cash equivalents	Available-for-sale securities
	amounts in millions	
QVC	$ 284	—
zulily	13	—
Corporate and other	41	4
Total QVC Group	338	4
Corporate and other	487	1,918
Total Ventures Group	487	1,918
Consolidated Liberty	$ 825	1,922

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 $744 million available for borrowing under the QVC credit facility at December 31, 2016. As of December 31, 2016, QVC had approximately $159 million of cash and cash equivalents held in foreign subsidiaries. Cash in QVC foreign subsidiaries is generally accessible, but certain tax consequences may reduce the net amount of cash QVC is able to utilize for U.S. purposes.

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

	Years ended December 31,		
	2016	2015	2014
Cash Flow Information	amounts in millions		
QVC Group cash provided (used) by operating activities	$ 1,273	1,005	1,224
Ventures Group cash provided (used) by operating activities	170	57	424
Net cash provided (used) by operating activities	$ 1,443	1,062	1,648
QVC Group cash provided (used) by investing activities	$ (238)	(909)	(281)
Ventures Group cash provided (used) by investing activities	(1,254)	121	(157)
Net cash provided (used) by investing activities	$ (1,492)	(788)	(438)
QVC Group cash provided (used) by financing activities	$ (1,103)	(89)	(1,056)
Ventures Group cash provided (used) by financing activities	(469)	(33)	969
Net cash provided (used) by financing activities	$ (1,572)	(122)	(87)

QVC Group

During the year ended December 31, 2016, the QVC Group uses of cash were primarily the repayment of certain debt obligations of $2,178 million and repurchase of Series A QVC Group common stock of $799 million. Additionally, the QVC Group had approximately $206 million of capital expenditures during the year ended December 31, 2016. These uses of cash were funded with $1,905 million of debt borrowings and cash provided by operating activities.

The projected uses of QVC Group cash are the cost to service outstanding debt, approximately $262 million in interest payments on QVC and corporate level debt, anticipated capital improvement spending of approximately $227 million and the continued buyback of QVC Group common stock under the approved share buyback program.

Ventures Group

During the year ended December 31, 2016, the Ventures Group uses of cash were primarily the $2.4 billion investment in Liberty Broadband (see note 9 in the accompanying consolidated financial statements), the repayment of certain debt obligations of $2,320 million and the purchase of short term investments and other marketable securities of $264 million. These uses of cash for the Ventures Group were funded by the sale of short term investments and other marketable securities of $1,162 million, debt borrowings of $1,572 million, cash proceeds from dispositions of $353 million, a distribution from Expedia Holdings of $299 million, net of certain debt related costs, and cash provided by operating activities.

The projected uses of Ventures Group cash are approximately $59 million in interest payments to service outstanding debt, anticipated capital improvement spending of approximately $3 million and further investments in existing or new businesses through continued investment activity.

Consolidated

During the year ended December 31, 2016, Liberty's primary uses of cash were the $2.4 billion investment in Liberty Broadband (see note 9 in the accompanying consolidated financial statements), $1,021 million of net repayments on outstanding debt, repurchases of Series A QVC Group common stock of $799 million, purchases of short term investments and other marketable securities of $264 million and capital expenditures of $233 million. These uses of cash were funded primarily by sales of short term investments and other marketable securities of $1,174 million, cash proceeds from dispositions of $353 million, a distribution from Expedia Holdings of $299 million and cash provided by operating activities.

The projected uses of Liberty’s cash, outside of normal operating expenses (inclusive of tax payments), are the costs to service outstanding debt, approximately $321 million for interest payments on outstanding debt, corporate level and other subsidiary debt, anticipated capital improvement spending of approximately $230 million, the repayment of certain debt obligations and the potential buyback of common stock under the approved share buyback program and additional investments in existing or new businesses. We also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities. We expect that cash on hand and cash provided by operating activities in future periods and outstanding borrowing capacity will be sufficient to fund projected uses of cash.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

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

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

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

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
	amounts in millions				
Consolidated contractual obligations					
Long-term debt (1)	$ 8,371	31	465	1,958	5,917
Interest payments (2)	5,853	321	578	557	4,397
Operating lease obligations	255	37	65	51	102
Build to suit lease	96	5	12	12	67
Purchase orders and other obligations	451	399	48	4	—
Total	$ 15,026	793	1,168	2,582	10,483

(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 sheets. 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, 2016, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2016 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 the audit committee of our board of directors.

Fair Value Measurements

Financial Instruments. We record a number of assets and liabilities in our consolidated balance sheets at fair value on a recurring basis, including available-for-sale ("AFS") securities, our investment in Liberty Broadband, 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 our Fair Value Option (as defined below) securities and our investment in Liberty Broadband. As of December 31, 2016 and 2015, the carrying value of our Fair Value Option securities was $1,846 million and $1,294 million, respectively. As of December 31, 2016, the carrying value of our investment in Liberty Broadband was $3,161 million.

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, 2016 and 2015, the principal amount and carrying value of our exchangeable debentures were $1,960 million and $1,667 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 intangible assets, 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 statements 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, 2016, the intangible assets not subject to amortization for each of our significant reportable segments were as follows:

	Goodwill	Trademarks	Total
	amounts in millions		
QVC	$ 5,110	2,428	7,538
zulily	917	870	1,787
Corporate and other	25	4	29
	$ 6,052	3,302	9,354

We perform our annual assessment of the recoverability of our goodwill and other non-amortizable intangible assets during the fourth quarter of each year. We utilize a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits 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 reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are 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 considers fair value determinations for certain reporting units that have been made at various points throughout the current and prior years for other purposes. There were no goodwill and other intangible impairments in 2016 and 2015. 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 Evite. Fair value for Evite, including intangible assets and goodwill, was determined using the Evite's 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 statements of operations. Other than temporary declines in fair value of our cost investments are recognized on a separate line in our consolidated statements of operations, and other than temporary declines in fair value of our equity method investments are included in share of earnings (losses) of affiliates in our consolidated statements 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 statements 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 statements of operations only upon our ultimate disposition of the investment. During the year ended December 31, 2015, Liberty recorded an impairment of approximately $98 million related to one of our alternative energy investments which has underperformed operationally. In addition, during the year ended December 31, 2015, Liberty recorded an impairment of our investment in FTD, as our carrying value per share was below the trading price for a significant period of time.

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 statements of operations. For the years ended December 31, 2016, 2015 and 2014, sales returns represented 18.3%, 19.1% 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 retail sales in our consolidated statements of operations. At December 31, 2016, QVC's inventory was $950 million, which was net of the obsolescence adjustment of $76 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, 2016, QVC's trade accounts receivable were $1,246 million, net of the allowance for doubtful accounts of $97 million. Each of these estimates requires management judgment and may not reflect actual results.

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

Results of Operations—Businesses

QVC

QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications. In the U.S., QVC's live programming is distributed via its nationally televised shopping program 24 hours per day, 364 days per year (such U.S. operations, "QVC-U.S."). Internationally, QVC's program services reach approximately 137 million households based in Germany, Austria, the U.K., Republic of Ireland, Italy, Japan and France (such international operations, "QVC-International"). QVC-International distributes programming live between eight and twenty-four hours per day, and an additional seven to fourteen hours per day of recorded programming, depending on the market.

QVC's Japanese operations are conducted through a joint venture with Mitsui & Co. LTD ("Mitsui") for a television and multimedia retailing service in Japan. QVC-Japan is owned 60% by QVC and 40% by Mitsui. QVC and Mitsui share in all profits and losses based on their respective ownership interests. During the years ended December 31, 2016, 2015 and 2014, QVC-Japan paid dividends to Mitsui of $39 million, $36 million and $42 million, respectively.

QVC also has a joint venture with CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"). QVC owns a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS operates a retail business in China through a shopping television channel with an associated website. Live programming is distributed for 15 hours per day and recorded programming for nine hours per day. The CNRS joint venture is accounted for as an equity method investment.

During the year ended December 31, 2015, QVC put into action the One Q reorganization plan which reorganized its department reporting structure. The purpose of the plan is to reorganize the reporting structure for a shared services arrangement to support the U.S. and international operations.

QVC's operating results were as follows:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Net revenue	$ 8,682	8,743	8,801
Cost of sales	(5,540)	(5,528)	(5,547)
Gross profit	3,142	3,215	3,254
Operating expenses	(606)	(607)	(618)
SG&A expenses (excluding stock-based compensation)	(696)	(714)	(726)
Adjusted OIBDA	1,840	1,894	1,910
Stock-based compensation	(32)	(31)	(44)
Depreciation and amortization	(605)	(588)	(587)
Operating income	$ 1,203	1,275	1,279

Net revenue was generated from the following geographical areas:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
QVC-U.S.	$ 6,120	6,257	6,055
QVC-International	2,562	2,486	2,746
	$ 8,682	8,743	8,801

QVC's consolidated net revenue decreased 0.7% for each of the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior years. The 2016 decrease of $61 million in net revenue was primarily due to a 3.9% decrease in average selling price per unit ("ASP") attributing $393 million and a $17 million decrease in shipping and handling revenue in constant currency. The decrease was offset by a 2.4% increase in units shipped attributing $237 million, a decrease of $105 million in estimated product returns and a $6 million increase primarily related to product sales with zulily. The 2015 decrease of $58 million in net revenue was primarily comprised of $357 million of unfavorable foreign currency rate adjustments, a decrease in net shipping and handling revenue of $81 million in the U.S., a $74 million increase in estimated product returns, and a $15 million decrease in other revenue primarily in the U.S. These decreases were offset by $330 million due to a 3.4% increase in units sold both in the U.S. and internationally and $139 million due to a 1.4% increase in the consolidated ASP. The increase in estimated product returns was primarily in the U.S. and Germany due to sales mixes and an increase in units shipped. As expected, shipping and handling revenue decreased in the U.S. as a result of QVC's new shipping and handling pricing which became effective February 2, 2015, that provides for changes in standard shipping rates and a change in QVC's shipping and handling refund policy.

During the years ended December 31, 2016 and 2015, 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.

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

The percentage change in net revenue for QVC-U.S. and QVC-International in U.S. Dollars and in constant currency was as follows:

	Year ended December 31, 2016			Year ended December 31, 2015		
	U.S. dollars	Foreign Currency Exchange Impact	Constant currency	U.S. dollars	Foreign Currency Exchange Impact	Constant currency
QVC-US	(2.2)%	0.0 %	(2.2)%	3.3 %	0.0 %	3.3 %
QVC-International	3.1 %	0.1 %	3.0 %	(9.5)%	(13.0)%	3.5 %

In 2016, QVC-U.S. net revenue decline was primarily due to a 5.5% decrease in ASP and a 4.0% decrease in shipping and handling revenue. The decline was offset by a 2.3% increase in units shipped and a decrease in estimated product returns. QVC-U.S. experienced shipped sales declines in jewelry, electronics and beauty with growth in apparel, home and accessories. The decrease in net shipping and handling revenue was primarily due to the decrease in shipping and handling rates per unit from promotional offers. The decrease in estimated product returns was primarily due to a decrease in an overall lower return rate across all categories and sales. QVC-International net revenue growth in constant currency was primarily due to a 2.5% increase in units shipped, driven mainly in Germany and the U.K., offset by the increase in estimated product returns, driven primarily by product returns in Germany. QVC-International experienced shipped sales growth in constant currency in all categories except jewelry and apparel.

In 2015, QVC-U.S. net revenue growth was primarily due to 4.0% increase in units shipped and a 1.2% increase in ASP offset by the increase in estimated product returns and lower shipping and handling revenue. QVC-U.S. experienced shipped sales growth in all categories except jewelry and electronics. QVC-International net revenue growth in constant currency was primarily due to a 2.2% increase in units shipped, primarily in the U.K., and a 1.6% increase in ASP, mainly in Germany, offset by the increase in estimated product returns. QVC-International experienced shipped sales growth in constant currency in all categories except electronics.

QVC's gross profit percentage was 36.2%, 36.8% and 37.0% for the years ended December 31, 2016, 2015 and 2014, respectively. The slight decrease in gross profit percentage in 2016 was primarily due to decreased product margins and increased freight costs in the U.S. associated with the increases in units shipped, partially offset by a favorable inventory obsolescence provision in the U.S. The slight decrease in gross profit percentage in 2015 was primarily due to increased inventory obsolescence and freight costs in the U.S partially offset by increased product margins in the U.S. and internationally.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, and telecommunications expenses. Operating expenses decreased $1 million or 0.2% and decreased $11 million or 1.8% for the years ended December 31, 2016 and 2015, respectively.

The slight decrease in 2016 was primarily due to lower telecommunication expense, partially offset by increased commissions expense. The decrease in telecommunication expense was primarily due to lower phone and network rates in the U.S. The increase in commissions expense was primarily due to increases internationally offset by a decrease in sales in the U.S.

The decrease in 2015 was primarily due to favorable foreign currency exchange rates of $29 million, partially offset by a $9 million increase in commissions expenses and an $8 million increase in credit card fees. The increase in commission expense was primarily due to increased sales in the U.S. The increase in credit card fees was primarily due to increased sales combined with a higher mix of purchases from customers using credit cards with higher rates charged to merchants, primarily in the U.S.

Stock-based compensation includes compensation related to options and restricted stock granted to certain officers and employees. QVC recorded $32 million, $31 million and $44 million of stock-based compensation expense for the years ended December 31, 2016, 2015 and 2014, respectively. Stock-based compensation decreased in 2015 due to the acceleration of vesting of certain awards in 2014.

QVC's SG&A expenses (excluding stock compensation) include personnel, information technology, provision for doubtful accounts, credit card income, production costs and marketing and advertising expense. Such expenses decreased $18 million, and decreased to 8% of net revenue for the year ended December 31, 2016 as compared to the prior year and decreased $12 million, and remained consistent at 8.2% of net revenue for the year ended December 31, 2015 as compared to the prior year, as a result of a variety of factors.

The decrease in 2016 was primarily related to reduced personnel costs of $63 million and an increase of credit card income of $8 million which was partially offset by increases in bad debt expense of $25 million, software expense of $13 million, franchise tax expense of $10 million and external services of $8 million. The decrease in personnel costs was primarily due to a decrease in bonuses and benefits in the U.S., and severance. The increase in credit card income was due to the favorable economics and usage of the QVC-branded credit card ("Q card") portfolio in the U.S. The increase in bad debt expense was primarily related to an increase in U.S. Easy-Pay sales penetration and default rates. The increase in software expense was mainly due to an increase in software licensing and software maintenance. The increase in franchise tax expense was mainly due to a favorable franchise tax reserve adjustment related to an audit settlement in 2015 which was not experienced in the year ended December 31, 2016. The increase in external services was primarily due to internal control enhancements and the establishment of a global business service center located in Krakow, Poland.

The decrease in 2015 was primarily related to a $48 million favorable impact of exchange rates, a $12 million increase in credit card income, and a $10 million decrease in bad debt expense, partially offset by a $53 million increase in personnel expense. The increase in credit card income was due to the favorable economics of the Q card portfolio in the U.S. The decrease in bad debt expense was mainly due to a lower electronics Easy-Pay mix, higher usage of the Q Card in the U.S. and lower write-offs in Germany. The increase in personnel expenses was primarily due to severance costs related to the establishment of the global business service center and One Q reorganization plan, and also due to merit, bonus and benefits increases in the U.S. and internationally, including the start-up in France.

Depreciation and amortization consisted of the following:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Affiliate agreements	$ 146	146	150
Customer relationships	169	170	173
Acquisition related amortization	315	316	323
Property and equipment	142	134	135
Software amortization	100	93	93
Channel placement amortization and related expenses	48	45	36
Total depreciation and amortization	$ 605	588	587

For the year ended December 31, 2016, depreciation and amortization increased primarily due to additions at QVC's California distribution center and new website functionality.

zulily.

