LIBERTY INTERACTIVE CORP

FORM 10-K
(Annual Report)

Filed 03/01/18 for the Period Ending 12/31/17

Address	12300 LIBERTY BOULEVARD ENGLEWOOD, CO, 80112
Telephone	720-875-5400
CIK	0001355096
Symbol	QVCA
SIC Code	5961 - Retail-Catalog and Mail-Order Houses
Industry	Department Stores
Sector	Consumer Cyclicals
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission File Number 001-33982

LIBERTY INTERACTIVE CORPORATION

(Exact name of Registrant as specified in its charter)

State of Delaware (State or other jurisdiction of incorporation or organization)	**84-1288730** (I.R.S. Employer Identification No.)
12300 Liberty Boulevard **Englewood, Colorado** (Address of principal executive offices)	**80112** (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Series A QVC Group Common Stock, par value $.01 per share	The Nasdaq Stock Market LLC
Series B QVC Group Common Stock, par value $.01 per share	The Nasdaq Stock Market LLC
Series A Liberty Ventures Common Stock, par value $.01 per share	The Nasdaq Stock Market LLC
Series B Liberty Ventures Common Stock, par value $.01 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

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

The aggregate market value of the voting stock held by nonaffiliates of Liberty Interactive Corporation computed by reference to the last sales price of Liberty Interactive Corporation common stock, as of the closing of trading on June 30, 2017, was approximately $14.3 billion.

The number of outstanding shares of Liberty Interactive Corporation's common stock as of January 31, 2018 was:

	Series A	Series B
QVC Group common stock	448,261,047	29,203,895
Liberty Ventures common stock	81,687,188	4,455,308

Documents Incorporated by Reference

The Registrant's definitive proxy statement for its 2018 Annual Meeting of Stockholders is hereby incorporated by reference into Part III of this Annual Report on Form 10-K .

LIBERTY INTERACTIVE CORPORATION
2017 ANNUAL REPORT ON FORM 10 - K

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PART I.

Item 1. Business.

(a) *General Development of Business*

Liberty Interactive Corporation, formerly known as Liberty Media Corporation, ("Liberty", the "Company", "we", "us" and "our") owns interests in subsidiaries and other companies which are primarily engaged in the video and online commerce industries. Through our subsidiaries and affiliates, we operate in North America, Europe and Asia. Our principal businesses and assets include our consolidated subsidiaries QVC, Inc. ("QVC"), HSN, Inc. ("HSNi"), zulily, llc ("zulily") and Evite, Inc. ("Evite") and our equity affiliates FTD Companies, Inc. ("FTD"), LendingTree, Inc. ("LendingTree") and Liberty Broadband Corporation ("Liberty Broadband").

On September 23, 2011, Liberty completed the split-off of a wholly owned subsidiary, Liberty Media Corporation ("LMC") (formerly known as Liberty CapStarz, Inc. and prior thereto known as Liberty Splitco, Inc.) (the "LMC Split-Off"). At the time of the LMC Split-Off, LMC owned all the assets, businesses and liabilities previously attributed to the Capital and Starz tracking stock groups. The LMC Split-Off was effected by means of a redemption of all of the Liberty Capital common stock and Liberty Starz common stock of Liberty in exchange for the common stock of LMC. Following the LMC Split-Off, Liberty and LMC operate as separately publicly traded companies and neither has any stock ownership, beneficial or otherwise, in the other.

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

On October 3, 2014, Liberty reattributed from the Interactive Group to the Ventures Group approximately $1 billion in cash and its Digital Commerce businesses (as defined below), including Backcountry.com, Inc., Bodybuilding.com, LLC ("Bodybuilding"), CommerceHub, Inc. (then, Commerce Technologies, Inc.) ("CommerceHub"), Provide Commerce, Inc. ("Provide"), and Evite (collectively, the "Digital Commerce businesses"). Subsequent to the reattribution, the Interactive Group is now referred to as the QVC Group. The QVC Group has attributed to it Liberty's wholly-owned subsidiaries QVC, zulily (as of October 1, 2015) and HSNi (as of December 29, 2017), along with cash and certain liabilities. In connection with the reattribution, the Liberty Interactive tracking stock trading symbol "LINTA" was changed to "QVCA" and the "LINTB" trading symbol 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. Effective June 4, 2015, the name of the "Liberty Interactive common stock" was changed to the "QVC Group common stock."

Tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Liberty has two tracking stocks, QVC Group common stock and Liberty Ventures common stock, which are intended to track and reflect the economic performance of Liberty's 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 no group can 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. The Ventures Group consists of our businesses not included in the QVC Group including Evite and our interests in Liberty Broadband, LendingTree, FTD, investments in Charter Communications, Inc. and ILG, Inc. ("ILG"), as well as cash in the amount of approximately $573 million (at December 31, 2017), 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. The QVC Group has attributed to it the remainder of our businesses and assets, including our wholly-owned subsidiaries QVC, HSNi (as of December 29, 2017), and zulily (as of October 1, 2015) as well as cash in the amount of approximately $330 million (at December 31, 2017), including subsidiary cash.

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, Inc. ("TripAdvisor"), as well as BuySeasons, Inc., Liberty's former wholly-owned subsidiary, and a corporate level net debt balance of $350 million. Concurrently with TripAdvisor Holdings' execution of certain margin loans in connection with the TripAdvisor Holdings Spin-Off, Liberty and TripAdvisor Holdings entered into a promissory note that expired in 2017 pursuant to which TripAdvisor Holdings could have requested, 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 was 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.

On October 1, 2015, Liberty acquired zulily, inc. (now known as zulily, llc) for consideration of approximately $2.3 billion, comprised of $9.375 of cash and 0.3098 newly issued shares of Series A QVC Group common stock for each zulily share, with cash paid in lieu of any fractional shares. zulily is attributed to the QVC Group. zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched every day.