Liberty acquired zulily on October 1, 2015. Prior to the acquisition, zulily utilized a retail calendar, whereby each fiscal year ended on the Sunday closest to December 31. Upon acquisition by Liberty, zulily changed its year end to December 31 on a prospective basis, resulting in four additional days in the year ended December 31, 2015 as compared to the year ended December 28, 2014. The change in fiscal year end also resulted in two fewer days in the year ended December 31, 2016 compared to the year ended December 31, 2015. Although zulily's results are only included in Liberty's results for the period October 1, 2015 through December 31, 2015, we believe a discussion of zulily's stand alone results, including certain one-time purchase accounting related adjustments detailed below, promotes a better understanding of the overall results of its business. zulily has reclassified certain costs between financial statement line items to conform with

Liberty's reporting structure for ease of comparability for all reporting periods. zulily's operating results for the last three years were as follows:

	Years ended December 31, 2016	Years ended December 31, 2015	Years ended December 28, 2014
	amounts in millions		
Net revenue	$ 1,547	1,361	1,201
Cost of sales	(1,108)	(978)	(894)
Gross profit	439	383	307
Operating expenses	(47)	(43)	(40)
SG&A expenses (excluding stock-based compensation and acquisition related expenses)	(280)	(269)	(223)
Adjusted OIBDA	112	71	44
Acquisition related expenses	—	(30)	—
Stock-based compensation	(19)	(19)	(15)
Depreciation and amortization	(245)	(83)	(13)
Deferred revenue adjustment	—	(17)	—
Operating income (loss)	$ (152)	(78)	16

Net revenue consists primarily of sales of women's, children's and men's apparel, children's merchandise and other product categories such as kitchen accessories and home décor. zulily recognizes product sales at the time all revenue recognition criteria has been met, which is generally at delivery. Net revenue represents the sales of these items plus shipping and handling charges to customers, net of estimated refunds, store credits, and promotional discounts. Net revenue is primarily driven by growth in zulily's active customers, the frequency with which customers purchase and average order value.

zulily's consolidated net revenue increased 13.7% and 13.3% for the years ended December 31, 2016 and December 31, 2015, respectively, as compared to the corresponding prior years. The increase in net revenue for the year ended December 31, 2016 was primarily attributed to an increase in total orders placed of 14.5%, driven by a 14.1% increase in the number of orders placed per active customer. An active customer is defined as an individual who had purchased at least once in the last twelve months, measured from the last day of the period. The increase in net revenue for the year ended December 31, 2015 was primarily attributed to an 11.6% increase in total orders placed driven by a 9.9% increase in the number of orders placed per active customer.

zulily's gross profit percentage was 28.4%, 28.1% and 25.6% for the years ended December 31, 2016, 2015 and December 28, 2014, respectively. The increase for the year ended December 31, 2016 was primarily attributed to improved operational efficiency, partially offset by higher shipping and handling costs. The increase in gross profit for the year ended December 31, 2015 was primarily attributed to improved operational performance driven by investments in transportation and fulfillment center automation.

zulily's operating expenses are principally comprised of credit card processing fees and customer service expenses. Operating expenses increased $4 million, or 9.3%, and $3 million, or 7.5%, for the years ended December 31, 2016 and 2015, respectively. The increase in operating expenses was primarily attributed to an increase in credit card processing fees which are driven by higher sales volume.

zulily's SG&A expenses include personnel related costs for general corporate functions, marketing and advertising expenses, information technology, and the costs associated with the use by these functions of facilities and equipment, including rent. These expenses increased $11 million, and as a percentage of net revenue, decreased from 19.8% to 18.1% for the year ended December 31, 2016. The SG&A expense increase was primarily due to an increase in overall marketing spend. The decrease in expense as a percentage of net revenue was driven by top line revenue growth over a partially fixed cost base.

zulily's SG&A expenses increased $46 million, and as a percentage of revenue increased from 18.6% to 19.8% for the year ended December 31, 2015. The increase in SG&A expenses as compared to the year ended December 28, 2014 was attributable to higher personnel related costs, increased rent and facilities expenses as a result of an increase in square footage occupied in order to support its business growth, and higher marketing-related expenses attributable to increased subscriber acquisition costs as zulily realigned its marketing strategy to focus on higher lifetime value customers.

zulily's stock-based compensation expense remained flat for the year ended December 31, 2016 as compared to the year ended December 31, 2015. zulily's stock-based compensation expense increased $4 million, or 26.7%, for the year ended December 31, 2015. The increase in stock-based compensation expense was the result of incremental increases in headcount during the year ended December 31, 2015 as compared to the year ended December 28, 2014.

zulily's depreciation and amortization expense increased $162 million and $70 million for the years ended December 31, 2016 and 2015, respectively, as compared to the corresponding prior years. The increase is primarily attributed to amortization of intangible assets as a result of purchase accounting. To a lesser extent, the increase in depreciation and amortization was related to additional automation equipment and leasehold improvements in its fulfillment centers.

zulily's results for the year ended December 31, 2015, including certain one-time purchase accounting related adjustments, were as follows (amounts in millions):

	Post-Acquisition:		Pre-Acquisition:	
	October 1, 2015 - December 31, 2015	Deferred Revenue Adjustment	December 29, 2014 - September 30, 2015	2015 Total
Net revenue	$ 426	17	918	1,361
Cost of sales	(318)	—	(660)	(978)
Gross profit	108	17	258	383
Operating expenses	(13)	—	(30)	(43)
SG&A expenses (excluding stock-based compensation and acquisition related expenses)	(74)	—	(195)	(269)
Adjusted OIBDA	21	17	33	71
Acquisition related expenses	—	—	(30)	(30)
Stock-based compensation	(5)	—	(14)	(19)
Depreciation and amortization	(69)	—	(14)	(83)
Deferred revenue adjustment	—	(17)	—	(17)
Operating income (loss)	$ (53)	—	(25)	(78)

The results of operations for the year ended December 31, 2015 include approximately $30 million in costs associated with the closing of the acquisition. The results of operations for the period October 1, 2015 through December 31, 2015 include approximately $63 million of depreciation and amortization as a result of purchase accounting related to new intangible assets and to a lesser extent stepped up valuation on assets existing prior to the date of the acquisition. Additionally, as a result of our application of purchase accounting, zulily's deferred revenue was adjusted to fair value, based on a broader market margin, instead of a company specific margin. This adjustment had the one-time impact of lowering revenue and Adjusted OIBDA in the post-acquisition period.

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, 2016, 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			
QVC Group				
QVC	$ 1,596	2.2 %	$ 3,724	4.6 %
zulily	$ 300	2.2 %	$ —	— %
Corporate and other	$ —	— %	$ 792	8.3 %
Ventures Group				
Corporate and other	$ —	— %	$ 1,959	3.0 %

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

At December 31, 2016, the fair value of our AFS securities was $1,846 million. Had the market price of such securities been 10% lower at December 31, 2016, the aggregate value of such securities would have been $185 million lower. Our investments in HSN, FTD and LendingTree are publicly traded securities and are accounted for as equity method affiliates, which are not reflected at fair value in our balance sheets. The aggregate fair value of such securities was $1,211 million at December 31, 2016 and had the market price of such securities been 10% lower at December 31, 2016, the aggregate value of such securities would have been $121 million lower. These securities are also subject to market risk that is not directly reflected in our statements of operations. At December 31, 2016, the fair value of our investment in Liberty Broadband was $3,161 million. Had the market price of such security been 10% lower at December 31, 2016, the fair value of such security would have been $316 million lower. Additionally, our exchangeable senior debentures are also subject to market risk. Because we mark these instruments to fair value each reporting date, increases in the price of the respective underlying security generally result in higher liabilities and unrealized losses in our statements of operations.

Liberty is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, Liberty may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. QVC's reported Adjusted OIBDA for the year ended December 31, 2016 would have been impacted by approximately $4 million for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

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

Financial Statements and Supplementary Data.

The consolidated financial statements of Liberty are included herein, beginning on page F-30.

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

None.

Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 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.

Management's Report on Internal Control Over Financial Reporting

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

See page F-29 for KPMG LLP's attestation report regarding the effectiveness of our internal control over financial reporting.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

See "Item 9A. Controls and Procedures - Management's Report on Internal Control Over Financial Reporting" and "Item 9A. Controls and Procedures - Remediation Plan For Material Weakness in Internal Control Over Financial Reporting" contained in the Company's report on Form 10-K for the fiscal year ended December 31, 2015 (the "2015 Form 10-K") for disclosure of information about the material weakness that was reported as a result of the Company's annual assessment as of December 31, 2015 and remediation plans for that material weakness.

In response to the material weakness identified in Management's Report on Internal Control Over Financial Reporting as set forth in Part II, Item 9A in the 2015 Form 10-K, the Company developed a plan with oversight from the Audit Committee of the Board of Directors of Liberty to remediate the material weakness. The remediation efforts implemented include the following:

- A monitoring control was established to identify inappropriate user access and incompatible or conflicting functions. The work of the identified individuals, with such duties, was then reviewed to determine whether they inappropriately utilized the incompatible or conflicting functions to perform any inappropriate activity.
- Monitoring controls over manual and post-close journal entries were enhanced to ensure that there is adequate oversight over such entries.

- Additionally, procedures were established to validate the completeness and accuracy of reports used in the financial reporting process to support control activities.

For the quarter ended December 31, 2016 the Company completed the testing and evaluation of the operating effectiveness of the controls, and based on the results of the testing, the controls were determined to be designed and operating effectively as of December 31, 2016. Accordingly, the Company concluded the previously reported material weakness was remediated as of December 31, 2016.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2016, the Company continued to review the design of QVC's controls, made adjustments and continued to alleviate the noted control deficiencies. Other than these items, there was no change in the Company's internal control over financial reporting that occurred during the Company's quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's 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, 2016, using the criteria in *Internal Control-Integrated Framework (2013),* 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, 2016, its internal control over financial reporting is effective.

The Company's independent registered public accounting firm that audited the consolidated financial statements and related disclosures in the Annual Report has 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.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Interactive Corporation:

We have audited Liberty Interactive Corporation's (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Liberty Interactive Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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 as of December 31, 2016 and 2015, 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, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Denver, Colorado
February 28, 2017

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, 2016 and 2015, 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, 2016. 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 consolidated financial position of Liberty Interactive Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, 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), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Denver, Colorado
February 28, 2017

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

	2016	2015
	amounts in millions	
Assets		
Current assets:		
Cash and cash equivalents	$ 825	2,449
Trade and other receivables, net	1,308	1,443
Inventory, net	968	1,000
Short-term marketable securities	—	910
Other current assets	68	73
Total current assets	3,169	5,875
Investments in available-for-sale securities and other cost investments (note 8)	1,922	1,353
Investments in affiliates, accounted for using the equity method (note 9)	581	714
Investment in Liberty Broadband measured at fair value (note 9)	3,161	—
Property and equipment, at cost	2,163	2,124
Accumulated depreciation	(1,032)	(984)
	1,131	1,140
Intangible assets not subject to amortization (note 10):		
Goodwill	6,052	6,112
Trademarks	3,302	3,373
	9,354	9,485
Intangible assets subject to amortization, net (note 10)	1,005	1,647
Other assets, at cost, net of accumulated amortization	32	39
Noncurrent assets of discontinued operations (note 6)	—	927
Total assets	$ 20,355	21,180

(continued)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2016 and 2015

	2016	2015
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 790	762
Accrued liabilities	706	784
Current portion of debt, including $862 million and $1,193 million measured at fair value (note 11)	876	1,226
Other current liabilities	162	328
Total current liabilities	2,534	3,100
Long-term debt, including $805 million and $1,287 million measured at fair value (note 11)	7,166	7,481
Deferred income tax liabilities (note 12)	3,636	3,217
Other liabilities	158	222
Noncurrent liabilities of discontinued operations (note 6)	—	285
Total liabilities	13,494	14,305
Equity		
Stockholders' equity (note 13):		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A QVC Group common stock, $.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 429,005,932 shares at December 31, 2016 and 461,379,963 shares at December 31, 2015	5	5
Series B QVC Group common stock, $.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,358,638 shares at December 31, 2016 and 29,218,527 shares at December 31, 2015	—	—
Series A Liberty Ventures common stock, $.01 par value. Authorized 400,000,000 shares at December 31, 2016 and December 31, 2015; issued and outstanding 81,150,711 shares at December 31, 2016 and 134,961,466 shares at December 31, 2015	1	1
Series B Liberty Ventures common stock, $.01 par value. Authorized 15,000,000 shares at December 31, 2016 and December 31, 2015; issued and outstanding 4,271,958 shares at December 31, 2016 and 7,092,111 shares at December 31, 2015	—	—
Additional paid-in capital	—	370
Accumulated other comprehensive earnings (loss), net of taxes	(266)	(215)
Retained earnings	7,032	6,626
Total stockholders' equity	6,772	6,787
Noncontrolling interests in equity of subsidiaries	89	88
Total equity	6,861	6,875
Commitments and contingencies (note 18)		
Total liabilities and equity	$ 20,355	21,180

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

Years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	amounts in millions, except per share amounts		
Total revenue, net	$ 10,647	9,989	10,499
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	6,908	6,393	6,684
Operating expense	707	699	756
Selling, general and administrative, including stock-based compensation (note 3)	1,190	1,078	1,202
Depreciation and amortization	874	703	669
	9,679	8,873	9,311
Operating income	968	1,116	1,188
Other income (expense):			
Interest expense	(363)	(360)	(387)
Share of earnings (losses) of affiliates, net (note 9)	(68)	(178)	(19)
Realized and unrealized gains (losses) on financial instruments, net (note 7)	1,175	114	(57)
Gains (losses) on transactions, net	9	110	74
Other, net	131	14	(24)
	884	(300)	(413)
Earnings (loss) from continuing operations before income taxes	1,852	816	775
Income tax (expense) benefit (note 12)	(598)	(185)	(237)
Earnings (loss) from continuing operations	1,254	631	538
Earnings (loss) from discontinued operations, net of taxes (note 6)	20	280	88
Net earnings (loss)	1,274	911	626
Less net earnings (loss) attributable to the noncontrolling interests	39	42	89
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 1,235	869	537
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
QVC Group common stock	473	640	520
Liberty Ventures common stock	762	229	17
	$ 1,235	869	537
Basic net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ 0.99	1.35	1.10
Series A and Series B Liberty Ventures common stock	$ 5.54	(0.36)	(0.43)
Diluted net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ 0.98	1.33	1.09
Series A and Series B Liberty Ventures common stock	$ 5.49	(0.36)	(0.43)
Basic net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ 0.99	1.35	1.07
Series A and Series B Liberty Ventures common stock	$ 5.69	1.61	0.19
Diluted net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ 0.98	1.33	1.06
Series A and Series B Liberty Ventures common stock	$ 5.64	1.60	0.19

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Comprehensive Earnings (Loss)

Years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	amounts in millions		
Net earnings (loss)	$1,274	911	626
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	(84)	(101)	(192)
Share of other comprehensive earnings (loss) of equity affiliates	(5)	(4)	—
Other comprehensive earnings (loss) from discontinued operations	(2)	(17)	(19)
Other	6	—	—
Other comprehensive earnings (loss)	(85)	(122)	(211)
Comprehensive earnings (loss)	1,189	789	415
Less comprehensive earnings (loss) attributable to the noncontrolling interests	40	41	77
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	$1,149	748	338
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
QVC Group common stock	$ 388	540	336
Liberty Ventures common stock	761	208	2
	$1,149	748	338

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	amounts in millions (See note 4)		
Cash flows from operating activities:			
Net earnings (loss)	$ 1,274	911	626
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	(20)	(280)	(88)
Depreciation and amortization	874	703	669
Stock-based compensation	97	127	108
Cash payments for stock-based compensation	(92)	(16)	(15)
Noncash interest expense	12	5	6
Share of (earnings) losses of affiliates, net	68	178	19
Cash receipts from returns on equity investments	31	32	30
Realized and unrealized (gains) losses on financial instruments, net	(1,175)	(114)	57
(Gains) losses on transactions, net	(9)	(110)	(74)
(Gains) losses on extinguishment of debt	6	21	48
Deferred income tax expense (benefit)	473	(103)	(60)
Other noncash charges (credits), net	(115)	(11)	1
Changes in operating assets and liabilities			
Current and other assets	136	(237)	(84)
Payables and other liabilities	(117)	(44)	405
Net cash provided (used) by operating activities	1,443	1,062	1,648
Cash flows from investing activities:			
Cash (paid) for acquisitions, net of cash acquired	—	(844)	—
Cash proceeds from dispositions of investments	353	271	163
Investment in and loans to cost and equity investees	(86)	(120)	(71)
Cash receipts from returns of equity investments	—	250	—
Capital expended for property and equipment	(233)	(258)	(241)
Purchases of short term investments and other marketable securities	(264)	(1,370)	(864)
Sales of short term investments and other marketable securities	1,174	1,359	591
Investment in Liberty Broadband	(2,400)	—	—
Other investing activities, net	(36)	(76)	(16)
Net cash provided (used) by investing activities	(1,492)	(788)	(438)
Cash flows from financing activities:			
Borrowings of debt	3,427	4,558	4,506
Repayments of debt	(4,498)	(3,811)	(3,749)
Repurchases of QVC Group common stock	(799)	(785)	(785)
Withholding taxes on net share settlements of stock-based compensation	(16)	(30)	(26)
Purchase of noncontrolling interest	—	(33)	—
Distribution from Liberty Expedia Holdings	299	—	—
Other financing activities, net	15	(21)	(33)
Net cash provided (used) by financing activities	(1,572)	(122)	(87)
Effect of foreign currency exchange rates on cash	(20)	(3)	(46)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	17	17	286
Cash provided (used) by investing activities	—	(23)	(214)
Cash provided (used) by financing activities	—	—	371
Change in available cash held by discontinued operations	—	—	(116)
Net cash provided (used) by discontinued operations	17	(6)	327
Net increase (decrease) in cash and cash equivalents	(1,624)	143	1,404
Cash and cash equivalents at beginning of period	2,449	2,306	902
Cash and cash equivalents at end of period	$ 825	2,449	2,306

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Equity

Years ended December 31, 2016, 2015 and 2014

	Stockholders' Equity								Noncontrolling interest in equity of subsidiaries	Total equity
	Preferred Stock	QVC Group Series A	QVC Group Series B	Liberty Ventures Series A	Liberty Ventures Series B	Additional paid-in capital	Accumulated other comprehensive earnings (loss), net of taxes	Retained Earnings		
						amounts in millions				
Balance at January 1, 2014	$ —	5	—	1	—	1,146	99	5,685	4,499	11,435
Net earnings	—	—	—	—	—	—	—	537	89	626
Other comprehensive earnings (loss)	—	—	—	—	—	—	(199)	—	(12)	(211)
Stock-based compensation	—	—	—	—	—	103	—	—	39	142
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	(58)	—	—	—	(58)
Excess tax benefits on stock-based compensation	—	—	—	—	—	35	—	—	—	35
Stock issued upon exercise of stock options	—	—	—	—	—	36	—	—	—	36
Series A QVC Group stock repurchases	—	—	—	—	—	(785)	—	—	—	(785)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(42)	(42)
Shares issued by subsidiary	—	—	—	—	—	(8)	—	—	8	—
Distribution of Liberty TripAdvisor Holdings, Inc.	—	—	—	—	—	(465)	6	(465)	(4,474)	(5,398)
Balance at December 31, 2014	$ —	5	—	1	—	4	(94)	5,757	107	5,780
Net earnings	—	—	—	—	—	—	—	869	42	911
Other comprehensive earnings (loss)	—	—	—	—	—	—	(121)	—	(1)	(122)
Stock-based compensation	—	—	—	—	—	70	—	—	—	70
Minimum withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	(30)	—	—	—	(30)
Excess tax benefits on stock-based compensation	—	—	—	—	—	16	—	—	—	16
Stock issued upon exercise of stock options	—	—	—	—	—	40	—	—	—	40
Series A QVC Group stock repurchases	—	—	—	—	—	(785)	—	—	—	(785)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(58)	(58)
Acquisition of zulily	—	—	—	—	—	1,087	—	—	—	1,087
Acquisition of noncontrolling interest	—	—	—	—	—	(31)	—	—	(2)	(33)
Other	—	—	—	—	—	(1)	—	—	—	(1)
Balance at December 31, 2015	$ —	5	—	1	—	370	(215)	6,626	88	6,875
Net earnings	—	—	—	—	—	—	—	1,235	39	1,274
Other comprehensive earnings (loss)	—	—	—	—	—	—	(86)	—	1	(85)
Cumulative effect of accounting change	—	—	—	—	—	—	—	5	—	5
Stock-based compensation	—	—	—	—	—	89	—	—	—	89
Withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	(16)	—	—	—	(16)
Stock issued upon exercise of stock options	—	—	—	—	—	24	—	—	—	24
Series A QVC Group stock repurchases	—	—	—	—	—	(799)	—	—	—	(799)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(39)	(39)
Distribution of Liberty Expedia Holdings	—	—	—	—	—	—	35	(493)	—	(458)
Reclassification	—	—	—	—	—	341	—	(341)	—	—
Other	—	—	—	—	—	(9)	—	—	—	(9)
Balance at December 31, 2016	$ —	5	—	1	—	—	(266)	7,032	89	6,861

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

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

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

As further discussed in note 6, on August 27, 2014, Liberty completed the spin-off to holders of its Liberty Ventures common stock shares of its former wholly-owned subsidiary, Liberty TripAdvisor Holdings, Inc. (“TripAdvisor Holdings”) (the “TripAdvisor Holdings Spin-Off”). The consolidated financial statements of Liberty have been prepared to reflect TripAdvisor Holdings as discontinued operations. Accordingly, the revenue, costs and expenses, and cash flows of TripAdvisor Holdings at the time of the TripAdvisor Holdings Spin-Off have been excluded from the respective captions in the accompanying consolidated statements of operations, comprehensive earnings (loss) and cash flows in such consolidated financial statements.

Additionally, on October 3, 2014, Liberty announced that its board of directors approved the change in attribution from the Interactive Group (which we refer to as the QVC Group) to the Ventures Group of its Digital Commerce businesses (defined below) and cash. The reattributed Digital Commerce businesses are comprised of Liberty’s subsidiaries Backcountry.com, Inc. (“Backcountry”), Bodybuilding.com, LLC (“Bodybuilding”), CommerceHub (as defined below), Evite, Inc. (“Evite”), and Provide Commerce, Inc. (“Provide”) (collectively, the “Digital Commerce” businesses). See note 2 for additional information on the reattribution.

On December 31, 2014, Liberty announced the closing of the acquisition by FTD Companies, Inc. ("FTD") of Provide (the “FTD Transaction”). Under the terms of the transaction, Liberty received approximately 10.2 million shares of FTD common stock representing approximately 35% of the combined company and approximately $145 million in cash. We recognized a gain of $75 million as a result of this transaction, which is included in the Gains (losses) on transactions, net line item in the consolidated statements of operations. Subsequent to completion of the transaction, Liberty accounts for FTD as an equity-method affiliate based on the ownership level and board representation. The FTD Transaction resulted in a non-cash investing addition of $355 million to the investments in affiliates, accounted for using the equity method line item within the consolidated balance sheets. Given our significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the consolidated financial statements of Liberty.

On October 1, 2015, Liberty acquired all the outstanding shares of zulily, inc. (“zulily”) (now known as zulily, llc). zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched every day. zulily is attributed to the QVC Group. See note 5 for additional information related to the acquisition.

On July 22, 2016, Liberty completed its previously announced spin-off (the “CommerceHub Spin-Off”) of its former wholly-owned subsidiary CommerceHub, Inc. (“CommerceHub”). The CommerceHub Spin-Off was accomplished by the distribution by Liberty of a dividend of (i) 0.1 of a share of CommerceHub’s Series A common stock for each outstanding share of Liberty’s Series A Liberty Ventures common stock as of 5:00 p.m., New York City time, on July 8, 2016 (such date and time, the “Record Date”), (ii) 0.1 of a share of CommerceHub’s Series B common stock for each outstanding share of Liberty’s Series B Liberty Ventures common stock as of the Record Date and (iii) 0.2 of a share of CommerceHub’s Series C common stock for each outstanding share of Series A and Series B Liberty Ventures common stock as of the Record Date, in each case, with cash paid in lieu of fractional shares. In September 2016, the IRS completed its review of the CommerceHub Spin-Off and informed Liberty that it agreed with the nontaxable characterization of the transaction. Liberty received an Issue Resolution Agreement from the IRS documenting this conclusion. CommerceHub is included in the Corporate and other segment through July 22, 2016 and is not presented as a discontinued operation as the CommerceHub Spin-Off did not represent a strategic shift that had a major effect on Liberty's operations and financial results.

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

Liberty views Expedia and Bodybuilding as separate components and evaluated them separately for discontinued operations presentation. Based on a quantitative analysis, the split-off of Liberty's interest in Expedia represents a strategic shift that has a major effect on Liberty's operations, primarily due to prior year one-time gains on transactions recognized by Expedia. Accordingly, the consolidated financial statements of Liberty have been prepared to reflect Liberty's interest in Expedia as a discontinued operation. The disposition of Bodybuilding as part of the Expedia Holdings Split-Off does not have a major effect on Liberty's historical results nor is it expected to have a major effect on Liberty's future operations. The disposition of Bodybuilding does not represent a strategic shift in Liberty's operations. Accordingly, Bodybuilding is not presented as a discontinued operation in the consolidated financial statements of Liberty. Bodybuilding is included in the Corporate and other segment through November 4, 2016.

Pursuant to a reimbursement agreement entered into in connection with the Expedia Holdings Split-Off, Liberty reimbursed Expedia, a related party prior to the Expedia Holdings Split-Off, $3.7 million during October 2016, thereby settling the reimbursement agreement.

Liberty and Liberty Media Corporation ("LMC") (for accounting purposes a related party of Liberty) entered into certain agreements in order to govern certain of the ongoing relationships between the two companies. 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. 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 $10 million, $13 million and $11 million of these allocated expenses were reimbursed from Liberty to LMC for the years ended December 31, 2016, 2015 and 2014, respectively.

(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 paid in lieu of fractional shares of Liberty Ventures common stock.

On February 27, 2014, Liberty's board approved a two for one stock split of Series A and Series B Liberty Ventures common stock, effected by means of a dividend. The stock split was done in order to bring Liberty into compliance with a Nasdaq listing requirement regarding the minimum number of publicly held shares of the Series B Liberty Ventures common stock. In the stock split, a dividend was paid on April 11, 2014 of one share of Series A or Series B Liberty Ventures common stock to holders of each share of Series A or Series B Liberty Ventures common stock, respectively, held by them as of 5:00 pm, New York City time, on April 4, 2014. The stock split has been recorded retroactively for all periods presented for comparability purposes.

As discussed in note 1, on October 3, 2014, Liberty announced that its board of directors approved the change in attribution from the QVC Group to the Ventures Group its Digital Commerce businesses and cash, which was provided by QVC as a result of a draw-down of QVC’s credit facility. The reattribution of the Digital Commerce businesses is presented on a prospective basis from the date of the reattribution in Liberty’s consolidated financial statements and attributed financial information, with October 1, 2014 used as a proxy for the date of the reattribution.

In exchange for the Digital Commerce businesses and $970 million of cash (collectively, the "Reattributed Assets"), an inter-group interest in the Ventures Group was created in favor of the QVC Group. This inter-group interest was represented as a number of shares of Liberty Ventures common stock issuable to the QVC Group, which we refer to as the "Inter-Group Interest Shares" (as calculated below). Immediately following the reattribution on October 3, 2014, Liberty's board declared a dividend of the Inter-Group Interest Shares to the holders of Series A and Series B QVC Group common stock in full elimination of the inter-group interest. In connection with the payment of the dividend, typical antidilution adjustments were made to outstanding options of QVC Group common stock equity incentive awards, and the Liberty board has reattributed cash commensurate with the fair value of options assumed (outside of the Reattributed Assets) to the Ventures Group relating to its assumption of liabilities related to those awards.

In the dividend, the Inter-Group Interest Shares were allocated, pro-rata, to the outstanding shares of Series A and Series B QVC Group common stock at 5:00 p.m., New York City time, on October 13, 2014, the record date for the dividend, such that each holder of QVC Group common stock received 0.14217 of a share of the corresponding series of Liberty Ventures common stock for each share of QVC Group common stock held as of the record date, with cash paid in lieu of fractional shares. The distribution date for the dividend was on October 20, 2014, and the QVC Group common stock began trading ex-dividend on October 15, 2014. The distribution resulted in 67,671,232 shares of combined Series A and Series B Liberty Ventures common stock being issued. The Inter-Group Interest Shares were allocated such that the number of shares of Series A Liberty Ventures common stock and shares of Series B Liberty Ventures common stock issued in the dividend were in the same proportion as the shares of Series A QVC Group common stock and Series B QVC Group common stock outstanding on the record date, with each share of Series A QVC Group common stock and each share of Series B QVC Group common stock receiving the same fraction of a share of Series A or Series B Liberty Ventures common stock, as the case may be.

In connection with the reattribution, the Liberty Interactive tracking stock trading symbol “LINTA” was changed to "QVCA" and the "LINTB" tracking stock trading symbol was changed to "QVCB," effective October 7, 2014. Other than the issuance of Liberty Ventures shares in the fourth quarter of 2014, the reattribution of tracking stock groups has no consolidated impact on Liberty.

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

The term "Ventures Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. Following the reattribution, the Ventures Group is comprised primarily of our interests in FTD, LendingTree, and Liberty Broadband, our Digital Commerce businesses, investments in Charter, Interval Leisure Group, Inc. ("Interval") and Time Warner Inc. ("Time Warner"), as well as cash in the amount of approximately $487 million (at December 31, 2016), 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 "QVC Group" does not represent a separate legal entity, rather it represents those businesses, assets and liabilities that have been attributed to that group. The QVC Group is primarily comprised of our merchandise-focused televised-shopping programs, Internet and mobile application businesses. Following the reattribution, the QVC Group has attributed to it the remainder of our businesses and assets, including our wholly-owned subsidiaries QVC and zulily (as of October 1, 2015) and our 38% interest in HSN, Inc. ("HSN" or "HSNi") as well as cash in the amount of approximately $338 million (at December 31, 2016), including subsidiary cash.

On May 18, 2016, Liberty completed a $2.4 billion investment in Liberty Broadband (for accounting purposes a related party of the Company) in connection with the merger of Charter and Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of $5 billion of stock in the new public parent company ("Charter") of the combined enterprises. Liberty, along with third party investors, all of whom invested on the same terms as Liberty, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of $56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed (May 2015). Liberty's investment in Liberty Broadband was funded using cash on hand and is attributed to the Ventures Group. See note 9 for additional information related to this investment.

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

See Exhibit 99.1 to the 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 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: Charged to expense	Additions: Other	Deductions-write-offs	Balance end of year
	amounts in millions				
2016	$ 87	109	(1)	(96)	99
2015	$ 92	84	(1)	(88)	87
2014	$ 86	95	(2)	(87)	92

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 $76 million and $87 million for the years ended December 31, 2016 and 2015, respectively.

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

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. United States (“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 statements of operations (the "fair value option"). Liberty had previously entered into economic hedges for certain of its non-strategic AFS securities (although such instruments were not accounted for as fair value hedges by the Company). Changes in the fair value of these economic hedges were reflected in Liberty's statements of operations as unrealized gains (losses). In order to better match the changes in fair value of the subject AFS securities and the changes in fair value of the corresponding economic hedges in the Company's financial statements, Liberty 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 statements of operations. The total value of AFS securities for which the Company has elected the fair value option aggregated $1,846 million and $1,294 million as of December 31, 2016 and 2015, 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, except in situations where the fair value option has been selected. Under the equity method of accounting, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag.

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 statements of operations through the Other, net line item. To the extent there is a difference between our ownership percentage in the underlying equity of an equity method investee and our carrying value, such difference is accounted for as if the equity method investee were a consolidated subsidiary.

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.

In January 2016, the FASB issued new accounting guidance that is intended to improve the recognition and measurement of financial instruments. The new guidance requires equity investments with readily determinable fair values (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. The Company has not yet determined the effect of the standard on its ongoing financial reporting.

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 statements 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 generally enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported in earnings.

During the years ended December 31, 2016 and 2015, QVC entered into hedges of a net investment in a foreign subsidiary. The purpose of the hedges was to protect QVC's investment in the foreign subsidiary against the variability of the U.S. Dollar and Euro exchange rate. On December 19, 2016, this hedge instrument matured, resulting in a gain that was recognized in QVC’s other comprehensive income.

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of $125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt.

Property and Equipment

Property and equipment consisted of the following:

	December 31, 2016	December 31, 2015
	amounts in millions	
Land	$ 81	85
Buildings and improvements	1,016	995
Support equipment	1,034	973
Projects in progress	32	71
Total property and equipment	$ 2,163	2,124

Property and equipment, including significant improvements, is stated at cost. Depreciation is computed using the straight-line method using estimated useful lives of 2 to 15 years for support equipment and 8 to 20 years for buildings and improvements. Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was $171 million, $153 million and $158 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. Our annual impairment assessment of our indefinite-lived intangible assets is performed during the fourth quarter of each year.

The Company utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits 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 reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it was more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are 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 considers fair value determinations for certain reporting units that have been made at various points throughout the current year and prior year for other purposes.

If based on the qualitative analysis it is more likely than not that an impairment exists, the Company performs the two-step impairment test. In the Step 1 Test, 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 analyses 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 identifiable 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.

The accounting guidance also permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired. If the qualitative assessment supports that it is more likely than not that the carrying value of the Company’s indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity will no longer perform a Step 2 Test to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests with measurement dates after January 1, 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

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 intangible assets) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset group is greater than the expected undiscounted cash flows to be generated by such asset group, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups exceeds their fair value. The Company generally measures fair value by considering sale prices for similar asset groups or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups 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 statements of operations. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity.

Foreign Currency Translation

The functional currency of the Company is the 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. These realized and unrealized gains and losses are reported in the Other, net line item in the consolidated statements of operations.

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. Additionally, service revenue, which is less than one percent of overall 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, 2016, 2015 and 2014 aggregated $1,865 million, $2,037 million and $2,123 million, respectively. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.

A summary of activity in the allowance for sales returns, is as follows:

	Balance beginning of year	Additions - charged to earnings	Deductions	Balance end of year
		in millions		
2016	$ 106	1,051	(1,060)	98
2015	$ 109	1,213	(1,216)	106
2014	$ 106	1,253	(1,250)	109

In May 2014, the FASB issued new accounting guidance on revenue from contracts with customers. The new guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued additional guidance which clarifies principal versus agent considerations, and in April 2016, the FASB issued further guidance which clarifies the identification of performance obligations and the implementation guidance for licensing. The updated guidance will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. We have identified the Company's various revenue streams and are working with our subsidiaries to evaluate the quantitative effects of the new guidance. The Company has not yet selected a transition method. We will continue to provide updates as to the progress of our evaluation in our quarterly reports during 2017.

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 $231 million, $154 million and $271 million for the years ended December 31, 2016, 2015 and 2014, respectively. Advertising costs are reflected in the selling, general and administrative, including stock-based compensation line item in our consolidated statements of operations.

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 relating to shares of QVC Group and/or Liberty Ventures common stock ("Liberty common stock") (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Stock compensation expense was $97 million, $127 million and $108 million for the years ended December 31, 2016, 2015 and 2014, respectively, included in selling, general and administrative expense in the accompanying consolidated statements of operations.

In March 2016, the FASB issued new guidance which simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2016, with early application permitted. The Company adopted this guidance in the third quarter of 2016. In accordance with the new guidance, excess tax benefits and tax deficiencies are recognized as income tax benefit or expense rather than as additional paid-in capital. The Company has elected to recognize forfeitures as they occur rather than continue to estimate expected forfeitures. In addition, pursuant to the new guidance, excess tax benefits are classified as an operating activity on the consolidated statements of cash flows. The recognition of excess tax benefits and deficiencies are applied prospectively from January 1, 2016. For tax benefits that were not previously recognized and for adjustments to compensation cost based on actual forfeitures, the Company has recorded a cumulative-effect adjustment in retained earnings as of January 1, 2016. The presentation changes for excess tax benefits have been applied retrospectively in the consolidated statements of cash flows, resulting in $33 million and $21 million of excess tax benefits for the years ended December 31, 2015 and 2014, respectively, reclassified from cash flows from financing activities to cash flows from operating activities.

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.

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

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

Net earnings (loss) attributable to Liberty stockholders is comprised of the following (amounts in millions):

	Years ended December 31,		
	2016	2015	2014
QVC Group			
Net earnings (loss) from continuing operations	$ 473	640	535
Net earnings (loss) from discontinued operations	$ NA	NA	(15)
Liberty Ventures			
Net earnings (loss) from continuing operations	$ 742	(51)	(37)
Net earnings (loss) from discontinued operations	$ 20	280	54

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.

Series A and Series B QVC Group Common Stock

EPS for all periods through December 31, 2016, is based on the following weighted average shares outstanding. Excluded from diluted EPS for the years ended December 31, 2016, 2015 and 2014 are approximately 3 million, 6 million and 1 million potential common shares, respectively, because their inclusion would be antidilutive.

	Years ended December 31,		
	2016	2015	2014
	number of shares in millions		
Basic WASO	476	475	484
Potentially dilutive shares	5	6	8
Diluted WASO	481	481	492

Series A and Series B Liberty Ventures Common Stock

As discussed in note 2, on October 3, 2014, Liberty attributed from the QVC Group to the Ventures Group its Digital Commerce businesses. In exchange for the Reattributed Assets, Inter-Group Interest Shares in the Ventures Group were created in favor of the QVC Group. Immediately following the reattribution on October 3, 2014, Liberty's board declared a dividend of the Inter-Group Interest Shares to the holders of Series A and Series B QVC Group common stock in full elimination of the inter-group interest. The Inter-Group Interest Shares were allocated, pro-rata, to the outstanding shares of Series A and Series B QVC Group common stock at 5:00 p.m., New York City time, on October 13, 2014, the record date for the dividend, such that each holder of QVC Group common stock received 0.14217 of a share of the corresponding series of Liberty Ventures common stock for each share of QVC Group common stock held as of the record date, with cash paid in lieu of fractional shares. The distribution date for the dividend was on October 20, 2014, and the Liberty Interactive common stock began trading ex-dividend on October 15, 2014. The reattribution of the Digital Commerce companies is presented on a prospective basis from the date of the reattribution in Liberty's consolidated financial statements, with October 1, 2014 used as a proxy for the date of the reattribution. Additionally, the Expedia Holdings Split-Off on November 4, 2016 reduced the number of outstanding shares of Liberty Ventures common stock as of that date. See note 13 for more discussion regarding the Expedia Holdings Split-Off.

EPS for all periods through December 31, 2016, is based on the following weighted average shares outstanding. Excluded from diluted EPS for the year ended December 31, 2016 are less than a million potential common shares because their inclusion would be antidilutive.

	Years ended December 31,		
	2016	2015	2014
	number of shares in millions		
Basic WASO	134	142	87
Potentially dilutive shares	1	1	1
Diluted WASO	135	143	88

Reclasses and adjustments

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

As a result of repurchases of Series A QVC Group common stock, the Company's additional paid-in capital balance was in a deficit position as of December 31, 2016. In order to maintain a zero balance in the additional paid-in capital account, we reclassified the amount of the deficit ($341 million) at December 31, 2016 to retained earnings.