On May 18, 2016, Liberty completed a $2.4 billion investment in Liberty Broadband in connection with the merger of Charter Communications, Inc. ("Legacy 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. Liberty's investment in Liberty Broadband was funded using cash on hand and is attributed to the Ventures Group. See note 9 of our consolidated financial statements found in Part II of this report for additional information related to this investment.

Liberty also 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.

On July 22, 2016, Liberty completed the spin-off (the "CommerceHub Spin-Off") of its former wholly-owned subsidiary CommerceHub. The CommerceHub Spin-Off was accomplished by the distribution by Liberty of a dividend of (i) 0.1 of a share of CommerceHub's Series A common stock for each outstanding share of Liberty's Series A Liberty Ventures common stock as of 5:00 p.m., New York City time, on July 8, 2016 (such date and time, the "Record Date"), (ii) 0.1 of a share of CommerceHub's Series B common stock for each outstanding share of Liberty's Series B Liberty Ventures common stock as of the Record Date and (iii) 0.2 of a share of CommerceHub's Series C common stock for each outstanding share of Series A and Series B Liberty Ventures common stock as of the Record Date, in each case, with cash paid in lieu of fractional shares. This transaction has been recorded at historical cost due to the pro rata nature of the distribution. The Internal Revenue Service ("IRS") completed its review of the CommerceHub Spin-Off and notified Liberty that it agreed with the nontaxable characterization of the CommerceHub Spin-Off. CommerceHub is included in Liberty's 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 the split-off (the "Expedia Holdings Split-Off") of its former wholly-owned subsidiary Liberty Expedia Holdings, Inc. ("Expedia Holdings"). At the time of the Expedia Holdings Split-Off, Expedia Holdings was comprised of, among other things, Liberty's former interest in Expedia, Inc. ("Expedia") and Liberty's former wholly-owned subsidiary Bodybuilding. 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). The IRS completed its review of the Expedia Holdings Split-Off and informed Liberty that it agreed with the nontaxable characterization of the Expedia Holdings Split-Off.

Liberty viewed 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 represented a strategic shift that had a major effect on Liberty's operations, primarily due to one-time gains on transactions recognized by Expedia during 2015. Accordingly, Liberty's interest in Expedia is presented as a discontinued operation. The disposition of Bodybuilding as part of the Expedia Holdings Split-Off 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.

On December 29, 2017, Liberty acquired the approximate remaining 62% of HSNi it did not already own in an all-stock transaction, making HSNi its wholly-owned subsidiary, attributed to the QVC Group. HSNi is an interactive multi-channel retailer that markets and sells a wide range of third party and proprietary merchandise directly to consumers through various platforms including (i) television home shopping programming broadcast on the HSN television networks ("HSN"); (ii) catalogs, consisting primarily of the Cornerstone portfolio of leading print catalogs which includes Ballard Designs, Frontgate, Garnet Hill, Grandin Road and Improvements ("Cornerstone"); (iii) websites, which consist primarily of HSN.com, the five branded websites operated by Cornerstone and joymangano.com; (iv) mobile applications; (v) retail and outlet stores; and (vi) wholesale distribution of certain proprietary products to other retailers.

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

Liberty will then effect a tax-free separation of its controlling interest in the combined company (which has since been renamed GCI Liberty, Inc. ("GCI Liberty")) to the holders of Liberty Ventures common stock , distributing one share of the corresponding class of new GCI Liberty common stock for each share of Liberty Ventures common stock held, in full redemption of all outstanding shares of such stock, leaving QVC Group common stock as the only outstanding common stock of Liberty. On the business day prior to the Contribution, holders of reclassified GCI Class A Common Stock and reclassified GCI Class B Common Stock each will receive (i) 0.63 of a share of new GCI Liberty Class A Common Stock and (ii) 0.20 of a share of new GCI Liberty Series A Cumulative Redeemable Preferred Stock (the "GCI Liberty preferred stock") in exchange for each share of their reclassified GCI stock. The exchange ratios were determined based on total consideration of $32.50 per share for existing GCI common stock, comprised of $27.50 per share in new GCI Liberty Class

A Common Stock and $5.00 per share in newly issued GCI Liberty preferred stock, and a Liberty Ventures reference price of $43.65 (with no additional premium paid for shares of reclassified GCI Class B Common Stock). The GCI Liberty Series A preferred stock will accrue dividends at an initial rate of 5% per annum (which would increase to 7% in connection with a future reincorporation of GCI Liberty in Delaware) and will be redeemable upon the 21st anniversary of the closing of the Transactions.

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

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions. Simultaneous with that closing, QVC Group common stock will become the only outstanding common stock of Liberty, and thus QVC Group common stock will cease to function as a tracking stock and will effectively become regular common stock, and Liberty will be renamed Qurate Retail Group, Inc., with QVC, HSNi and zulily as wholly-owned subsidiaries.

* * * * *

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; new service offerings; the Transactions and the Reattribution; revenue growth at QVC; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements under Item 1. "Business," Item 1A. "Risk-Factors," Item 2. "Properties," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "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 anticipate customer demand and to adapt to changes in demand;
- competitor responses to our products and services;

- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic to our businesses' websites and our ability to convert visitors into consumers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the cost and ability of shipping companies, 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 ("FCC"), 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 United States ("U.S.") presidential election and the vote by the United Kingdom ("U.K.") to exit from the European Union ("Brexit");
- consumer spending levels, including the availability and amount of individual consumer debt;
- advertising spending levels;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and Internet protocol ("IP") television and their impact on home shopping programming;
- rapid technological changes;
- 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;
- the regulatory and competitive environment of the industries in which we operate;
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world;
- fluctuations in foreign currency exchange rates; and
- uncertainties, costs and expenses related to and/or failure to complete the Transactions.