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.

Recently Adopted Accounting Pronouncements

In August 2014, the FASB issued new accounting guidance which requires management to assess whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued. If substantial doubt exists, additional disclosures are required. The Company adopted this guidance during the year ended December 31, 2016. The adoption of this guidance did not have an impact on our consolidated financial statements and related disclosures.

In September 2015, the FASB issued new accounting guidance which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date. The Company adopted this guidance in the first quarter of 2016. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued new guidance which revises the accounting for leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new guidance also simplifies the accounting for sale and leaseback transactions. The new standard, to be applied via a modified retrospective transition approach, is effective for the Company for fiscal years and interim periods beginning after December 15, 2018, with early adoption permitted. The Company has not yet determined the effect of the standard on its ongoing financial reporting. The Company is currently working with its consolidated subsidiaries to evaluate the impact of the adoption of this new guidance on our consolidated financial statements, including identifying the population of leases, evaluating technology solutions and collecting lease data.

(4) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	$ —	154	—
Intangible assets not subject to amortization	7	1,791	—
Intangible assets subject to amortization	(40)	837	—
Net liabilities assumed	—	(214)	—
Deferred tax assets (liabilities)	33	(637)	—
Fair value of equity consideration	—	(1,087)	—
Cash paid for acquisitions, net of cash acquired	$ —	844	—
Cash paid for interest	$ 354	374	362
Cash paid for income taxes	$ 204	318	44

(5) Acquisitions

On October 1, 2015, Liberty acquired zulily for consideration of approximately $2.3 billion, comprised of $9.375 of cash and 0.3098 newly issued shares of QVCA for each zulily share, with cash paid in lieu of any fractional shares. The fair value of the issued shares was determined based on the trading price of QVCA shares on the last trading day prior to the acquisition. Funding for the $1.2 billion cash portion of the consideration came from cash on hand at zulily and a distribution from QVC funded by a drawdown under its revolving credit facility (see note 11). zulily is attributed to the QVC Group.

The final purchase price allocation for zulily is as follows (amounts in millions):

Cash and cash equivalents	$ 341
Property and equipment	105
Other assets	46
Goodwill	917
Trademarks	870
Intangible assets subject to amortization	790
Accounts payable & Accrued liabilities	(145)
Other liabilities assumed	(65)
Deferred tax liabilities	(607)
	$ 2,252

Intangible assets acquired during 2015 were comprised of customer relationships of $490 million with a weighted average life of approximately 4 years, email lists of $250 million with a weighted average life of approximately 2 years, and capitalized software of $50 million with a weighted average life of approximately 3 years. None of the acquired goodwill is deductible for tax purposes. Subsequent to December 31, 2015, the preliminary purchase price allocation was adjusted, resulting in decreases of $50 million to trademarks, $40 million to intangible assets subject to amortization and $33 million to deferred tax liabilities and a corresponding increase of $57 million to goodwill. If these adjustments had been recorded as of the acquisition date, amortization expense would have been approximately $3 million lower for the period ended December 31, 2015. There have been no other significant changes to our purchase price allocation since December 31, 2015.

Included in net earnings (loss) from continuing operations for the year ended December 31, 2015 is $34 million related to zulily's operations since the date of acquisition.

The Pro Forma revenue and net earnings from continuing operations of Liberty, prepared utilizing the historical financial statements of zulily, giving effect to purchase accounting related adjustments made at the time of acquisition, as if the transaction discussed above occurred on January 1, 2014, are as follows:

	Years Ended December 31,	
	2015	2014
	amounts in millions (unaudited)	
Revenue	$ 10,907	11,700
Net earnings (loss) from continuing operations	750	419

The 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 zulily during the periods presented.

(6) Disposals

Disposals - Presented as Discontinued Operations

On August 27, 2014, Liberty completed the TripAdvisor Holdings Spin-Off to holders of its Liberty Ventures common stock shares of its former wholly-owned subsidiary, TripAdvisor Holdings. At the time of the TripAdvisor Holdings Spin-Off, TripAdvisor Holdings was comprised of Liberty's former 22% economic and 57% voting interest in TripAdvisor, Inc., as well as BuySeasons, Inc., Liberty's former wholly-owned subsidiary, and a corporate level net debt balance of $350 million. In connection with the TripAdvisor Holdings Spin-Off during August 2014, TripAdvisor Holdings drew down $400 million in margin loans and distributed approximately $350 million to Liberty. Concurrently with the margin loans, Liberty and TripAdvisor Holdings entered into a promissory note that expires in August 2017 pursuant to which TripAdvisor Holdings may request, if the closing price per share of TripAdvisor common stock were to fall below certain minimum values, up to $200 million in funds from Liberty. The TripAdvisor Holdings Spin-Off has been recorded at historical cost due to the pro rata nature of the distribution. Following the completion of the TripAdvisor Holdings Spin-Off, Liberty and TripAdvisor Holdings operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. The consolidated financial statements of Liberty have been prepared to reflect TripAdvisor Holdings as discontinued operations. Accordingly, revenue, costs and expenses, and cash flows of the businesses at the time of the TripAdvisor Holdings Spin-Off have been excluded from the respective captions in the accompanying consolidated statements of operations, comprehensive earnings (loss) and cash flows in such consolidated financial statements.

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

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

	Year ended December 31, 2014
Revenue	$ 883
Earnings (loss) before income taxes	$ 68
Income tax (expense) benefit	$ (20)
Earnings (loss) attributable to Liberty shareholders	$ (1)

On November 4, 2016, Liberty completed the Expedia Holdings Split-Off. Expedia Holdings is comprised of, among other things, Liberty's former interest in Expedia, Inc. and Liberty's former wholly-owned subsidiary Bodybuilding. Liberty views Expedia and Bodybuilding as separate components and evaluated them separately for discontinued operations presentation. Based on a quantitative analysis, the split-off of Liberty's interest in Expedia represents a strategic shift that has a major effect on Liberty's operations, primarily due to prior year one-time gains on transactions recognized by Expedia. Accordingly, the consolidated financial statements of Liberty have been prepared to reflect Liberty's interest in Expedia as a discontinued operation. The disposition of Bodybuilding as part of the Expedia Holdings Split-Off does not have a major effect on Liberty's historical results nor is it expected to have a major effect on Liberty's future operations. The disposition of Bodybuilding does not represent a strategic shift in Liberty's operations. Accordingly, Bodybuilding is not presented as a discontinued operation in the consolidated financial statements of Liberty. See "Disposals – Not Presented as Discontinued Operations" below for additional information regarding Bodybuilding.

Prior to the Expedia Holdings Split-Off, Liberty accounted for the investment in Expedia as an equity method affiliate and recorded our share of Expedia's earnings (losses) in our consolidated statements of operations. Accordingly, Expedia's assets, liabilities and results of operations were not included in Liberty's consolidated financial statements. Certain financial information for Expedia for the periods prior to the Expedia Holdings Split-Off is as follows:

	December 31, 2015
	amounts in millions
Current assets	$ 2,976
Total assets	$ 15,486
Current liabilities	$ 5,926
Total liabilities	$ 10,556
Equity	$ 4,930

	Years Ending December 31, 2015	2014
	amounts in millions	
Operating income	$ 414	518
Gain on sale of business	$ 509	—
Income tax (expense) benefit	$ (203)	(92)
Net earnings (loss) attributable to Expedia shareholders	$ 764	398

Certain financial information for Liberty's investment in Expedia, which is included in the discontinued operations line items of the consolidated Liberty balance sheets as of December 31, 2015, is as follows (amounts in millions):

	December 31, 2015
Investments in affiliates, accounted for using the equity method	$ 927
Deferred income tax liabilities	$ 285

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

	Years ended December 31, 2016	2015	2014
Earnings (loss) before income taxes	$ 24	437	61
Income tax (expense) benefit	$ (4)	(157)	(21)

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

	Years ended December 31,		
	2016	2015	2014
Basic earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ NA	NA	(0.03)
Series A and Series B Liberty Ventures common stock	$ 0.15	1.97	0.62
Diluted earnings (loss) from discontinued operations attributable to Liberty shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ NA	NA	(0.03)
Series A and Series B Liberty Ventures common stock	$ 0.15	1.96	0.61

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

Disposals – Not Presented as Discontinued Operations

Provide was included in the Corporate and other segment prior to the sale of Provide to FTD on December 31, 2014 in exchange for cash and shares of FTD common stock representing approximately 35% of the combined company (see note 9 for additional information related to this transaction). Subsequent to this transaction, the Company's interest in FTD, accounted for under the equity method, is included in Corporate and other. Given Liberty's significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the Company's consolidated financial statements. Included in revenue in the accompanying consolidated statements of operations is $666 million for the year ended December 31, 2014, related to Provide. Included in net earnings (loss) in the accompanying consolidated statements of operations are losses of $10 million for the year ended December 31, 2014, related to Provide.

On June 30, 2015, Liberty sold Backcountry for aggregate consideration, including assumption of debt, amounts held in escrow, and a noncontrolling interest, of approximately $350 million. The sale resulted in a $105 million gain, which is included in "Gains (losses) on transactions, net" in the accompanying consolidated statements of operations. Backcountry is not presented as a discontinued operation as the sale did not represent a strategic shift that has a major effect on Liberty's operations and financial results. Included in revenue in the accompanying consolidated statements of operations is $227 million and $471 million for the years ended December 31, 2015 and 2014, respectively, related to Backcountry. Included in net earnings (loss) in the accompanying consolidated statements of operations are losses of $3 million and earnings of $1 million for the years ended December 31, 2015 and 2014, respectively, related to Backcountry.

On July 22, 2016, Liberty completed the CommerceHub Spin-Off. CommerceHub is included in the Corporate and other segment through July 22, 2016 and is not presented as a discontinued operation as the CommerceHub Spin-Off did not represent a strategic shift that had a major effect on Liberty's operations and financial results. Included in revenue in the accompanying consolidated statements of operations is $51 million, $89 million and $66 million for the years ended December 31, 2016, 2015 and 2014, respectively, related to CommerceHub. Included in net earnings (loss) in the accompanying consolidated statements of operations are earnings of $5 million, losses of $10 million and earnings of $6 million for the years ended December 31, 2016, 2015 and 2014, respectively, related to CommerceHub. Included in total assets in the accompanying consolidated balance sheets as of December 31, 2015 is $115 million related to CommerceHub.

As discussed above, on November 4, 2016, Liberty completed the Expedia Holdings Split-Off. Although Liberty's interest in Expedia has been presented as a discontinued operation, Bodybuilding is not presented as a discontinued operation in the consolidated financial statements of Liberty. Bodybuilding is included in the Corporate and other segment through November 4, 2016. Included in revenue in the accompanying consolidated statements of operations is $355 million, $464 million and $455 million for the years ended December 31, 2016, 2015 and 2014, respectively, related to Bodybuilding. Included in net earnings (loss) in the accompanying consolidated statements of operations are earnings of $6 million, $3 million and $5 million for the years ended December 31, 2016, 2015 and 2014, respectively, related to Bodybuilding. Included in total assets in the accompanying consolidated balance sheets as of December 31, 2015 is $198 million related to Bodybuilding.

(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 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:

	December 31, 2016			December 31, 2015		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	$ 625	625	—	2,225	2,225	—
Short term marketable securities	$ —	—	—	910	331	579
Available-for-sale securities	$ 1,846	1,846	—	1,294	1,287	7
Investment in Liberty Broadband	$ 3,161	3,161	—	NA	NA	NA
Debt	$ 1,667	—	1,667	2,480	—	2,480

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,		
	2016	2015	2014
	amounts in millions		
Fair Value Option Securities - AFS	$ 723	84	173
Fair Value Option Securities - Liberty Broadband	761	NA	NA
Exchangeable senior debentures	(308)	30	(230)
Other financial instruments	(1)	—	—
	$ 1,175	114	(57)

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

All marketable equity and debt securities held by the Company are classified as 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 statements of operations (the "fair value option"). 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 statements of operations.

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

	December 31, 2016	December 31, 2015
	amounts in millions	
QVC Group		
Other investments	$ 4	4
Total attributed QVC Group	4	4
Ventures Group		
Charter (1)	1,543	NA
Interval (2)	302	NA
Time Warner (3)	1	284
TWC (1)	NA	994
Other investments	72	71
Total attributed Ventures Group	1,918	1,349
Consolidated Liberty	$ 1,922	1,353

(1) As discussed in note 2, in connection with the merger of Legacy Charter and TWC, Liberty exchanged, in a tax-free transaction, its shares of TWC common stock for shares of Charter Class A common stock, on a one-for-one basis, and Liberty has granted to Liberty Broadband a proxy and a right of first refusal with respect to the shares of Charter Class A common stock held by Liberty after the exchange.

(2) On May 12, 2016, Interval completed an acquisition which was accomplished, in part, through the issuance of additional Interval shares. As a result of the share issuance, Liberty's ownership interest in Interval was reduced from 28.7% to 12.8%. Prior to the transaction, Interval was accounted for as an equity method investment. As a result of the transaction, Liberty does not have ability to exercise significant influence. Accordingly, Interval is classified as available-for-sale and is carried at fair value. The Company recognized a dilution gain of $65 million related to Interval that is reflected in the Other, net line item in the consolidated statements of operations for the year ended December 31, 2016.

(3) During the year ended December 31, 2016, Liberty sold approximately 4 million shares of Time Warner common stock for proceeds of $343 million.

(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, 2016 and the carrying amount at December 31, 2015:

	December 31, 2016			December 31, 2015
	Percentage ownership	Market value	Carrying amount	Carrying amount
			dollars in millions	
QVC Group				
HSN (1)	38 %	$ 687	$ 184	165
Other	various	NA	40	43
Total QVC Group			224	208
Ventures Group				
FTD	37 %	$ 243	216	267
Other (2)	various	NA	141	239
Total Ventures Group			357	506
Consolidated Liberty			$ 581	714

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
QVC Group			
HSN	$ 48	64	60
Other	(6)	(9)	(9)
Total QVC Group	42	55	51
Ventures Group			
FTD (3)	(41)	(83)	—
Other (2)	(69)	(150)	(70)
Total Ventures Group	(110)	(233)	(70)
Consolidated Liberty	$ (68)	(178)	(19)

(1) HSN paid dividends of $28 million, $228 million, and $22 million during the years ended December 31, 2016, 2015 and 2014, respectively, which were recorded as reductions to the investment balances, and recorded as a cash inflow from operations in the Cash receipts from returns on equity investments line item in the consolidated statements of cash flows. Dividends from HSNi during the year ended December 31, 2015 included a special dividend of $10 per share from which Liberty received approximately $200 million in cash, which was recorded as a cash inflow from investing activities in the Cash receipts from returns of equity investments line item in the consolidated statements of cash flows.

(2) The Other category for the Ventures Group is comprised of investments in LendingTree, alternative energy investments and other investments. The alternative energy investments generally operate at a loss but provide favorable tax attributes recorded through the income tax (expense) benefit line item in the consolidated statements of operations. During the year ended December 31, 2015, Liberty recorded an impairment of approximately $98 million, based on a discounted cash flow valuation (Level 3), related to one of its alternative energy investments which has underperformed operationally.

(3) The carrying value of Liberty's investment in FTD was impaired to the fair value (based on the closing price (Level 1)) as of December 31, 2015.

Investment in Liberty Broadband

As discussed in note 2, in connection with the merger of Charter and TWC, on May 18, 2016, Liberty invested $2.4 billion in Liberty Broadband Series C nonvoting shares. As of December 31, 2016, Liberty has a 23% economic ownership interest in Liberty Broadband. Due to overlapping boards of directors and management, Liberty has been deemed to have significant influence over Liberty Broadband for accounting purposes, even though Liberty does not have any voting rights. Liberty has elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it is believed that the Company's investors value this investment based on the trading price of Liberty Broadband. Liberty recognizes changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the consolidated statements of operations.

(10) Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QVC	zulily	Corporate and Other	Total
		amounts in millions		
Balance at January 1, 2015	$ 5,206	—	198	5,404
Acquisitions	—	860	10	870
Sale of subsidiary	—	—	(105)	(105)
Foreign currency translation adjustments	(57)	—	—	(57)
Balance at December 31, 2015	5,149	860	103	6,112
Acquisition (1)	—	57	—	57
Disposition (2)	—	—	(78)	(78)
Foreign currency translation adjustments	(39)	—	—	(39)
Balance at December 31, 2016	$ 5,110	917	25	6,052

(1) Subsequent to December 31, 2015, the preliminary purchase price allocation for the zulily acquisition was adjusted, resulting in a $57 million increase to goodwill.
(2) As discussed in note 6, Liberty completed the CommerceHub Spin-Off on July 22, 2016, resulting in a $21 million decrease to goodwill. In addition, as discussed in note 6, Liberty completed the Expedia Holdings Split-Off on November 4, 2016, resulting in a $57 million decrease to goodwill related to Bodybuilding.

Goodwill recognized from acquisitions primarily relates 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:

	December 31, 2016			December 31, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Television distribution rights	$ 2,279	(2,095)	184	2,259	(1,920)	339
Customer relationships	2,910	(2,394)	516	2,950	(2,141)	809
Other	965	(660)	305	1,077	(578)	499
Total	$ 6,154	(5,149)	1,005	6,286	(4,639)	1,647

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.

Amortization expense for intangible assets with finite useful lives was $703 million, $550 million and $504 million for the years ended December 31, 2016, 2015 and 2014, respectively. Based on its amortizable intangible assets as of December 31, 2016, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2017	$ 518
2018	$ 252
2019	$ 122
2020	$ 63
2021	$ 50

Impairments

As of December 31, 2016 accumulated goodwill impairment losses for certain e-commerce companies was $87 million.

(11) Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2016	Carrying value December 31, 2016	Carrying value December 31, 2015
	amounts in millions		
QVC Group			
Corporate level notes and debentures			
8.5% Senior Debentures due 2029	$ 287	285	285
8.25% Senior Debentures due 2030	504	501	501
1% Exchangeable Senior Debentures due 2043	1	—	349
Subsidiary level notes and facilities			
QVC 3.125% Senior Secured Notes due 2019	400	399	399
QVC 5.125% Senior Secured Notes due 2022	500	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC Bank Credit Facilities	1,896	1,896	1,815
Other subsidiary debt	174	174	72
Deferred loan costs		(28)	(34)
Total QVC Group	$ 6,412	6,375	6,535
Ventures Group			
Corporate level debentures			
4% Exchangeable Senior Debentures due 2029	$ 435	276	257
3.75% Exchangeable Senior Debentures due 2030	436	267	275
3.5% Exchangeable Senior Debentures due 2031	337	316	312
0.75% Exchangeable Senior Debentures due 2043	1	3	1,287
1.75% Exchangeable Senior Debentures due 2046	750	805	NA
Subsidiary level notes and facilities	—	—	41
Total Ventures Group	$ 1,959	1,667	2,172
Total consolidated Liberty debt	$ 8,371	8,042	8,707
Less debt classified as current		(876)	(1,226)
Total long-term debt		7,166	7,481

Exchangeable Senior Debentures

Each $1,000 original principal amount of the 1% Exchangeable Senior Debentures due 2043 (the “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 ended March 31, 2014, upon achieving certain trading prices of the underlying HSNi Reference Shares. Liberty Interactive LLC (“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 $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.

In July 2016, Liberty delivered a notice to holders of the HSNi Exchangeables notifying them of their right to surrender their HSNi Exchangeables for purchase by Liberty pursuant to their purchase option under the indenture. The purchase option entitled each holder to require Liberty to purchase on October 5, 2016 all or any part of such holder's HSNi Exchangeables at a purchase price equal to the adjusted principal amount per $1,000 original principal amount of debentures, plus accrued and unpaid interest to, but excluding, October 5, 2016, plus any final period distribution. On October 5, 2016, Liberty paid approximately $345 million to holders that exercised their right to surrender their HSNi Exchangeables. Liberty funded the purchase with borrowings under the Third Amended and Restated Credit Agreement (as defined below). A de minimus amount of debentures are outstanding at December 31, 2016.

Each $1,000 debenture of Liberty LLC's 4% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 3.2265 shares of Sprint Corporation ("Sprint") common stock and 0.7860 shares of CenturyLink, Inc. ("CenturyLink") common stock. Liberty LLC may, at its election, pay the exchange value in cash, Sprint and CenturyLink common stock or a combination thereof. Liberty LLC, 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 LLC's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 2.3578 shares of Sprint common stock and 0.5746 shares of CenturyLink common stock. Liberty LLC 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.

Each $1,000 debenture of Liberty LLC'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 LLC 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 LLC, 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 LLC 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 $577 as of December 31, 2016.

Each $1,000 original principal amount of the 0.75% Exchangeable Senior Debentures is exchangeable for a basket of 3.1648 shares of common stock of Charter, 5.1635 shares of common stock of Time Warner and 0.6454 shares of Time, 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 Charter and Time Warner (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 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.

During the year ended December 31, 2016, holders exchanged, under the terms of the debentures, approximately $523 million principal of the 0.75% Exchangeable Senior Debentures due 2043 and Liberty made cash payments of approximately $1,181 million to settle the obligations. In addition, in conjunction with the Liberty Broadband transaction (see note 9), an extraordinary distribution of approximately $325 million was paid to holders of the 0.75% Exchangeable Senior Debentures due 2043.

In August 2016, Liberty issued $750 million principal amount of new senior exchangeable debentures due September 2046 which bear interest at an annual rate of 1.75%. Each $1,000 debenture is exchangeable at the holder's option for the value of 2.9317 shares of Charter Class A common stock. Liberty may, at its election, pay the exchange value in cash, Charter Class A common stock or a combination thereof. The number of shares of Charter Class A common stock attributable to a debenture represents an initial exchange price of approximately $341.10 per share. On October 5, 2023, 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.

Liberty has elected to account for all of its Exchangeables using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the statements of operations. Liberty will review the triggering events on a quarterly basis to determine whether a triggering event has occurred to require current classification of certain Exchangeables, see additional discussion below.

Liberty has sold, split-off or otherwise disposed of all of its shares of MSI, 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 due 2043 of the debentures that could be redeemed for cash as a current liability. The 0.75% Exchangeable Senior Debentures are classified as current as of December 31, 2016. Exchangeable Senior Debentures classified as current totaled $862 million at December 31, 2016. 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 unlikely.

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

Senior Debentures

Interest on the 8.5% Senior Debentures due 2029 and the 8.25% Senior Debentures due 2030 (the "Senior Debentures") is payable semi-annually based on the date of issuance.

The Senior Debentures are stated net of an aggregate unamortized discount of $5 million at December 31, 2016 and 2015. Such discount is being amortized to interest expense in the accompanying consolidated statements of operations.

QVC Senior Secured Notes

On March 18, 2014, QVC issued $400 million principal amount of 3.125% Senior Secured Notes due 2019 at an issue price of 99.828% and $600 million principal amount of 4.85% Senior Secured Notes due 2024 at an issue price of 99.927% (collectively, the "March Notes"). The March Notes are secured by the capital stock of QVC and certain of QVC's subsidiaries and have equal priority to QVC's senior secured credit facility. The net proceeds from the March Notes offerings were used to repay indebtedness under QVC's senior secured credit facility and for working capital and other general corporate purposes.

On August 21, 2014, QVC issued $600 million principal amount of 4.45% Senior Secured Notes due 2025 at an issue price of 99.860% and $400 million principal amount 5.45% Senior Secured Notes due 2034 at an issue price of 99.784% (collectively, the "August Notes"). The August Notes are secured by the capital stock of QVC and certain of QVC's subsidiaries and have equal priority to QVC's senior secured credit facility. The net proceeds from the August Notes offerings were used for the redemption of QVC's 7.5% Senior Secured Notes due 2019 (the "Redemption") on September 9, 2014 and for working capital and other general corporate purposes.

As a result of the Redemption, QVC incurred an extinguishment loss of $48 million for the year ended December 31, 2014. Losses on early extinguishment of debt are recorded in other, net in the accompanying consolidated statement of operations for the year ended December 31, 2014.

During prior years, QVC issued $500 million principal amount of 7.375% Senior Secured Notes due 2020 at par, $500 million principal amount of 5.125% Senior Secured Notes due 2022 at par, $750 million principal amount of 4.375% Senior Secured Notes due 2023 at par and $300 million principal amount of 5.95% Senior Secured Notes due 2043 at par.

On April 15, 2015, QVC completed the redemption of $500 million principal amount of its 7.375% Senior Secured Notes due 2020, whereby holders received consideration of $1,036.88 for each $1,000 of principal tendered. As a result of the redemption, a $21 million extinguishment loss is included in other, net in the accompanying consolidated statement of operations for the year ended December 31, 2015.

QVC was in compliance with all of its debt covenants related to its outstanding senior notes at December 31, 2016.

QVC Bank Credit Facilities

On March 9, 2015, QVC amended and restated its senior secured credit facility, which is a multi-currency facility that provided for a $2.25 billion revolving credit facility with a $250 million sub-limit for standby letters of credit and $1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans.

On June 23, 2016, QVC amended and restated its senior secured credit facility (the "Third Amended and Restated Credit Agreement") with zulily as co-borrower (the "Borrowers"). The Third Amended and Restated Credit Agreement is a multi-currency facility that provides for a $2.65 billion revolving credit facility, with a $300 million total sub-limit for standby letters of credit and $1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Third Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by QVC or zulily, with an additional $50 million sub-limit for standing letters of credit. The remaining $2.25 billion and any incremental loans may be borrowed only by QVC. The borrowers may elect that the loans extended under the senior secured credit facility bear interest at a rate per annum equal to the ABR or LIBOR, as each is defined in the senior secured credit facility agreement, plus a margin of 0.25% to 1.75% depending on various factors. Each loan may be prepaid in whole or in part without penalty other than customary breakage costs. No mandatory prepayments are required other than when borrowings and letter of credit usage exceed availability; provided that, if zulily ceases to be controlled by Liberty, all of its loans must be repaid and its letters of credit cash collateralized. Any amounts prepaid on the revolving facility may be reborrowed. The facility matures on June 23, 2021, except that $140 million of the $2.25 billion commitment available to QVC matures on March 9, 2020. Borrowings under the facility may be accelerated following certain customary events of default. The purpose of the amendment was to, among other things, extend the maturity of QVC's senior secured credit facility, provide zulily the opportunity to borrow on the senior secured credit facility and lower the interest rate on borrowings.

The payment and performance of the borrowers' obligations (including zulily's obligations) under the Third Amended and Restated Credit Agreement are guaranteed by each of QVC's Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement). Further, the borrowings under the Third Amended and Restated Credit Agreement are secured, *pari passu* with QVC's existing notes, by a pledge of all of QVC's equity interests. The payment and performance of the borrowers' obligations with respect to the $400 million tranche available to both QVC and zulily are also guaranteed by each of zulily's Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement), if any, and are secured by a pledge of all of zulily's equity interests.

The Third Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on QVC and zulily and each of their restricted subsidiaries (subject to certain exceptions) with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; dissolving, consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; restricting subsidiary distributions; limiting QVC's consolidated leverage ratio, which is defined in QVC's senior secured credit facility as QVC's consolidated total debt to Adjusted OIBDA ratio for the most recent four fiscal quarter period; and limiting the borrowers' combined consolidated leverage ratio, which is defined in QVC's senior secured credit facility as QVC and zulily's combined debt to Adjusted OIBDA ratio for the most recent four fiscal quarter period. Liberty defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation).

The interest rate on borrowings outstanding under the Third Amended and Restated Credit Agreement was 2.2% at December 31, 2016. Availability under the Third Amended and Restated Credit Agreement at December 31, 2016 was $744 million, net of $10 million of standby letters of credit.

QVC Interest Rate Swap Arrangement

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of $125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement does not qualify as a cash flow hedge under GAAP. Accordingly, changes in the fair value of the swap are reflected in realized and unrealized gains or losses on financial instruments in the accompanying consolidated statements of operations.

Other Subsidiary Debt

Other subsidiary debt at December 31, 2016 is comprised of capitalized satellite transponder lease obligations and bank debt of certain subsidiaries.

Debt Covenants

Liberty, QVC and other subsidiaries were in compliance with all debt covenants at December 31, 2016.

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):

2017	$	31
2018	$	33
2019	$	432
2020	$	31
2021	$	1,927

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,	
	2016	2015
Senior debentures	$ 853	809
QVC senior secured notes	$ 3,496	3,374

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, 2016.

(12) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Current:			
Federal	$ (40)	(188)	(155)
State and local	(12)	(26)	(32)
Foreign	(73)	(74)	(110)
	$ (125)	(288)	(297)
Deferred:			
Federal	$ (444)	74	76
State and local	(33)	21	(21)
Foreign	4	8	5
	(473)	103	60
Income tax benefit (expense)	$ (598)	(185)	(237)

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Domestic	$ 1,684	674	615
Foreign	168	142	160
Total	$ 1,852	816	775

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,		
	2016	2015	2014
	amounts in millions		
Computed expected tax benefit (expense)	$ (649)	(286)	(271)
State and local income taxes, net of federal income taxes	(26)	(15)	(6)
Foreign taxes, net of foreign tax credits	(9)	(4)	(2)
Sale of consolidated subsidiary	(1)	—	14
Impairment of intangible assets not deductible for tax purposes	—	—	(3)
Dividends received deductions	9	51	6
Alternative energy tax credits and incentives	94	61	58
Change in valuation allowance affecting tax expense	(16)	6	(2)
Impact of change in state rate on deferred taxes	1	(7)	(26)
Other, net	(1)	9	(5)
Income tax benefit (expense)	$ (598)	(185)	(237)

Income tax expense was lower than the U.S. statutory tax rate of 35% in 2016 due to tax benefits derived from Liberty's alternative energy tax credits and incentives. Income tax expense was lower than the U.S. statutory tax rate of 35% in 2015 due to the receipt of taxable dividends that are subject to a dividends received deduction. During 2014, 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 change in 2014 was caused by the sale of a consolidated subsidiary (Provide) on December 31, 2014. In 2014, the rate change required an adjustment to the recognized deferred taxes at the corporate level. During 2015 and 2014, Liberty offset federal tax liabilities with tax credits derived from its alternative energy investments.

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,	
	2016	2015
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 123	99
Foreign tax credit carryforwards	134	72
Accrued stock compensation	56	83
Other accrued liabilities	118	165
Other future deductible amounts	144	163
Deferred tax assets	575	582
Valuation allowance	(64)	(48)
Net deferred tax assets	511	534
Deferred tax liabilities:		
Investments	1,057	598
Intangible assets	1,540	1,788
Discount on exchangeable debentures	1,404	1,148
Deferred gain on debt retirements	129	193
Other	17	24
Deferred tax liabilities	4,147	3,751
Net deferred tax liabilities	$ 3,636	3,217

The Company's valuation allowance increased $16 million in 2016. The entire change in valuation allowance affected tax expense.

At December 31, 2016, Liberty had net operating losses (on a tax effected basis) and foreign tax credit carryforwards for income tax purposes aggregating approximately $123 million and $134 million, respectively, which will begin to expire in 2017 and beyond if not utilized to reduce domestic, state or foreign income tax liabilities in future periods. These net operating losses and foreign tax credit carryforwards are expected to be utilized prior to expiration, except for $60 million of net operating losses. In addition, Liberty has $4 million of other deferred tax assets which may not ultimately be realized by the Company.

A reconciliation of unrecognized tax benefits is as follows:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Balance at beginning of year	$ 104	136	124
Additions based on tax positions related to the current year	16	14	16
Additions for tax positions of prior years	—	—	20
Reductions for tax positions of prior years	(26)	(12)	(3)
Lapse of statute and settlements	(22)	(34)	(21)
Balance at end of year	$ 72	104	136

As of December 31, 2016, 2015 and 2014, the Company had recorded tax reserves of $72 million, $104 million and $136 million, respectively, related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, $50 million, $47 million and $68 million for the years ended December 31, 2016, 2015 and 2014, respectively, 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 2017. 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 $6 million.

As of December 31, 2016, the Company's tax years prior to 2013 are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2013 and 2014 tax year. The Company's 2015 and 2016 tax years are being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years state income tax returns. QVC is currently under audit in the U.K. and Germany. The Company agreed to an assessment related to an examination in Germany. The Company believes that amounts paid in connection with that assessment will be creditable against its U.S. federal income tax liability.

The Company recorded $17 million of accrued interest and penalties related to uncertain tax positions as of each of December 31, 2016 and 2015.

(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, 2016, no shares of preferred stock were issued.

Common Stock

Series A QVC Group and Liberty Ventures common stock has one vote per share, and Series B QVC Group 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.

At the Annual Meeting of Stockholders held on June 2, 2015, the Company’s stockholders approved an amendment to the Restated Certificate of Incorporation that increased (i) the total number of shares of the Company’s capital stock which the Company will have the authority to issue to 9,015 million shares, (ii) the number of shares of the Company’s capital stock designated as “Common Stock” to 8,965 million shares and (iii) the number of shares of Common Stock designated as “Series A Liberty Ventures Common Stock,” “Series B Liberty Ventures Common Stock” and “Series C Liberty Ventures Common Stock” to 400 million shares, 15 million shares and 400 million shares, respectively.

As of December 31, 2016, Liberty reserved for issuance upon exercise of outstanding stock options approximately 29.6 million shares of Series A QVC Group common stock and approximately 1.5 million shares of Series B QVC Group common stock. As of December 31, 2016, Liberty reserved for issuance upon exercise of outstanding stock options approximately 2.0 million shares of Series A Liberty Ventures common stock and approximately 1.0 million shares of Series B Liberty Ventures common stock.

In addition to the Series A and Series B QVC Group and Ventures common stock, there are 4 billion and 400 million shares of Series C QVC Group and Ventures common stock authorized for issuance, respectively. As of December 31, 2016, no shares of any Series C QVC Group and Ventures common stock were issued or outstanding.

As discussed in note 2, 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 was done in order to bring Liberty into compliance with a Nasdaq listing requirement regarding the minimum number of publicly held shares of the Series B Liberty Ventures common stock. In the stock split, a dividend was paid on April 11, 2014 to holders of Series A and Series B Liberty Ventures common stock 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 5:00 pm, New York City time, on April 4, 2014.

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

On October 1, 2015, in conjunction with the acquisition of zulily, as discussed in note 5, Liberty issued 38.5 million shares of Series A QVC Group Common Stock.

Additionally, as discussed in note 1, on November 4, 2016, Liberty completed the Expedia Holdings Split-Off. The Expedia Holdings Split-Off was accomplished by the redemption of (i) 0.4 of each outstanding share of Liberty's Series A Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series A common stock and (ii) 0.4 of each outstanding share of Liberty's Series B Liberty Ventures common stock for 0.4 of a share of Expedia Holdings Series B common stock, in each case, with cash paid in lieu of any fractional shares of Liberty Ventures common stock or Expedia Holdings common stock (after taking into account all of the shares owned of record by each holder thereof, as applicable).

Purchases of Common Stock

During the year ended December 31, 2014 the Company repurchased 27,356,993 shares of Series A QVC Group common stock for aggregate cash consideration of $785 million.

During the year ended December 31, 2015 the Company repurchased 28,134,498 shares of Series A QVC Group common stock for aggregate cash consideration of $785 million.

During the year ended December 31, 2016 the Company repurchased 34,836,196 shares of Series A QVC Group common stock for aggregate cash consideration of $799 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.

In connection with the Expedia Holdings Split-Off, holders of Liberty Ventures common stock were paid cash in lieu of fractional shares of Series A and Series B Liberty Ventures common stock. In order to fund the cash payments made to holders of shares of Series B Liberty Ventures common stock, the fractional shares that would have otherwise been issued to those holders were aggregated into an immaterial number of shares of Series B Liberty Ventures common stock by the Company's transfer agent and were repurchased by Liberty.

(14) Related Party Transactions with Officers and Directors

Chief Executive Officer Compensation Arrangement

In December 2014, the Compensation Committee of Liberty approved a compensation arrangement, including term options discussed in note 15, for its President and Chief Executive Officer (the "CEO"). The arrangement provides for a five year employment term beginning January 1, 2015 and ending December 31, 2019, with an annual base salary of $960,750, increasing annually by 5% of the prior year's base salary, and an annual target cash bonus equal to 250% of the applicable year's annual base salary. The arrangement also provides that, in the event the CEO is terminated for "cause," 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 term 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 his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law, a severance payment of 1.5 times his base salary during the year of his termination, a payment equal to $11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, a payment equal to $17.5 million, and for his unvested term options to generally 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. If the CEO terminates his employment without “good reason,” he will be entitled to his accrued base salary, his accrued but unpaid bonus and any amounts due under applicable law and a payment of the $11,750,000 and for his unvested term options to generally vest pro rata based on the portion of the term elapsed through the termination date and 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 that he will be entitled only to his accrued base salary and any amounts due under applicable law, a payment of 1.5 times his base salary during that year, a payment equal to $11,750,000 pro rated based upon the elapsed number of days in the calendar year of termination, a payment equal to $17.5 million and for his unvested term options to fully vest and for his vested and accelerated term options to remain exercisable until their respective expiration dates.