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 the factors described in Item 1A, "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

This Annual Report includes information concerning companies in which we have controlling and non-controlling interests that file reports and other information with the Securities and Exchange Commission ("SEC") in accordance with the Securities Exchange Act of 1934, as amended. Information 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.

(b) *Financial Information About Segments*

Through our ownership of interests in subsidiaries and other companies, we are primarily engaged in the video and online commerce industries. Each of these businesses is separately managed.

We identify our reportable segments as (A) those consolidated subsidiaries that represent 10% or more of our annual consolidated revenue, Adjusted OIBDA (defined in Part II, Item 7 of this report) or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of our annual pre-tax earnings. Financial information related to our operating segments can be found in note 19 to our consolidated financial statements found in Part II of this report.

(c) *Narrative Description of Business*

The following table identifies our more significant subsidiaries and minority investments:

Consolidated Subsidiaries
QVC, Inc.
HSN, Inc.
zulily, llc
Evite, Inc.
Equity Method Investments
FTD Companies, Inc. (Nasdaq: FTD)
LendingTree, Inc. (Nasdaq: TREE)
Liberty Broadband Corporation (Nasdaq: LBRDA; LBRDK)

QVC

QVC, a wholly-owned subsidiary, markets and sells a wide variety of consumer products primarily through live merchandise-focused televised shopping programs distributed to approximately 374 million worldwide households each day (including the joint venture in China as discussed below in further detail) and via its websites, including QVC.com, and other interactive media, such as mobile applications. QVC believes it is the global leader in television retailing and a leading multimedia retailer, with operations based in the U.S., Germany, Japan, the U.K., Italy and France. Additionally, it has a 49% interest in a retailing joint venture in China, which operates through a television shopping channel with an associated website. The joint venture is accounted for by QVC as an equity method investment. The name, QVC, stands for "Quality, Value and Convenience," which is what QVC strives to deliver to its customers. QVC's operating strategy is to create a premier multimedia lifestyle brand and shopping destination for its customers, further penetrate its core customer base, generate new customers, enhance programming distribution offerings and expand internationally to drive revenue and profitability. For the year ended December 31, 2017, approximately 93% of its worldwide shipped sales were from repeat and reactivated customers (i.e., customers who made a purchase from QVC during the prior twelve months and customers who previously made a purchase from QVC but not during the prior twelve months). In the same period, QVC attracted approximately 3.2 million new customers. QVC's global e-commerce operation comprised $4.4 billion, or 50%, of its consolidated net revenue for the year ended December 31, 2017.

QVC markets its products in an engaging, entertaining format primarily through merchandise-focused live television programs and interactive features on its websites and other interactive media. In the U.S., QVC distributes its programming live 24 hours per day, 364 days per year and presents on average 800 products every week (such U.S. operations, "QVC-U.S"). Internationally, QVC distributes live programming 8 to 24 hours per day, depending on the market. QVC classifies its products into six groups: home, apparel, beauty, accessories, electronics and jewelry.

	Years ended December 31,		
Product category	**2017**	**2016**	**2015**
Home	34%	33%	33%
Apparel	19%	19%	17%
Beauty	17%	17%	17%
Accessories	13%	13%	13%
Electronics	9%	9%	10%
Jewelry	8%	9%	10%
Total	100%	100%	100%

Many of QVC's brands are exclusive, while others are created by well-known designers. It is QVC's product sourcing team's mission to research and locate compelling and differentiated products from manufacturers who have sufficient scale to meet anticipated demand. QVC offers many QVC-exclusive products, as well as popular brand name and lesser known products available from other retailers. Many of its products are endorsed by celebrities, designers and other well-known personalities who often join its presenters to personally promote their products and provide lead-in publicity on their own television shows. QVC believes that its ability to demonstrate product features and present “faces and places” differentiates and defines the QVC shopping experience. QVC closely monitors customer demand and its product mix to remain well-positioned and relevant in popular and growing retail segments, which QVC believes is a significant competitive advantage relative to competitors who operate brick-and-mortar stores.

QVC does not depend on any single supplier or designer for a significant portion of its inventory purchases.

Since its inception, QVC has shipped over 2 billion packages in the U.S. alone. QVC operates nine distribution centers and seven call centers worldwide. In the U.S., QVC is able to ship approximately 90% of its orders within two days of the order placement. Globally, QVC is able to ship approximately 91% of its orders within two days of the order placement. In 2017, QVC's work force of approximately 17,100 employees handled approximately 131 million customer calls, shipped approximately 191 million units globally and served approximately 13 million customers. QVC believes its long-term relationships with major U.S. television distributors, including cable operators (e.g., Comcast and Cox), satellite television providers (e.g., DISH Network and DIRECTV) and telecommunications companies (e.g., Verizon and AT&T (excluding DIRECTV)), provide it with broad distribution, favorable channel positioning and significant competitive advantages. QVC believes that its significant market share, brand awareness, outstanding customer service, repeat customer base, international reach and scalable infrastructure distinguishes QVC from its competitors.

QVC-U.S.'s live televised shopping programs are distributed nationally, 24 hours per day, 364 days per year, to approximately 101 million television households. QVC distributes its programming to approximately 99% of television households subscribing to services offered by television distributors. QVC-U.S. programming is also available on QVC.com, its U.S. website, and mobile applications via streaming video; over-the air broadcasters in 93 markets; and on the Roku and Apple TV platforms. QVC-U.S., including QVC.com, contributed $6.1 billion, or 70%, of consolidated net revenue, $994 million of operating income and $1.4 billion of Adjusted OIBDA (defined in Part II, Item 7 of this report) for the year ended December 31, 2017.