Pursuant to the CEO’s compensation arrangement, he will receive aggregate target equity awards to be allocated between Liberty and Liberty Media in the amounts of $16 million with respect to calendar year 2015, $17 million with respect to calendar year 2016, $18 million with respect to calendar year 2017, $19 million with respect to calendar year 2018 and $20 million with respect to calendar year 2019. In 2015, the CEO received annual performance-based options to purchase shares of QVCB and LVNTB with a term of 7 years (the “Performance Options”) and performance-based restricted stock units with respect to QVCB and LVNTB (the “Performance RSUs” and together with the Performance Options, the “Performance Awards”) during the employment term. In 2016, he received 80% of the $17 million award in options that vested on December 31, 2016 and 20% of the awards in Performance RSUs. Vesting of the Performance Awards will be determined based on satisfaction of performance metrics that will be set by Liberty and Liberty Media’s respective compensation committees in the first quarter of each applicable year, except that the CEO will forfeit his unvested Performance Awards if his employment is terminated for any reason before the end of the applicable year. In addition, Liberty and Liberty Media’s compensation committees may grant additional Performance Awards, with a value of up to 50% of the target amount allocated to Liberty for the relevant year (the “Above Target Awards”), and the compensation committees may determine to establish additional performance metrics with respect to such Above Target Awards.

(15) Stock-Based Compensation

Liberty - Incentive Plans

Pursuant to the Liberty Interactive 2016 Omnibus Incentive Plan (the "2016 Plan"), the Company may grant stock options ("Awards") to be made in respect of a maximum of 39.9 million shares of Series A and Series B QVC Group common stock and Liberty Ventures common stock. Awards generally vest over 4-5 years and have a term of 7-10 years. Liberty issues new shares upon exercise of equity awards.

In connection with the Expedia Holdings Split-Off in November 2016, all outstanding Series A and Series B Awards with respect to Liberty Ventures common stock (a "Liberty Ventures Award") were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the equity awards were granted, such that a holder of a Liberty Ventures Award received:

I. An adjustment to the exercise price and the number of shares subject to the Liberty Ventures Award (as so adjusted, an "Adjusted Liberty Ventures Award") and

II. A corresponding equity award relating to shares of the corresponding series of Expedia Holdings common stock (an "Expedia Holdings Award")

The exercise prices of and number of shares subject to the new Expedia Holdings Award and the Adjusted Liberty Ventures Award were determined based on (1) the exercise price and number of shares subject to the original Liberty Ventures Award, (2) the redemption ratios used in the Expedia Holdings Split-Off, (3) the pre-Expedia Holdings Split-Off trading price of Liberty Ventures common stock and (4) the relative post-Expedia Holdings Split-Off trading prices of Liberty Ventures common stock and Expedia Holdings common stock, such that the pre-Expedia Holdings Split-Off intrinsic value of the original Liberty Ventures Award was allocated between the new Expedia Holdings Award and the Adjusted Liberty Ventures Award.

Following the Expedia Holdings Split-Off, employees of Liberty hold Awards in both Liberty Ventures common stock and Expedia Holdings common stock. The compensation expense relating to employees of Liberty is recorded at Liberty.

In connection with the CommerceHub Spin-Off in July 2016, all outstanding Awards with respect to Liberty Ventures common stock (an "Original Liberty Ventures Award") were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the equity awards were granted, such that:

I. A holder of an Original Liberty Ventures Award who was a member of the board of directors or an officer of Liberty holding the position of Vice President or above received (i) an adjustment to the exercise price and the number of shares subject to the Original Liberty Ventures Award (as so adjusted, an "Adjusted Liberty Ventures Award") and (ii) a corresponding equity award relating to shares of the corresponding series of CommerceHub common stock, as well as Series C CommerceHub common stock (in each case, a "CommerceHub Award"); and

II. Each other holder of an Original Liberty Ventures Award received only an adjustment to the exercise price and the number of shares subject to the Original Liberty Ventures Award (also referred to as an "Adjusted Liberty Ventures Award").

The exercise prices and number of shares subject to the Adjusted Liberty Ventures Awards and the CommerceHub Awards were determined based on (1) the exercise prices and number of shares subject to the Liberty Ventures Award, (2) the distribution ratios used in the CommerceHub Spin-Off, (3) the pre-CommerceHub Spin-Off trading price of the Liberty

Ventures common stock and (4) the post-CommerceHub Spin-Off trading prices of Liberty Ventures common stock and CommerceHub common stock, such that all of the pre-CommerceHub Spin-Off intrinsic value of the Liberty Ventures Award was allocated between the Adjusted Liberty Ventures Award and the CommerceHub Award, or fully to the Adjusted Liberty Ventures Award. Following the CommerceHub Spin-Off, employees of Liberty may hold Awards in both Liberty Ventures common stock and CommerceHub common stock. The compensation expense relating to employees of Liberty is recorded at Liberty.

Except as described above, all other terms of an Adjusted Liberty Ventures Award, a new Expedia Holdings Award and a new CommerceHub Award (including, for example, the vesting terms thereof) are in all material respects, the same as those of the corresponding original Liberty Ventures Award.

The adjustments related to the Expedia Holdings Split-Off and the CommerceHub Spin-Off were considered modifications under ASC 718 – *Stock Compensation* but did not result in incremental compensation expense.

In connection with the zulily acquisition in October 2015 (see note 5), outstanding awards to purchase shares of zulily Class A and Class B common stock (a "zulily Award") were exchanged for awards to purchase shares of Series A QVC Group common stock (a "QVCA Award"). The exercise prices and number of shares subject to the QVCA Award were determined based on (1) the exercise prices and number of shares subject to the zulily Award and (2) a conversion ratio which was calculated using the acquisition exchange ratio, acquisition cash consideration, and pre-distribution trading price of the Series A QVC Group common stock, such that all of the pre-distribution intrinsic value of the zulily Award was allocated to the QVCA Award. The exchange of such awards was considered a modification under ASC 805 – *Business Combinations*. A portion of the fair value of the replacement QVCA Awards was attributed to the consideration paid in the acquisition. The remaining portion of the fair value will be recognized in the consolidated financial statements over the remaining vesting period of each individual award.

In connection with the TripAdvisor Holdings Spin-Off during 2014, the holder of an outstanding Award to purchase shares of Liberty Ventures Series A and Series B common stock on the record date (a "Previous Liberty Ventures Award") received an Award to purchase shares of the corresponding series of TripAdvisor Holdings common stock and an adjustment to the exercise price and number of shares subject to the Previous Liberty Ventures Award (as so adjusted, an "Adjusted Liberty Ventures Award"). Following the TripAdvisor Holdings Spin-Off, employees of Liberty hold Awards in both Liberty Ventures common stock and TripAdvisor Holdings common stock. The compensation expense relating to employees of Liberty is recorded at Liberty.

Additionally, outstanding stock options, relating to QVC Group common stock, were adjusted, using a similar methodology as described above, in connection with the stock dividend related to the reattribution of the Digital Commerce businesses from the QVC Group to the Ventures Group during October 2014.

Liberty – Grants

During the year ended December 31, 2016, Liberty granted:

- 2.9 million options, to QVC employees, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $7.84 per share and vest semi-annually over 4 years.

- 433 thousand options, to zulily employees, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $7.57 per share and vest between three to five years.

- 421 thousand options, to Liberty employees, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $8.02 per share and mainly vest 50% each on December 31, 2019 and 2020.

- 114 thousand options, to Liberty employees, to purchase shares of Series A Liberty Ventures common stock which had a weighted average grant-date fair value of $12.25 per share and mainly vest 50% each on December 31, 2019 and 2020.

- 730 thousand and 209 thousand options of Series B QVC Group common stock and Series B Liberty Ventures common stock, respectively, to the CEO of Liberty in connection with our CEO's employment agreement. Such options had a grant-date fair value of $7.47 per share and $12.48 per share, respectively, at the time they were granted. Liberty also granted 53 thousand and 16 thousand performance-based restricted stock units of Series B QVC Group common stock and Series B Liberty Ventures common stock, respectively. The restricted stock units had a fair value of $25.11 per share and $38.79 per share, respectively, at the time they were granted. The options vested on December 31, 2016, and the restricted stock units cliff vest in one year, subject to satisfaction of certain performance objectives.

During the year ended December 31, 2015, Liberty granted:

- 2.2 million options, primarily to QVC employees, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $11.63 per share and mainly vest semi-annually over four years.
- 1.7 million options to QVC's CEO in connection with a new compensation arrangement, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $10.40 per share and vest 50% on each of December 31, 2019 and 2020.
- 2.5 million options, to Liberty employees, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $11.63 per share. 652 thousand of the options vest annually over 3 years and 1.7 million of the options vest 50% on each of December 31, 2019 and 2020.
- 683 thousand options to purchase shares of Series A Liberty Ventures common stock which had a weighted average grant-date fair value of $18.10 per share. Such options primarily vest 50% on each of December 31, 2019 and 2020.
- 132 thousand performance-based options of Series B QVC Group common stock and 135 thousand performance-based options of Series B Liberty Ventures common stock to the CEO of Liberty in connection with our CEO's employment agreement. Such options had a grant-date fair value of $10.10 per share and $16.94 per share, respectively, at the time they were granted. Liberty also granted 182 thousand and 13 thousand performance-based restricted stock units of Series B QVC Group common stock and Series B Liberty Ventures common stock, respectively. The restricted stock units had a fair value of $29.41 per share and $42.33 per share, respectively, at the time they were granted. The performance-based options and restricted stock units cliff vested in March 2016 based on an amount determined by the compensation committee.

During the year ended December 31, 2014, Liberty granted:

- 1.9 million options, primarily to QVC employees, to purchase shares of Series A QVC Group common stock which had a weighted average grant-date fair value of $12.04 per share and vest semi-annually over four years.
- 20 thousand options to purchase shares of Series A Liberty Ventures common stock which had a weighted average grant-date fair value of $16.55 per share and vest quarterly over four years.
- 646 thousand options of Series B QVC Group common stock and 1.4 million options of Series B Liberty Ventures common stock to the CEO of Liberty in connection with a new employment agreement (see note 14). Such options had a weighted average grant-date fair value of $10.50 per share and $15.52 per share, respectively, and vest 50% on each of December 24, 2018 and 2019.

The Company has calculated the grant-date fair value for all of its equity classified awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2016, 2015 and 2014, the range of expected terms was 5.8 to 6.7 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-Merton Model for the 2016, 2015 and 2014 QVC Group and Liberty Ventures grants.

	Volatility
2016 grants	
QVC Group options	27.4 % - 27.4 %
Liberty Ventures options	30.6 % - 30.6 %
2015 grants	
QVC Group options	27.4 % - 39.7 %
Liberty Ventures options	30.6 % - 42.4 %
2014 grants	
QVC Group options	33.6 % - 39.7 %
Liberty Ventures options	41.1 % - 43.7 %

Liberty - Outstanding Awards

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

	QVC Group							
	Series A				Series B			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2016	31,482	$ 19.57			778	$ 29.79		
Granted	3,714	$ 26.09			730	$ 25.11		
Exercised	(4,292)	$ 14.14			—	$ —		
Forfeited/Cancelled	(1,319)	$ 28.07			(19)	$ 29.41		
Outstanding at December 31, 2016	29,585	$ 20.80	4.4 years	$ 65	1,489	$ 27.50	5.6 years	$ —
Exercisable at December 31, 2016	18,268	$ 18.20	3.4 years	$ 56	843	$ 25.68	6.1 years	$ —

	Liberty Ventures							
	Series A				Series B			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2016	3,684	$ 23.29			1,542	$ 38.04		
CommerceHub Spin-Off	(16)	$ 24.39			(10)	$ 35.86		
Expedia Holdings Split-Off	(1,483)	$ 22.12			(734)	$ 35.02		
Granted	114	$ 37.77			209	$ 38.79		
Exercised	(323)	$ 19.33			—	$ —		
Forfeited/Cancelled	(2)	$ 36.39			(20)	$ 42.33		
Outstanding at December 31, 2016	1,974	$ 22.18	3.3 years	$ 30	987	$ 35.02	5.2 years	$ 2
Exercisable at December 31, 2016	1,540	$ 18.01	2.5 years	$ 29	184	$ 36.82	5.9 years	$ 0

As of December 31, 2016, the total unrecognized compensation cost related to unvested Liberty Awards was approximately $118 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.1 years.

Liberty - Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2016, 2015 and 2014 was $44 million, $115 million and $91 million, respectively.

Liberty - Restricted Stock

The Company had approximately 2.8 million and 78 thousand unvested restricted shares of QVC Group and Liberty Ventures common stock, respectively, held by certain directors, officers and employees of the Company as of December 31, 2016. These Series A and Series B unvested restricted shares of QVC Group and Liberty Ventures had a weighted average grant-date fair value of $25.19 and $25.77 per share, respectively.

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2016, 2015 and 2014 was $26 million, $16 million and $19 million, respectively.

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 and are typically cash settled and recorded as liability awards. During the year ended December 31, 2016, approximately $90 million of cash payments were made to settle CommerceHub stock based awards. The awards and compensation recorded, if any, under the plans at the other subsidiaries are 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 $25 million, $27 million and $27 million, respectively, for the years ended December 31, 2016, 2015 and 2014, 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.

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

	Foreign currency translation adjustments	Share of AOCI of equity affiliates	AOCI of discontinued operations	AOCI
	amounts in millions			
Balance at January 1, 2014	$ 103	(1)	(3)	99
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(178)	(18)	(3)	(199)
Distribution to stockholders for TripAdvisor Holdings Spin-Off	—	—	6	6
Balance at December 31, 2014	(75)	(19)	—	(94)
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(100)	(21)	—	(121)
Balance at December 31, 2015	$ (175)	(40)	—	(215)
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	(85)	(1)	—	(86)
Distribution of Liberty Expedia Holdings	—	—	35	35
Balance at December 31, 2016	$ (260)	(41)	35	(266)

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

	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	amounts in millions		
Year ended December 31, 2016:			
Foreign currency translation adjustments	$ (97)	13	(84)
Share of other comprehensive earnings (loss) of equity affiliates	(8)	3	(5)
Other comprehensive earnings (loss) from discontinued operations	(3)	1	(2)
Other	10	(4)	6
Other comprehensive earnings (loss)	$ (98)	13	(85)
Year ended December 31, 2015:			
Foreign currency translation adjustments	$ (118)	17	(101)
Share of other comprehensive earnings (loss) of equity affiliates	(6)	2	(4)
Other comprehensive earnings (loss) from discontinued operations	(27)	10	(17)
Other comprehensive earnings (loss)	$ (151)	29	(122)
Year ended December 31, 2014:			
Foreign currency translation adjustments	$ (241)	49	(192)
Other comprehensive earnings (loss) from discontinued operations	(31)	12	(19)
Other comprehensive earnings (loss)	$ (272)	61	(211)

(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 $46 million, $39 million and $47 million for the years ended December 31, 2016, 2015 and 2014, respectively.

A summary of future minimum lease payments under noncancelable operating leases and build to suit leases as of December 31, 2016 follows (amounts in millions):

Years ending December 31:	
2017	$ 42
2018	$ 41
2019	$ 36
2020	$ 32
2021	$ 31
Thereafter	$ 169

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 2016.

Distribution Center Lease

On July 2, 2015, QVC entered into a lease (the “Lease”) for a west coast distribution center. Pursuant to the Lease, the landlord built an approximately one million square foot rental building in Ontario, California (the “Premises”), and thereafter leased the Premises to QVC as its new California distribution center for an initial term of 15 years. Under the Lease, QVC is required to pay an initial base rent of approximately $6 million per year, increasing to approximately $8 million per year by the final year of the initial term, as well as all real estate taxes and other building operating costs. QVC also has an option to extend the term of the Lease for up to two consecutive terms of 10 years each.

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

QVC concluded that it was the deemed owner (for accounting purposes only) of the Premises during the construction period under build to suit lease accounting. Building construction began in July of 2015. During the construction period, QVC recorded estimated project construction costs incurred by the landlord as a projects in progress asset and a corresponding long-term liability in “Property and equipment, net” and “Other long-term liabilities,” respectively. In addition, QVC paid for normal tenant improvements and certain structural improvements and recorded these amounts as part of the projects in progress asset. Upon completion of construction, the long-term liability was reclassified to debt. As of December 31, 2016, the liability related to the California distribution center was approximately $105 million.

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

Litigation

Liberty has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Liberty may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying 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, certain purchase accounting adjustments, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

For the year ended December 31, 2016, 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 U.S. 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.
- zulily – consolidated subsidiary that markets and sells unique products in the U.S. and several foreign countries through flash sales events, primarily through its desktop and mobile websites and mobile applications.

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

Performance Measures

	Years ended December 31,					
	2016		2015		2014	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
QVC Group						
QVC	$ 8,682	1,840	8,743	1,894	8,801	1,910
zulily	1,547	112	426	21	NA	NA
Corporate and other (1)	—	(16)	—	(28)	1,227	29
Inter-segment eliminations	(10)	—	—	—	—	—
Total QVC Group	10,219	1,936	9,169	1,887	10,028	1,939
Ventures Group						
Corporate and other (1)	428	3	820	59	471	26
Total Ventures Group	428	3	820	59	471	26
Consolidated Liberty	$ 10,647	1,939	9,989	1,946	10,499	1,965

(1) As discussed in note 2, on October 3, 2014, Liberty completed the reattribution from the QVC Group (formerly referred to as the Interactive Group, prior to the reattribution), to the Ventures Group its Digital Commerce businesses. The reattribution of the Digital Commerce businesses is presented on a prospective basis from the date of the reattribution in Liberty's consolidated financial statements, with October 1, 2014 used as a proxy for the date of the reattribution. Accordingly, Revenue and Adjusted OIBDA attributable to the Digital Commerce businesses are included in the QVC Group for the period through September 30, 2014 and are included in the Ventures Group for the period beginning October 1, 2014.