In March 2013, QVC-U.S. launched over-the-air broadcasting in designated U.S. markets that can be accessed by any television household with a digital antennae in such markets, regardless of whether it subscribes to a paid television service. This allows QVC-U.S. to reach new customers who previously did not have access to the program through other television platforms. In August 2013, QVC-U.S. launched an additional channel, QVC2, which is being distributed through cable and satellite systems. The channel allows viewers to have access to a broader range of QVC programming options as well as more relevant programming for viewers in differing time zones. In October 2016, QVC-U.S. launched a third channel, Beauty iQ, which is being distributed through satellite and streaming platforms. The channel and supporting platforms are dedicated to a complete beauty shopping experience for customers.

QVC.com, launched in 1996, complements QVC-U.S.'s televised shopping programs by allowing consumers to purchase a wide assortment of goods offered on its televised programs, as well as other products that are available only on QVC.com. QVC views e-commerce (QVC.com and mobile devices) as a natural extension of its business, allowing it to stream live video and offer on-demand video segments of items recently presented live on its televised programs. QVC.com allows shoppers to browse, research, compare and perform targeted searches for products, control the order - entry process and conveniently access their QVC account. For the year ended December 31, 2017, approximately 80% of new U.S. customers made their first purchase through QVC.com (including mobile).

QVC's televised shopping programs reached approximately 144 million television households outside of the U.S., primarily in Germany, Austria, Japan, the U.K., the Republic of Ireland, Italy and France. In addition, QVC's joint venture in China reached approximately 129 million homes. The programming created for most of these markets is also available via streaming video on its international websites and mobile applications. QVC's international business employs product sourcing teams who select products tailored to the interests of each local market. For the year ended December 31, 2017, QVC's international operations generated $2.6 billion, or 30%, of consolidated net revenue, $353 million of operating income and $451 million of Adjusted OIBDA and QVC's international websites generated $950 million, or 36%, of its total international net revenue.

On July 4, 2012, QVC entered into a joint venture with Beijing - based CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"), China's government - owned radio division. The joint venture, CNR Home Shopping Co., Ltd. ("CNRS"), is owned 49% by QVC and 51% by CNR through subsidiaries of each company. CNRS operates a retailing business in China through a shopping television channel with an associated website. CNRS distributes live programming for 10 hours each day and recorded programming for 14 hours each day. The CNRS joint venture is accounted for as an equity method investment.

QVC distributes its television programs, via satellite and optical fiber, to cable television and/or direct-to-home satellite system operators for retransmission to their subscribers in the U.S., Germany, Japan, the U.K., France and neighboring countries. QVC also transmits its television programs over digital terrestrial broadcast television to viewers throughout Italy, Germany, and the U.K. and to viewers in certain geographic regions in the U.S. In the U.S., QVC uplinks its digital programming transmissions using a third-party service. The transmissions are uplinked to protected, non-preemptible transponders on U.S. satellites. "Protected" status means that, in the event of a transponder failure, the signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same service provider if one is available at the time of the failure. "Non-preemptible" status means that, in the event of a transponder failure, QVC's transponders cannot be preempted in favor of a user of a failed transponder, even another user with "protected status." The international business units each obtain uplinking services from third parties and transmit their programming to non-preemptible transponders on international satellites and terrestrial transmitters. The transponder service agreements for the U.S. transponders expire at the earlier of the end of the lives of the satellites or the service agreements. The service agreements in the U.S. expire between 2018 and 2023. The transponder service agreements for the international transponders and terrestrial transmitters expire between 2019 and 2027.

QVC continually seeks to expand and enhance its television and e-commerce platforms, as well as to further its international operations and multimedia capabilities. QVC launched QVCHD in the U.S. in April 2008, and in May 2009, became the first U.S. multimedia retailer to offer a native high definition ("HD") service. QVCHD is a HD simulcast of QVC's U.S. telecast utilizing the full 16x9 screen ratio, while keeping the side panel for additional information. HD programming allows QVC to utilize a typically wider television screen with crisper and more colorful images to present a larger "storefront," which QVC believes captures the attention of channel "surfers" and engages its customers. In the U.S., QVCHD reaches approximately 89 million television households. QVC continues to develop and launch features to further enrich the television viewing experience.

Beyond the main live programming QVC channels, including QVCHD, in the U.S., Germany and the U.K. also broadcast shows on additional channels that offer viewers access to a broader range of QVC programming options. These channels include QVC2 and Beauty iQ in the U.S., QVC Beauty & Style and QVC2 in Germany, and QVC Beauty, QVC Extra, and QVC Style in the U.K.

QVC enters into long-term affiliation agreements with certain of its television distributors who downlink its programming and distribute the programming to customers. QVC's affiliation agreements with both domestic and international distributors have termination dates ranging from 2018 to 2027. QVC's ability to continue to sell products to its customers is dependent on its ability to maintain and renew these affiliation agreements in the future. Although QVC is typically successful in obtaining and renewing these agreements, it does not have distribution agreements with some of the distributors that carry its programming. In total, QVC is currently providing programming without affiliation agreements to distributors representing approximately 10% of its U.S. distribution, and short-term, rolling 30 day letters of extension, to distributors who represent approximately 27% of its U.S. distribution. Some of its international programming may continue to be carried by distributors after the expiration dates on its affiliation agreements with such distributors have passed.

In return for carrying QVC's signals, each programming distributor in the U.S. receives an allocated portion, based upon market share, of up to 5% of the net sales of merchandise sold via the television programs and from certain Internet sales to customers located in the programming distributor's service areas. Internationally, programming distributors predominately receive an agreed-upon annual fee, a monthly or yearly fee per subscriber regardless of the net sales, a variable percentage of net sales or some combination of the above arrangements.