Other Information

	December 31, 2016				December 31, 2015		
	Total assets	Investments in affiliates	Investment in Liberty Broadband	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in millions						
QVC Group							
QVC	$ 11,545	40	—	179	12,058	43	215
zulily	2,461	—	—	27	2,741	—	3
Corporate and other	351	184	—	—	342	165	—
Total QVC Group	14,357	224	—	206	15,141	208	218
Ventures Group							
Corporate and other	5,998	357	3,161	27	6,039	506	40
Total Ventures Group	5,998	357	3,161	27	6,039	506	40
Consolidated Liberty	$ 20,355	581	3,161	233	21,180	714	258

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Consolidated segment Adjusted OIBDA	$ 1,939	1,946	1,965
Stock-based compensation	(97)	(127)	(108)
Depreciation and amortization	(874)	(703)	(669)
Operating income	968	1,116	1,188
Interest expense	(363)	(360)	(387)
Share of earnings (loss) of affiliates, net	(68)	(178)	(19)
Realized and unrealized gains (losses) on financial instruments, net.	1,175	114	(57)
Gains (losses) on transactions, net	9	110	74
Other, net	131	14	(24)
Earnings (loss) from continuing operations before income taxes	$ 1,852	816	775

Revenue by Geographic Area

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

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
United States	$ 7,979	7,412	7,617
Japan	900	811	912
Germany	866	850	1,003
Other foreign countries	902	916	967
	$ 10,647	9,989	10,499

Long-lived Assets by Geographic Area

	December 31,	
	2016	2015
	amounts in millions	
United States	$ 694	637
Japan	145	156
Germany	154	173
Other foreign countries	138	174
	$ 1,131	1,140

(20) Quarterly Financial Information (Unaudited)

As discussed in note 3, during the third quarter of 2016, the Company adopted new accounting guidance that requires the recognition of excess tax benefits and tax deficiencies as income tax benefit or expense rather than as additional paid-in capital. The Company has applied the new guidance prospectively from January 1, 2016. The unaudited quarterly information for the first and second quarters of 2016 has been retrospectively adjusted to reflect the impact of the adoption of this guidance.

In addition, as discussed in note 6, in November 2016, Liberty completed the Expedia Holdings Split-Off. The unaudited quarterly information below for 2016 and 2015 reflects Liberty's interest in Expedia as a discontinued operation for all periods presented.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		amounts in millions, except per share amounts		
2016:				
Revenue	$ 2,510	2,563	2,412	3,162
Operating income	$ 189	250	157	372
Earnings from continuing operations	$ 92	387	451	324
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B QVC Group common stock	$ 94	130	61	188
Series A and Series B Liberty Ventures common stock	$ (26)	249	408	131
Basic net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B QVC Group common stock	$ 0.19	0.27	0.13	0.41
Series A and Series B Liberty Ventures common stock	$ (0.07)	1.73	2.68	1.15
Diluted net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B QVC Group common stock	$ 0.19	0.27	0.13	0.40
Series A and Series B Liberty Ventures common stock	$ (0.07)	1.72	2.64	1.15
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B QVC Group common stock	$ 0.19	0.27	0.13	0.41
Series A and Series B Liberty Ventures common stock	$ (0.18)	1.75	2.87	1.21
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B QVC Group common stock	$ 0.19	0.27	0.13	0.40
Series A and Series B Liberty Ventures common stock	$ (0.18)	1.74	2.83	1.21

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		amounts in millions, except per share amounts			
2015:					
Revenue	$	2,214	2,252	2,153	3,370
Operating income	$	236	269	247	364
Earnings from continuing operations	$	148	209	166	108
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:					
Series A and Series B QVC Group common stock	$	151	112	154	223
Series A and Series B Liberty Ventures common stock	$	(8)	130	36	71
Basic net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:					
Series A and Series B QVC Group common stock	$	0.32	0.24	0.33	0.45
Series A and Series B Liberty Ventures common stock	$	(0.09)	0.57	0.03	(0.87)
Diluted net earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share:					
Series A and Series B QVC Group common stock	$	0.31	0.24	0.33	0.44
Series A and Series B Liberty Ventures common stock	$	(0.09)	0.57	0.03	(0.87)
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:					
Series A and Series B QVC Group common stock	$	0.32	0.24	0.33	0.45
Series A and Series B Liberty Ventures common stock	$	(0.06)	0.92	0.26	0.50
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:					
Series A and Series B QVC Group common stock	$	0.31	0.24	0.33	0.44
Series A and Series B Liberty Ventures common stock	$	(0.06)	0.91	0.25	0.50

Unaudited Attributed Financial Information for Tracking Stock Groups

Our QVC Group common stock is intended to reflect the separate performance of our QVC Group, which, subsequent to the reattribution, is comprised of our consolidated subsidiaries, QVC, Inc. (“QVC”) and zulily (defined below) (as of October 1, 2015), 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 our online commerce businesses, Bodybuilding.com, LLC ("Bodybuilding") (through November 4, 2016), CommerceHub, Inc. (then, Commerce Technologies, Inc.) (“CommerceHub”) (through July 22, 2016), Evite, Inc. (“Evite”), Provide Commerce, Inc. (“Provide”) (through December 31, 2014) and Backcountry.com, Inc. ("Backcountry") (through June 30, 2015) (collectively, the “Digital Commerce” businesses), interests in FTD Companies, Inc. (“FTD”), LendingTree, Inc. (“LendingTree”), Liberty Broadband Corporation (“Liberty Broadband”), and available-for-sale securities Charter Communications, Inc. (“Charter”), Interval Leisure Group, Inc. and Time Warner Inc.

As discussed in note 2 to the accompanying consolidated financial statements, on October 3, 2014, the QVC Group (referred to as the “Interactive Group” prior to the reattribution) attributed to the Ventures Group its Digital Commerce businesses. In connection with the reattribution, each holder of Liberty Interactive common stock received 0.14217 of a share of the corresponding series of Liberty Ventures common stock for each share of Liberty Interactive common stock held as of the record date, with cash paid in lieu of fractional shares. The distribution date for the dividend was on October 20, 2014, and the Liberty Interactive common stock began trading ex-dividend on October 15, 2014. The Interactive Group is referred to as the QVC Group subsequent to the reattribution. The reattribution of the Digital Commerce businesses is presented on a prospective basis from the date of the reattribution in Liberty’s consolidated financial statements, with October 1, 2014 used as a proxy for the date of the reattribution.

Additionally, as discussed in note 6 and note 9 of the accompanying consolidated financial statements, Liberty’s former wholly-owned subsidiary, Provide, was sold to FTD on December 31, 2014, in exchange for cash and shares of FTD common stock representing approximately 35% of the combined company. Subsequent to completion of the transaction, Liberty accounts for FTD as an equity-method affiliate based on the ownership level and board representation. Given our significant continuing involvement with FTD, Provide is not presented as a discontinued operation in the consolidated financial statements of Liberty.

As discussed in note 6 of the accompanying consolidated financial statements, Liberty sold Backcountry on June 30, 2015. Backcountry is not presented as a discontinued operation as the sale did not represent a strategic shift that had a major effect on Liberty’s operations and financial results.

As discussed in note 5 of the accompanying consolidated financial statements, on October 1, 2015, Liberty acquired all of the outstanding shares of zulily, inc. (“zulily”) (now known as zulily, llc) for consideration of approximately $2.3 billion. zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day.

As discussed in note 6 of the accompanying consolidated financial statements, Liberty completed the spin-off (the “CommerceHub Spin-Off”) of its former wholly-owned subsidiary CommerceHub on July 22, 2016. CommerceHub is not presented as a discontinued operation as the CommerceHub Spin-Off did not represent a strategic shift that had a major effect on Liberty’s operations and financial results.

As discussed in note 6 of the accompanying consolidated financial statements, Liberty completed the split-off (the “Expedia Holdings Split-Off”) of Liberty Expedia Holdings, Inc. (“Expedia Holdings”) on November 4, 2016. Expedia Holdings is comprised of, among other things, Liberty’s former interest in Expedia, Inc. (“Expedia”) and Liberty’s former wholly-owned subsidiary Bodybuilding. The split-off of Liberty’s interest in Expedia represents a strategic shift that has a major effect on Liberty’s operations, primarily due to prior year one-time gains on transactions recognized as part of the Expedia Holdings Split-Off by Expedia. Accordingly, Liberty’s interest in Expedia is presented as a discontinued operation. The disposition of Bodybuilding did not have a major effect on Liberty’s historical results nor is it expected to have a major effect on Liberty’s future operations. The disposition of Bodybuilding did not represent a strategic shift in Liberty’s operations. Accordingly, Bodybuilding is not presented as a discontinued operation.

The following tables present our assets and liabilities as of December 31, 2016 and 2015 and revenue, expenses and cash flows for the three years ended December 31, 2016, 2015 and 2014. The financial information in this Exhibit should be read in conjunction with our consolidated financial statements for the year ended December 31, 2016 included in this Annual Report on Form 10-K.

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

SUMMARY ATTRIBUTED FINANCIAL DATA

QVC Group

		December 31, 2016	December 31, 2015
		amounts in millions	
Summary balance sheet data:			
Current assets	$	2,642	2,827
Investments in affiliates, accounted for using the equity method	$	224	208
Intangible assets not subject to amortization, net	$	9,325	9,358
Total assets	$	14,357	15,141
Long-term debt, including current portion	$	6,375	6,535
Deferred tax liabilities	$	1,116	1,359
Attributed net assets	$	4,860	5,195

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Summary operations data:			
Revenue	$ 10,219	9,169	10,028
Cost of sales	(6,642)	(5,847)	(6,378)
Operating expenses	(653)	(620)	(719)
Selling, general and administrative expenses (1)	(1,063)	(875)	(1,075)
Depreciation and amortization	(850)	(657)	(650)
Operating income (loss)	1,011	1,170	1,206
Interest expense	(289)	(283)	(312)
Share of earnings (losses) of affiliates, net	42	55	51
Realized and unrealized gains (losses) on financial instruments, net	2	42	(22)
Other income (expense), net	42	(6)	(43)
Income tax benefit (expense)	(297)	(304)	(306)
Earnings (loss) from continuing operations	511	674	574
Earnings (loss) from discontinued operations, net of taxes	—	—	(15)
Net earnings (loss)	511	674	559
Less net earnings (loss) attributable to noncontrolling interests	38	34	39
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 473	640	520

(1) Includes stock-based compensation of $75 million, $60 million and $83 million for the years ended December 31, 2016, 2015 and 2014, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA (Continued)

Ventures Group

		December 31, 2016	December 31, 2015
		amounts in millions	
Summary balance sheet data:			
Cash and cash equivalents	$	487	2,023
Short term marketable securities	$	—	898
Investments in available-for-sale securities and other cost investments	$	1,918	1,349
Investments in affiliates, accounted for using the equity method	$	357	506
Investment in Liberty Broadband measured at fair value	$	3,161	—
Intangible assets not subject to amortization, net	$	29	127
Long-term debt, including current portion	$	1,667	2,172
Deferred tax liabilities	$	2,520	1,858
Attributed net assets (liabilities)	$	1,912	1,592

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Summary operations data:			
Revenue	$ 428	820	471
Cost of sales	(266)	(546)	(306)
Operating expenses	(54)	(79)	(37)
Selling, general and administrative expenses (1)	(127)	(203)	(127)
Depreciation and amortization	(24)	(46)	(19)
Operating income (loss)	(43)	(54)	(18)
Interest expense	(74)	(77)	(75)
Share of earnings (losses) of affiliates, net	(110)	(233)	(70)
Realized and unrealized gains (losses) on financial instruments, net	1,173	72	(35)
Gains (losses) on transactions, net	9	110	74
Other, net	89	20	19
Income tax benefit (expense)	(301)	119	69
Earnings (loss) from continuing operations	743	(43)	(36)
Earnings (loss) from discontinued operations, net of taxes	20	280	103
Net earnings (loss)	763	237	67
Less net earnings (loss) attributable to noncontrolling interests	1	8	50
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 762	229	17

(1) Includes stock-based compensation of $22 million, $67 million and $25 million for the years ended December 31, 2016, 2015 and 2014, respectively.

BALANCE SHEET INFORMATION

December 31, 2016

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Assets			
Current assets:			
Cash and cash equivalents	$ 338	487	825
Trade and other receivables, net	1,270	38	1,308
Inventory, net	968	—	968
Other current assets	66	2	68
Total current assets	2,642	527	3,169
Investments in available-for-sale securities and other cost investments (note 2)	4	1,918	1,922
Investments in affiliates, accounted for using the equity method (note 3)	224	357	581
Investment in Liberty Broadband measured at fair value (note 3)	—	3,161	3,161
Property and equipment, net	1,131	—	1,131
Intangible assets not subject to amortization, net	9,325	29	9,354
Intangible assets subject to amortization, net	1,001	4	1,005
Other assets, at cost, net of accumulated amortization	30	2	32
Total assets	$ 14,357	5,998	20,355
Liabilities and Equity			
Current liabilities:			
Intergroup payable (receivable)	$ 113	(113)	—
Accounts payable	789	1	790
Accrued liabilities	684	22	706
Current portion of debt (note 4)	14	862	876
Other current liabilities	160	2	162
Total current liabilities	1,760	774	2,534
Long-term debt (note 4)	6,361	805	7,166
Deferred income tax liabilities	1,116	2,520	3,636
Other liabilities	161	(3)	158
Total liabilities	9,398	4,096	13,494
Equity/Attributed net assets (liabilities)	4,860	1,912	6,772
Noncontrolling interests in equity of subsidiaries	99	(10)	89
Total liabilities and equity	$ 14,357	5,998	20,355

BALANCE SHEET INFORMATION

December 31, 2015

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Assets			
Current assets:			
Cash and cash equivalents	$ 426	2,023	2,449
Trade and other receivables, net	1,379	64	1,443
Inventory, net	945	55	1,000
Short-term marketable securities	12	898	910
Other current assets	65	8	73
Total current assets	2,827	3,048	5,875
Investments in available-for-sale securities and other cost investments (note 2)	4	1,349	1,353
Investments in affiliates, accounted for using the equity method (note 3)	208	506	714
Property and equipment, net	1,104	36	1,140
Intangible assets not subject to amortization, net	9,358	127	9,485
Intangible assets subject to amortization, net	1,607	40	1,647
Other assets, at cost, net of accumulated amortization	33	6	39
Noncurrent assets of discontinued operations	—	927	927
Total assets	$ 15,141	6,039	21,180
Liabilities and Equity			
Current liabilities:			
Intergroup payable (receivable)	$ 45	(45)	—
Accounts payable	736	26	762
Accrued liabilities	745	39	784
Current portion of debt (note 4)	358	868	1,226
Other current liabilities	219	109	328
Total current liabilities	2,103	997	3,100
Long-term debt (note 4)	6,177	1,304	7,481
Deferred income tax liabilities	1,359	1,858	3,217
Other liabilities	209	13	222
Noncurrent liabilities of discontinued operations	—	285	285
Total liabilities	9,848	4,457	14,305
Equity/Attributed net assets (liabilities)	5,195	1,592	6,787
Noncontrolling interests in equity of subsidiaries	98	(10)	88
Total liabilities and equity	$ 15,141	6,039	21,180

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2016

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Total revenue, net	$ 10,219	428	10,647
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	6,642	266	6,908
Operating	653	54	707
Selling, general and administrative, including stock-based compensation (note 5)	1,063	127	1,190
Depreciation and amortization	850	24	874
	9,208	471	9,679
Operating income (loss)	1,011	(43)	968
Other income (expense):			
Interest expense	(289)	(74)	(363)
Share of earnings (losses) of affiliates, net (note 3)	42	(110)	(68)
Realized and unrealized gains (losses) on financial instruments, net	2	1,173	1,175
Gains (losses) on transactions, net	—	9	9
Other, net	42	89	131
	(203)	1,087	884
Earnings (loss) from continuing operations before income taxes	808	1,044	1,852
Income tax benefit (expense)	(297)	(301)	(598)
Earnings (loss) from continuing operations, net of taxes	511	743	1,254
Earnings (loss) from discontinued operations, net of taxes	—	20	20
Net earnings (loss)	511	763	1,274
Less net earnings (loss) attributable to noncontrolling interests	38	1	39
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 473	762	1,235

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2015

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Total revenue, net	$ 9,169	820	9,989
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	5,847	546	6,393
Operating	620	79	699
Selling, general and administrative, including stock-based compensation (note 5)	875	203	1,078
Depreciation and amortization	657	46	703
	7,999	874	8,873
Operating income (loss)	1,170	(54)	1,116
Other income (expense):			
Interest expense	(283)	(77)	(360)
Share of earnings (losses) of affiliates, net (note 3)	55	(233)	(178)
Realized and unrealized gains (losses) on financial instruments, net	42	72	114
Gains (losses) on transactions, net	—	110	110
Other, net	(6)	20	14
	(192)	(108)	(300)
Earnings (loss) from continuing operations before income taxes	978	(162)	816
Income tax benefit (expense)	(304)	119	(185)
Earnings (loss) from continuing operations, net of taxes	674	(43)	631
Earnings (loss) from discontinued operations, net of taxes	—	280	280
Net earnings (loss)	674	237	911
Less net earnings (loss) attributable to noncontrolling interests	34	8	42
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 640	229	869

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2014

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Total revenue, net	$ 10,028	471	10,499
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	6,378	306	6,684
Operating	719	37	756
Selling, general and administrative, including stock-based compensation (note 5)	1,075	127	1,202
Depreciation and amortization	650	19	669
	8,822	489	9,311
Operating income (loss)	1,206	(18)	1,188
Other income (expense):			
Interest expense	(312)	(75)	(387)
Share of earnings (losses) of affiliates, net (note 3)	51	(70)	(19)
Realized and unrealized gains (losses) on financial instruments, net	(22)	(35)	(57)
Gains (losses) on transactions, net	—	74	74
Other, net	(43)	19	(24)
	(326)	(87)	(413)
Earnings (loss) before income taxes	880	(105)	775
Income tax benefit (expense)	(306)	69	(237)
Earnings (loss) from continuing operations	574	(36)	538
Earnings (loss) from discontinued operations, net of taxes	(15)	103	88
Net earnings (loss)	559	67	626
Less net earnings (loss) attributable to noncontrolling interests	39	50	89
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 520	17	537

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2016

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 511	763	1,274
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	—	(20)	(20)
Depreciation and amortization	850	24	874
Stock-based compensation	75	22	97
Cash payments for stock-based compensation	—	(92)	(92)
Noncash interest expense	3	9	12
Share of (earnings) losses of affiliates, net	(42)	110	68
Cash receipts from returns on equity investments	28	3	31
Realized and unrealized (gains) losses on financial instruments, net	(2)	(1,173)	(1,175)
(Gains) losses on transactions, net	—	(9)	(9)
(Gains) losses on extinguishment of debt	(1)	7	6
Deferred income tax expense (benefit)	(199)	672	473
Intergroup tax allocation	360	(360)	—
Intergroup tax payments	(301)	301	—
Other noncash charges (credits), net	(33)	(82)	(115)
Changes in operating assets and liabilities			
Current and other assets	92	44	136
Payables and other liabilities	(68)	(49)	(117)
Net cash provided (used) by operating activities	1,273	170	1,443
Cash flows from investing activities:			
Cash proceeds from dispositions	—	353	353
Investment in and loans to cost and equity investees	—	(86)	(86)
Capital expended for property and equipment	(206)	(27)	(233)
Purchases of short term investments and other marketable securities	—	(264)	(264)
Sales of short term investments and other marketable securities	12	1,162	1,174
Investment in Liberty Broadband	—	(2,400)	(2,400)
Other investing activities, net	(44)	8	(36)
Net cash provided (used) by investing activities	(238)	(1,254)	(1,492)
Cash flows from financing activities:			
Borrowings of debt	1,905	1,522	3,427
Repayments of debt	(2,178)	(2,320)	(4,498)
Repurchases of QVC Group common stock	(799)	—	(799)
Withholding taxes on net share settlements of stock-based compensation	(15)	(1)	(16)
Distribution from Liberty Expedia Holdings	—	299	299
Other financing activities, net	(16)	31	15
Net cash provided (used) by financing activities	(1,103)	(469)	(1,572)
Effect of foreign currency exchange rates on cash	(20)	—	(20)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	—	17	17
Cash provided (used) by investing activities	—	—	—
Cash provided (used) by financing activities	—	—	—
Change in available cash held by discontinued operations	—	—	—
Net cash provided (used) by discontinued operations	—	17	17
Net increase (decrease) in cash and cash equivalents	(88)	(1,536)	(1,624)
Cash and cash equivalents at beginning of period	426	2,023	2,449
Cash and cash equivalents at end of period	$ 338	487	825

STATEMENT OF CASH FLOWS INFORMATION

Year ended December 31, 2015

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
		amounts in millions	
Cash flows from operating activities:			
Net earnings (loss)	$ 674	237	911
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	0	(280)	(280)
Depreciation and amortization	657	46	703
Stock-based compensation	60	67	127
Cash payments for stock-based compensation	—	(16)	(16)
Noncash interest expense	6	(1)	5
Share of losses (earnings) of affiliates, net	(55)	233	178
Cash receipts from return on equity investments	22	10	32
Realized and unrealized gains (losses) on financial instruments, net	(42)	(72)	(114)
(Gains) losses on transactions, net	—	(110)	(110)
(Gains) losses on extinguishment of debt	21	—	21
Deferred income tax (benefit) expense	(122)	19	(103)
Intergroup tax allocation	141	(141)	—
Intergroup tax payments	(101)	101	—
Other noncash charges (credits), net	(14)	3	(11)
Changes in operating assets and liabilities			
Current and other assets	(245)	8	(237)
Payables and other current liabilities	3	(47)	(44)
Net cash provided (used) by operating activities	1,005	57	1,062
Cash flows from investing activities:			
Cash paid for acquisitions, net of cash acquired	(824)	(20)	(844)
Cash proceeds from dispositions	—	271	271
Investments in and loans to cost and equity investees	—	(120)	(120)
Cash receipts from returns of equity investments	200	50	250
Capital expended for property and equipment	(218)	(40)	(258)
Purchases of short term and other marketable securities	(184)	(1,186)	(1,370)
Sales of short term investments and other marketable securities	193	1,166	1,359
Other investing activities, net	(76)	—	(76)
Net cash provided (used) by investing activities	(909)	121	(788)
Cash flows from financing activities:			
Borrowings of debt	3,969	589	4,558
Repayments of debt	(3,244)	(567)	(3,811)
Repurchases of QVC Group common stock	(785)	—	(785)
Minimum withholding taxes on net share settlements of stock-based compensation	(25)	(5)	(30)
Purchase of noncontrolling interest	—	(33)	(33)
Other financing activities, net	(4)	(17)	(21)
Net cash provided (used) by financing activities	(89)	(33)	(122)
Effect of foreign currency rates on cash	(3)	—	(3)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	—	17	17
Cash provided (used) by investing activities	—	(23)	(23)
Cash provided (used) by financing activities	—	—	—
Change in available cash held by discontinued operations	—	—	—
Net cash provided (used) by discontinued operations	—	(6)	(6)
Net increase (decrease) in cash and cash equivalents	4	139	143
Cash and cash equivalents at beginning of period	422	1,884	2,306
Cash and cash equivalents at end period	$ 426	2,023	2,449

STATEMENT OF CASH FLOWS INFORMATION
Year ended December 31, 2014
(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 559	67	626
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	15	(103)	(88)
Depreciation and amortization	650	19	669
Stock-based compensation	83	25	108
Cash payments for stock-based compensation	(13)	(2)	(15)
Noncash interest expense	6	—	6
Share of losses (earnings) of affiliates, net	(51)	70	19
Cash receipts from return on equity investments	22	8	30
Realized and unrealized gains (losses) on financial instruments, net	22	35	57
(Gains) losses on transactions, net	—	(74)	(74)
(Gains) losses on extinguishment of debt	48	—	48
Deferred income tax (benefit) expense	(160)	100	(60)
Intergroup tax allocation	169	(169)	—
Intergroup tax payments	(388)	388	—
Other noncash charges (credits), net	(3)	4	1
Changes in operating assets and liabilities			
Current and other assets	(80)	(4)	(84)
Payables and other current liabilities	345	60	405
Net cash provided (used) by operating activities	1,224	424	1,648
Cash flows from investing activities:			
Cash proceeds from dispositions	—	163	163
Investments in and loans to cost and equity investees	(4)	(67)	(71)
Cash receipts from returns of equity investments	—	—	—
Capital expended for property and equipment	(226)	(15)	(241)
Purchases of short term investments and other marketable securities	(73)	(791)	(864)
Sales of short term investments and other marketable securities	52	539	591
Other investing activities, net	(30)	14	(16)
Net cash provided (used) by investing activities	(281)	(157)	(438)
Cash flows from financing activities:			
Borrowings of debt	4,360	146	4,506
Repayments of debt	(3,563)	(186)	(3,749)
Intergroup receipts (payments), net	(1,035)	1,035	—
Repurchases of QVC Group common stock	(785)	—	(785)
Minimum withholding taxes on net share settlements of stock-based compensation	(25)	(1)	(26)
Other financing activities, net	(8)	(25)	(33)
Net cash provided (used) by financing activities	(1,056)	969	(87)
Effect of foreign currency rates on cash	(46)	—	(46)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	(20)	306	286
Cash provided (used) by investing activities	—	(214)	(214)
Cash provided (used) by financing activities	3	368	371
Change in available cash held by discontinued operations	3	(119)	(116)
Net cash provided (used) by discontinued operations	(14)	341	327
Net increase (decrease) in cash and cash equivalents	(173)	1,577	1,404
Cash and cash equivalents at beginning of period	595	307	902
Cash and cash equivalents at end period	$ 422	1,884	2,306

Notes to Attributed Financial Information

(unaudited)

(1) On October 3, 2014, Liberty reattributed from the QVC Group to the Ventures Group its Digital Commerce businesses. In connection with the reattribution, each holder of Liberty Interactive common stock received 0.14217 of a share of the corresponding series of Liberty Ventures common stock for each share of QVC Group common stock held as of the record date, with cash paid in lieu of fractional shares. The distribution date for the dividend was on October 20, 2014, and the QVC Group common stock began trading ex-dividend on October 15, 2014. The reattribution of the Digital Commerce businesses is presented on a prospective basis from the date of the reattribution in Liberty's consolidated financial statements, with October 1, 2014 used as a proxy for the date of the reattribution. Accordingly, the financial results of the Digital Commerce businesses are reflected in the QVC Group through the period ending September 30, 2014 and are reflected in the Ventures group for the period beginning October 1, 2014.

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

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

Subsequent to the reattribution, the Ventures Group consists of all of our businesses not included in the QVC Group including our Digital Commerce businesses and interests in Liberty Broadband, FTD and LendingTree and available-for-sale securities Charter, Interval Leisure Group, Inc. and Time Warner, Inc. Accordingly, the accompanying attributed financial information for the Ventures Group includes these investments, as well as the assets, liabilities, revenue, expenses and cash flows of the Digital Commerce businesses. In addition, we have attributed to the Ventures Group all of our senior exchangeable debentures (and related interest expense). See note 4 below for the debt obligations attributed to the Ventures Group.

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

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

	December 31, 2016	December 31, 2015
	amounts in millions	
QVC Group		
Other cost investments	$ 4	4
Total QVC Group	4	4
Ventures Group		
Charter Communications, Inc.	1,543	NA
Interval Leisure Group	302	NA
Time Warner Inc.	1	284
Time Warner Cable Inc.	NA	994
Other AFS investments	72	71
Total Ventures Group	1,918	1,349
Consolidated Liberty	$ 1,922	1,353

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

	December 31, 2016			Share of earnings (losses)		
	Percentage ownership	Carrying value	Market value	Years ended December 31, 2016	2015	2014
	dollar amounts in millions					
QVC Group						
HSN, Inc. (1)	38 %	$ 184	687	48	64	60
Other	various	40	NA	(6)	(9)	(9)
Total QVC Group		224		42	55	51
Ventures Group						
FTD (3)	37 %	216	243	(41)	(83)	N/A
Other (2)	various	141	NA	(69)	(150)	(70)
Total Ventures Group		357		(110)	(233)	(70)
Consolidated Liberty		$ 581		(68)	(178)	(19)

(1) HSN, Inc. ("HSNi") paid dividends of $28 million, $228 million and $22 million during the years ended December 31, 2016, 2015 and 2014, respectively, which were recorded as reductions to the investment balances. Dividends from HSNi during the year ended December 31, 2015 included a special dividend of $10 per share from which Liberty received approximately $200 million in cash.

(2) The Other category for the Ventures Group is comprised of investments in LendingTree, alternative energy investments and other investments. The alternative energy investments generally operate at a loss but provide favorable tax attributes recorded through the income tax (expense) benefit line item in the consolidated statement of operations. During the year ended December 31, 2015, Liberty recorded an impairment of approximately $98 million, based on a discounted cash flow valuation (Level 3), related to one of its alternative energy investments which has underperformed operationally.

(3) The carrying value of Liberty's investment in FTD was impaired to the fair value (based on the closing price (Level 1)) as of December 31, 2015.

Investment in Liberty Broadband

As discussed in note 2 of the accompanying consolidated financial statements, in connection with the merger of Charter and Time Warner Cable, Inc., on May 18, 2016, Liberty invested $2.4 billion in Liberty Broadband Series C nonvoting shares. As of December 31, 2016, Liberty has a 23% economic ownership interest in Liberty Broadband. Due to overlapping boards of directors and management, Liberty has been deemed to have significant influence over Liberty Broadband even though Liberty does not have any voting rights. Liberty has elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it is believed that the Company's investors value this investment based on the trading price of Liberty Broadband. Liberty recognizes changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the condensed consolidated statements of operations.

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

	December 31, 2016	
	Outstanding principal	Carrying value
	amounts in millions	
QVC Group		
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	1	—
Subsidiary level notes and facilities		
QVC 3.125% Senior Secured Notes due 2019	400	399
QVC 5.125% Senior Secured Notes due 2022	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599
QVC 5.45% Senior Secured Notes due 2034	400	399
QVC 5.95% Senior Secured Notes due 2043	300	300
QVC Bank Credit Facilities	1,896	1,896
Other subsidiary debt	174	174
Deferred loan costs		(28)
Total QVC Group	6,412	6,375
Ventures Group		
Corporate level debentures		
4% Exchangeable Senior Debentures due 2029	435	276
3.75% Exchangeable Senior Debentures due 2030	436	267
3.5% Exchangeable Senior Debentures due 2031	337	316
0.75% Exchangeable Senior Debentures due 2043	1	3
1.75% Exchangeable Senior Debentures due 2046	750	805
Total Ventures Group	1,959	1,667
Total consolidated Liberty debt	$ 8,371	8,042
Less debt classified as current		(876)
Total long-term debt		7,166

(5) Cash compensation expense for our corporate employees will be allocated among the QVC Group and the Ventures Group based on the estimated percentage of time spent providing services for each group. On a semi-annual basis estimated time spent will be determined through an interview process and a review of personnel duties unless transactions significantly change the composition of companies and investments in either respective

group which would require a more timely reevaluation of estimated time spent. Other general and administrative expenses will be charged directly to the groups whenever possible and are otherwise allocated based on estimated usage or some other reasonably determined methodology. Amounts allocated from the QVC Group to the Ventures Group was determined to be $38 million, $20 million and $18 million for the years ended December 31, 2016, 2015 and 2014, respectively. We note that stock compensation related to each tracking stock group is determined based on actual options outstanding for each respective tracking stock group.

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

(6) We have accounted for income taxes for the QVC 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.

QVC Group

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Current:			
Federal	$ (403)	(331)	(325)
State and local	(20)	(20)	(31)
Foreign	(73)	(75)	(110)
	$ (496)	(426)	(466)
Deferred:			
Federal	$ 185	101	143
State and local	10	14	12
Foreign	4	7	5
	199	122	160
Income tax benefit (expense)	$ (297)	(304)	(306)

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,		
	2016	2015	2014
	amounts in millions		
Computed expected tax benefit (expense)	$ (283)	(343)	(308)
State and local income taxes, net of federal income taxes	(4)	(12)	(14)
Foreign taxes, net of foreign tax credits	(9)	(5)	(2)
Sale of consolidated subsidiary	—	—	14
Change in valuation allowance affecting tax expense	(15)	2	2
Impairment of intangible assets not deductible for tax purposes	—	—	(3)
Dividends received deductions	7	49	4
Alternative energy tax credits and incentives	—	—	—
Impact of change in state rate on deferred taxes	1	(4)	1
Other, net	6	9	—
Income tax benefit (expense)	$ (297)	(304)	(306)

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,	
	2016	2015
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 58	44
Foreign tax credit carryforwards	134	71
Accrued stock compensation	45	39
Other accrued liabilities	117	161
Other future deductible amounts	131	150
Deferred tax assets	485	465
Valuation allowance	(59)	(44)
Net deferred tax assets	426	421
Deferred tax liabilities:		
Intangible assets	1,537	1,765
Other deferred tax liabilities	5	15
Deferred tax liabilities	1,542	1,780
Net deferred tax liabilities	$ 1,116	1,359

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

Ventures Group

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2016	2015	2014
	amounts in millions		
Current:			
Federal	$ 363	143	170
State and local	8	(6)	(1)
Foreign	—	1	—
	$ 371	138	169
Deferred:			
Federal	$ (629)	(27)	(67)
State and local	(43)	7	(33)
Foreign	—	1	—
	(672)	(19)	(100)
Income tax benefit (expense)	$ (301)	119	69

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,		
	2016	2015	2014
	amounts in millions		
Computed expected tax benefit (expense)	$ (366)	57	37
State and local income taxes, net of federal income taxes	(22)	(3)	8
Foreign taxes, net of foreign tax credits	—	1	—
Sale of consolidated subsidiary	(1)	—	—
Impact of change in state rate on deferred taxes	—	(3)	(27)
Change in valuation allowance affecting tax expense	(1)	4	(4)
Dividends received deductions	2	2	2
Alternative energy tax credits and incentives	94	61	58
Other, net	(7)	—	(5)
Income tax benefit (expense)	$ (301)	119	69

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, 2016	December 31, 2015
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 65	55
Accrued stock compensation	11	44
Other future deductible amounts	14	18
Deferred tax assets	90	117
Valuation allowance	(5)	(4)
Net deferred tax assets	85	113
Deferred tax liabilities:		
Investments	1,069	623
Intangible assets	3	23
Discount on exchangeable debentures	1,404	1,129
Deferred gain on debt retirements	129	193
Other deferred tax liabilities	—	3
Deferred tax liabilities	2,605	1,971
Net deferred tax liabilities	$ 2,520	1,858

Intergroup payable (receivable)

The intergroup balances, at December 31, 2016 and 2015, are primarily a result of timing of tax benefits.

(7) The QVC Group Stock and the Liberty Ventures Stock have voting and conversion rights under our restated charter. Following is a summary of those rights. Holders of Series A common stock of each group is entitled to one vote per share, and holders of Series B common stock of each group are entitled to ten votes per share. Holders of Series C common stock of each group, if issued, are entitled to 1/100th of a vote per share in certain limited cases and will otherwise not be entitled to vote. In general, holders of Series A and Series B common stock will vote as a single class. In certain limited circumstances, the board may elect to seek the approval of the holders of only Series A and Series B QVC Group common stock or the approval of the holders of only Series A and Series B Liberty Ventures common stock.

At the option of the holder, each share of Series B common stock 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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BOARD OF DIRECTORS

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Chairman of the Board
Liberty Interactive Corporation

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Co-Founder and Executive Chairman
Zillow Group, Inc.

Michael A. George
President and Chief Executive Officer
QVC, Inc.

M. Ian G. Gilchrist
Retired Investment Banker

Gregory B. Maffei
President and Chief Executive Officer
Liberty Interactive Corporation

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

David E. Rapley
Retired President and Chief
Executive Officer
Rapley Consulting, Inc.

M. LaVoy Robison
Director
The Anschutz Foundation

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

Mark Vadon
Co-Founder and Former
Chairman of the Board
zulily

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

EXECUTIVE COMMITTEE

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Andrea L. Wong

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Richard N. Barton
Mark Vadon

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President and Chief Executive Officer

Richard N. Baer
Chief Legal Officer

Mark D. Carleton
Chief Financial Officer

Albert E. Rosenthaler
Chief Corporate Development Officer

CORPORATE SECRETARY

Pamela L. Coe

CORPORATE HEADQUARTERS

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(720) 875-5300

STOCK INFORMATION

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

CUSIP NUMBERS

QVCA – 53071M 104
QVCB – 53071M 203

LVNTA – 53071M 856
LVNTB – 53071M 864

TRANSFER AGENT

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ON THE INTERNET

Visit the Liberty Interactive Corporation website at *www.libertyinteractive.com*.

FINANCIAL STATEMENTS

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

LIBERTY INTERACTIVE CORPORATION

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