In addition to sales-based commissions or per-subscriber fees, QVC also makes payments to distributors primarily in the U.S. for carriage and to secure positioning within a broadcast area or within the general entertainment area on the distributor's channel line-up. QVC believes that a portion of its sales are attributable to purchases resulting from channel “surfing” and that a channel position near broadcast networks and more popular cable networks increases the likelihood of such purchases. As technology evolves, QVC will continue to monitor optimal channel placement and attempt to negotiate agreements with its distributors to maximize the viewership of its television programming.

QVC enjoys a very loyal customer base, as demonstrated by the fact that for the twelve months ended December 31, 2017, approximately 87% of its worldwide shipped sales came from repeat customers (i.e., customers who made a purchase from QVC during the prior twelve months), who spent an average of $1,264 each during this period. An additional 6% of shipped sales in that period came from reactivated customers (i.e., customers who previously made a purchase from QVC, but not during the prior twelve months).

Customer growth was essentially flat in 2017. On a trailing twelve month basis, total consolidated customers (excluding the joint venture in China) were approximately 12.7 million, which includes approximately 8.1 million in the U.S. and approximately 4.6 million internationally. QVC believes its core customer base represents an attractive demographic target market. Based on internal customer data, approximately 48% of its 8.1 million U.S. customers for the twelve months ended December 31, 2017 were women between the ages of 35 and 64.

QVC strives to be prompt and efficient in order taking and fulfillment. QVC has two domestic phone centers, located in San Antonio, Texas and Chesapeake, Virginia, that can direct calls from one call center to the other as volume mandates. Internationally, QVC also has one phone center in each of Japan, the U.K. and Italy, and two call centers in Germany. For France, order taking is handled by a third party located in Portugal. Many markets also utilize home agents to handle calls, allowing staffing flexibility for peak hours. In addition, QVC utilizes computerized voice response units, which handle approximately 25% of all orders taken on a worldwide basis.

In addition to taking orders from its customers through phone centers and online, QVC continues to expand its ordering platforms. QVC is expanding mobile device ordering capabilities and over the past several years has launched iPhone, iPad, Apple Watch, Android, Blackberry and Apple TV applications, a WAP (wireless application protocol) mobile website and a robust SMS (short message services) program. On a global basis, customers placed approximately 32% of all orders directly through their mobile devices in 2017.

Through QVC's nine worldwide distribution centers, QVC shipped approximately 91% of its orders within two days of the order placement in 2017. QVC's domestic distribution centers are located in Suffolk, Virginia; Lancaster, Pennsylvania; Rocky Mount, North Carolina; Florence, South Carolina; and Ontario, California. QVC’s domestic distribution centers and dropship partners have shipped nearly 743,000 units and over 669,000 packages in a single day during 2017. QVC also has distribution centers in Sakura-shi, Chiba, Japan; Hücklehoven, Germany; Knowsley, U.K.; and Castel San Giovanni, Italy.

QVC has built a scalable operating infrastructure focused on sustaining efficient, flexible and cost-effective sale and distribution of its products. Since its physical store locations are minimal, QVC requires lower inventory levels and capital expenditures compared to traditional brick-and-mortar retailers. In recent years, QVC has made significant investments in its distribution centers that it believes will accommodate its foreseeable growth needs. Further, since QVC has no set “floor plan” and can closely manage inventory levels at its centralized warehouses, QVC believes it has the flexibility to analyze and react quickly to changing trends and demand by shifting programming time and product mix. QVC's cost structure is highly variable, which QVC believes allows it to consistently achieve attractive margins relative to brick-and-mortar retailers.

QVC's web and mobile platforms are fully integrated with its televised programming and product distribution capabilities. QVC's web and mobile platform features include a live video stream of its television programming, full integration with its order fulfillment and its product branding, as well as the thematic offerings and events that have become fundamental to its televised programming.

Third party carriers transport QVC's packages from its distribution centers to its customers. In each market where QVC operates, it has negotiated long-term contracts with shipping companies, which in certain circumstances provides for favorable shipping rates.

QVC operates in a rapidly evolving and highly competitive retail business environment. Based on domestic net revenue for the twelve months ended December 31, 2017, QVC is the leading television retailer in the U.S. and generates substantially more net revenue than its two closest televised shopping competitors, HSNi and EVINE Live Inc. ("EVINE Live"). On December 29, 2017, the Company acquired the remaining 62% ownership interest of HSNi and QVC no longer considers HSNi a competitor. QVC's international operations face similar competition in their respective markets, such as Shop Channel in Japan, HSE 24 in Germany and Italy, Ideal World in the U.K., and M6 Boutique in France. Additionally, QVC has numerous and varied competitors at the national and local levels, ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, wholesale clubs, discount retailers, infomercial retailers, Internet retailers, and mail-order and catalog companies.

QVC also competes for access to customers and audience share with other providers of televised, online and hard copy entertainment and content. The price and availability of other programming and the conversion to digital programming platforms may unfavorably affect the placement of its programming in the channel line-ups of its distributors, and may affect its ability to obtain distribution agreements with small cable distributors. Competition from other programming also affects the compensation that must be paid to distributors for carriage, which continues to increase. Principal competitive factors for QVC include (i) value, quality and selection of merchandise; (ii) customer experience, including customer service and reliability of fulfillment and delivery services; and (iii) convenience and accessibility of sales channels.

QVC established QVC-U.S. as the televised shopping leader after building a track record of outstanding quality and customer service, establishing favorable channel positioning and generating repeat business from its core customer base. QVC believes QVC-U.S. also compares favorably in terms of sales to general, non-television based retailers due to its extensive customer reach and efficient cost structure.

QVC regards its trademarks, service marks, copyrights, domain names, trade dress, trade secrets, proprietary technologies and similar intellectual property as critical to its success. QVC relies on a combination of trademark and copyright law, trade‑secret protection, and confidentiality and/or license agreements with its employees, customers, suppliers, affiliates and others to protect these proprietary rights. QVC has registered, or applied for the registration of, a number of domain names, trademarks, service marks and copyrights by U.S. and foreign governmental authorities and vigorously protects its proprietary rights against infringement.

Domestically, QVC has registered service marks including, but not limited to its brand name, "QVC," "Quality Value Convenience," "Find What You Love, Love What You Find," the "Q QVC Ribbon Logo," and "Q" and trademarks for its proprietary products sold such as "Arte D'Oro," "Cook's Essentials," "Denim & Co.," "Diamonique," "Nature's Code," "Northern Nights" and "Ultrafine Silver." Similarly, foreign registrations have been obtained for many trademarks and service marks for its brand name and propriety products including, but not limited to, "QVC," the "Q QVC Ribbon Logo," "Q," "Cook's Essentials," "Denim & Co.," "Diamonique" and "Northern Nights." QVC considers the service mark for the "QVC" name the most significant trademark or service mark held by it because of its impact on market awareness across all of its geographic markets and on customers' identification with QVC. As with all domestic trademarks or service marks, QVC's trademark and service mark registrations in the U.S. are for a ten year period and are renewable every ten years, prior to their respective expirations, as long as the trademarks or service marks are used in the regular course of trade.

QVC's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, QVC has earned, on average, between 22% and 24% of its global revenue in each of the first three quarters of the year and between 30% and 32% of its global revenue in the fourth quarter of the year.

HSNi

HSNi became a separate public company in August 2008 in connection with the separation of IAC/InterActiveCorp ("IAC") into five separate companies. HSNi offers innovative, differentiated retail experiences and markets and sells a wide range of third party and proprietary merchandise directly to consumers through its two operating segments, HSN and Cornerstone.

HSN. HSN includes the HSN television networks; its related website, HSN.com; its mobile applications; a limited number of outlet stores; and its wholesale distribution of certain proprietary products to other retailers. The HSN television network broadcasts customer interactive home shopping programming live seven days a week. HSN2, which debuted in August 2010, is a network that primarily distributes taped programming. HSN’s programming is intended to promote sales and customer loyalty through a combination of product quality, value and selection, coupled with product information, entertainment and interactive experiences. Programming is divided into separately televised segments, most of which have hosts who present and convey information regarding featured products, sometimes with the assistance of a celebrity, industry expert, representative from the product vendor or someone retained to aid in the sale of the products. HSN also produces entertainment to engage with customers and promote certain products. HSN.com is a business-to-consumer digital commerce site that sells all of the merchandise offered on the HSN television networks, together with complementary products and select merchandise sold exclusively on HSN.com. HSN provides seamless experiences across all digital platforms and optimizes each unique platform by delivering exclusive content both at HSN.com and on mobile phones and tablets, including the iPad, iPhone, Android and Windows devices. The HSN strategy is to create immersive experiences, offer differentiated products and leverage technology to build seamless relationships with its customers across all of its platforms. HSN fosters social communities as part of the HSN experience to encourage customers to share their product finds, thoughts and reviews with their friends via Facebook, Twitter, Pinterest and Instagram.

HSN produces both live and recorded programming for the HSN television network primarily from its studios in St. Petersburg, Florida, and distributes this programming by means of satellite uplink facilities, which it owns and operates, to a satellite transponder which service is leased for a multi-year term. The satellite transponder agreement provides for continued carriage of the HSN television networks on a replacement transponder and/or replacement satellite, as applicable, in the event of a failure of the transponder and/or satellite.

As of December 31, 2017 and 2016, HSN's live broadcast reached approximately 89.1 million and 91.1 million homes of the approximately 112.1 million and 114.7 million homes, respectively, in the United States with a television set. Television households reached by the HSN television network as of December 31, 2017 and 2016 include approximately 59.8 million and 61.1 million households capable of receiving cable and/or telephone company ("Telco") transmissions, respectively, and approximately 29.3 million and 30.0 million direct broadcast satellite system ("DBS") households, respectively. As of December 31, 2017 and 2016, HSN2 reached approximately 52.1 million and 47.5 million homes, respectively. Television households reached by HSN2 as of December 31, 2017 and 2016 primarily include approximately 42.8 million and 37.3 million households capable of receiving cable and/or Telco transmissions, respectively, and approximately 9.3 million and 10.2 million DBS households, respectively.

HSN has entered into distribution and affiliation agreements with cable television, Telco and DBS operators, collectively referred to in this document as pay television operators, in the United States to carry the HSN television networks. HSN’s larger pay television operators include Comcast, AT&T/DirecTV, Charter Communications and Echostar/DISH. In exchange for this carriage and related promotional and other efforts, HSN generally pays these pay television operators a fee consisting of commissions based on a percentage of the net merchandise sales to their subscriber bases and/or a per subscriber fee. In some cases, pay television operators receive additional compensation in the form of commission guarantees in exchange for their commitments to deliver a specified number of subscribers, channel placement incentives and advertising insertion time on the HSN television network.

HSN typically negotiates agreements that require HSN to pay monthly or annual fees. Distribution and affiliation agreements with pay television operators expire from time to time and renewal and negotiation processes may be lengthy. At any given time in the ordinary course of business HSN is likely to be engaged in renewal and/or negotiation processes with multiple pay television operators. In some cases, renewals are not agreed upon prior to the expiration of a given agreement and the HSN television networks continue to be carried by the relevant pay television operator without an effective affiliation agreement in place or via month-to-month contracts. HSN expects that any extension of agreements that have expired will be on terms that, when taken as a whole, are commercially reasonable.

As of December 31, 2017, HSN also had affiliation agreements with 120 broadcast television stations for leased carriage of the HSN television networks with terms ranging from several weeks to several years. In exchange for this carriage, HSN pays the broadcast television stations hourly or monthly fixed rates or commissions based on a percentage of the net merchandise sales to their viewership bases. As of December 31, 2017, HSNi's subsidiary, Ventana Television, Inc. also owned 23 broadcast television stations that carry the HSN television networks on a full-time basis.

HSN also includes HSN.com, a transactional e-commerce site that sells merchandise offered on the HSN television networks, as well as select merchandise sold exclusively on HSN.com. HSN.com provides customers with additional content to support and enhance HSN television programming. For example, HSN.com provides users with an online program guide, value-added video of product demonstrations, live streaming video of the HSN television network, customer-generated product reviews and additional information about HSN show hosts and guest personalities. HSN.com offers customers a content-rich experience that houses more than 50,000 product and how-to videos.

HSN has applications for the iPhone, iPad, Android and Windows devices. These applications are highly video-centric, customized experiences that allow users to order merchandise, stream live video from HSN and watch previously-aired content from the network's video library while simultaneously browsing related products. Among other things, these applications also allow customers to create their own personalized channels, select their favorite brands or categories of merchandise and compile videos focused on these preferences. Mobile devices represent HSN's fastest growing sales channel.

HSN purchases products from numerous foreign and domestic manufacturers and importers by way of short- and long-term contracts and purchase orders, including products made to their respective specifications, as well as name brand merchandise and lines from third party partners, typically with certain exclusive rights. In some cases, these contracts provide for the payment of additional amounts to partners in the form of commissions, the amount of which is based upon the achievement of agreed upon sales targets, among other milestones. In addition, in the case of some purchases, HSN may have certain return, extended payment and/or termination rights. No single vendor accounted for more than 10% of HSNi's consolidated net sales in 2017, 2016 or 2015. HSN classifies its products into six groups: home, electronics, beauty, accessories, jewelry and apparel.

	Years Ended December 31,		
Product Category	**2017**	**2016**	**2015**
Home	41%	40%	40%
Electronics	22%	23%	23%
Beauty	13%	13%	13%
Accessories	9%	9%	9%
Jewelry	8%	8%	9%
Apparel	7%	7%	6%
Total	100%	100%	100%

HSN offers its customers a broad assortment of differentiated products in a compelling, informative and entertaining format that will inspire them to regularly engage and shop with HSN. For example, HSN frequently collaborates with experts from a variety of fields to present special events on the HSN television network featuring HSN products and relevant expert content. HSN produces live entertainment as a way to further engage with its customers. These events are staged at HSN's television studios or elsewhere.

In an effort to promote its own differentiated brand, HSN seeks to provide its customers with unique products that can only be purchased through HSN. HSN frequently partners with leading personalities and brands to develop product lines exclusive to HSN and believes that these affiliations enhance the awareness of the HSN brand among consumers, as well as increase the extent to which HSN and/or products sold through HSN are featured in the media. In some cases, vendors have agreed to market their HSN affiliation to their existing customers (e.g., notifying customers when their products will be featured on the HSN television network).

HSN engages in co-promotional partnerships with major media companies. These are done primarily because they offer HSN editorial authority while they also secure print advertising in national fashion, style and/or lifestyle publications to market HSN to prospective customers in its target demographics. HSN also engages in targeted offline advertising. As part of HSN's entertainment strategy, it participates in innovative joint marketing and promotional partnerships with major motion picture companies as well as well-known recording artists. HSN also creates strategic alliances with world-class, consumer brands in an effort to reach new prospects through relevant brand integrations and occasion-based event marketing. These promotions are designed to not only generate additional revenue and create brand awareness, but to also provide unique experiences for HSN customers in its continued effort to drive customer engagement as well as position HSN as a proven and powerful marketing vehicle.

HSN's credit card program offers eligible customers a private label credit card. All cardholders receive certain rewards and benefits which are designed to recognize and promote customer loyalty. HSN designs, executes and administers marketing programs to promote usage of the card to current and potential customers. These marketing programs are funded largely by the sponsoring bank. Typically, customers using the HSN private label credit card shop with HSN more frequently, as well as spend more money per visit, than customers not using the card. In addition to fostering greater customer loyalty and driving more sales, HSN also saves on interchange fees that it would incur if its customers used third-party cards.

Cornerstone. Cornerstone consists of a portfolio of aspirational home and apparel brands, prominent in the direct marketing and retail space, including catalog distribution and related websites. Although there is some overlap in the product offerings, the home brands are comprised of Frontgate, Ballard Designs, Grandin Road and Improvements. Garnet Hill focuses primarily on apparel and accessories and is categorized by HSNi as an apparel brand. There are also 19 retail and outlet stores located throughout the United States.

Frontgate features premium, high quality indoor (including bed, bath, kitchen, dining and living room) and outdoor (including patio, garden and pool) furnishings and accessories. Ballard Designs features European-inspired bed, bath, dining, outdoor and office furnishings and accessories, as well as rugs, shelving and architectural accents for the home. Grandin Road offers an affordable style assortment of products ranging from occasional furniture, accessories, holiday décor and outdoor furniture and Improvements features thousands of innovative home, patio and outdoor products. Garnet Hill offers apparel and accessories for women and children as well as bed and bath furnishings and soft goods.

The Cornerstone brands generally incorporate on-site photography and real-life settings, coupled with related editorial content describing the merchandise and depicting situations in which it may be used. Branded catalogs are designed and produced in-house, which enables each individual brand to control the production process and reduces the amount of lead time required to produce a given catalog.

New editions of full-color catalogs are mailed to customers several times each year, with a total annual circulation in 2017 of approximately 267 million catalogs. The timing and frequency of catalog circulation varies by brand and depends upon a number of factors, including the timing of the introduction of new products, marketing campaigns and promotions and inventory levels, among other factors.

Cornerstone also operates websites for each of its featured brands, such as Frontgate.com, BallardDesigns.com, GarnetHill.com, GrandinRoad.com and Improvementscatalog.com. These websites serve as additional storefronts for products featured in related print catalogs, as well as provide customers with additional content and product assortments to support and enhance their shopping experience. Additional content provided by these websites, which differs across the various websites, includes decorating tips, measuring information, online design centers, gift registries and travel centers, as well as a feature that allows customers to browse the related catalog online. In addition, a growing number of customers use mobile devices to shop the Cornerstone brands.

The Cornerstone brands differentiate themselves by offering customers an assortment of innovative proprietary and branded apparel and home products. In many cases, Cornerstone seeks to secure exclusive distribution rights for certain products. Cornerstone employs in-house designers and partners with leading manufacturers and designers to aid in the development of its unique, exclusive product assortment. The Cornerstone brands use their respective websites and e-mail marketing to promote special offers, including cross-promotions for other Cornerstone brands. In addition, Cornerstone partners with third parties to offer promotional events such as sweepstakes and/or enter into other advertising agreements. Cornerstone believes that these affiliations enhance the awareness of the Cornerstone brands among consumers as well as strengthen its various brands overall. Cornerstone has also been extending its distributed commerce platform through both its experiential and more traditional retail and outlet stores, as a marketing tool to increase demand in the overall regions where the stores reside.

HSNi provides customers with convenient options in connection with the purchase, payment and shipment of merchandise. Merchandise may be purchased online, through mobile devices, or ordered using toll free phone numbers through live sales and service agents. HSN also offers the convenience of an automated attendant system and, in limited markets, remote control ordering capabilities through pay television set-top boxes. Cornerstone's catalog orders can also be made via submission of traditional catalog sales order forms.

HSNi allows the customer to pay using traditional payment options (credit and certain debit cards), as well as evolving payment alternatives such as PayPal, VISA Checkout and Apple Pay. HSNi also offers other payment options including private label and co-branded credit cards and, in the case of HSN, Flexpay. By utilizing Flexpay, customers may pay for select merchandise in two to six interest-free, monthly credit or debit card payments. HSN also offers its customers the convenience of ordering products under its Autoship program, through which customers may arrange to have products automatically shipped and billed at scheduled intervals. Standard and express shipping options are available and customers may generally return most merchandise for a full refund or exchange in accordance with applicable return policies (which vary by brand and business). Returns generally must be received within specified time periods after purchase, ranging from a minimum of thirty days to a maximum of one year, depending upon the applicable policy.

HSNi seeks to fulfill customer orders and process returns quickly and accurately from a network of fulfillment centers. For HSN, these centers are located in Tennessee, California, Virginia and New York, and for Cornerstone, the fulfillment centers are located in Ohio and Arizona. HSNi contracts with several third party carriers and other fulfillment partners for the delivery of products to its customers and processing of returns.

Through HSN.com and the various websites operated by Cornerstone or through HSNi's common carriers, customers can also generally track the status of their orders, confirm information regarding shipping and, in some cases, confirm the availability of inventory and establish and manage personal accounts. Customers may communicate directly with customer service via e-mail or by telephone with call center representatives available seven days a week.

HSNi regards its intellectual property rights, including patents, service marks, trademarks, domain names, copyrights and trade secrets, as important to its success. HSNi's businesses also rely heavily upon software, informational databases and other systemic components that are necessary to manage and support its operations. HSNi relies on a combination of laws and contractual restrictions with employees, customers, suppliers, licensees, affiliates and other third parties to establish and protect these proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use trade secrets or copyrighted intellectual property without authorization which, if discovered, might require legal action to correct. In addition, third parties may independently and lawfully develop substantially similar intellectual properties.

HSNi has generally registered and continues to apply to register, or secure by contract when appropriate, its trademarks and service marks as they are developed and used, and reserve and register domain names as HSNi deems appropriate. HSNi considers the protection of its trademarks to be important for purposes of brand maintenance and reputation. While HSNi vigorously protects its trademarks, service marks and domain names, effective trademark protection may not be available or may not be sought in every country in which products and services are made available, and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available to be registered, even if available. HSNi's failure to protect its intellectual property rights in a meaningful manner or challenges to related contractual rights could result in dilution of brand names and/or limit its ability to control marketing on or through the internet using its various domain names either of which could adversely affect HSNi's business, financial condition and results of operations.

Some of HSNi's businesses have been granted patents and/or have patent applications pending with the United States Patent and Trademark Office and/or foreign patent authorities for various proprietary technologies and other inventions. HSNi considers applying for patents or for other appropriate statutory protection when it develops or identifies new or improved proprietary technologies or inventions, and will continue to consider the appropriateness of filing for patents to protect future proprietary technologies and inventions as circumstances may warrant. The issuance or assessment of the validity of any patent involves complex legal and factual questions, and the breadth of claims allowed is uncertain. Accordingly, any patent application filed may not result in a patent being issued or existing or future patents may not be adjudicated valid by a court or be afforded adequate protection against competitors with similar technology. In addition, third parties may create new products or methods that achieve similar results without infringing upon patents that HSNi owns. Likewise, the issuance of a patent to HSNi does not mean that its processes or inventions will not be found to infringe upon patents or other rights previously issued to third parties.

HSNi's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, HSNi has earned, on average, between 23% and 24% of its global revenue in each of the first three quarters of the year and between 29% and 30% of its global revenue in the fourth quarter of the year.

zulily

On October 1, 2015, we acquired 100% of zulily. zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day. The zulily website was launched in January 2010 with the goal of revolutionizing the way women shop. Through its desktop, mobile, and app experiences, zulily helps its customers discover new and unique products at great values that they would likely not find elsewhere. zulily's merchandise includes women's, children's and men's apparel and other products such as home, beauty and personalized products. zulily sources its merchandise from thousands of vendors, including emerging brands and smaller boutique vendors, as well as larger national brands. By bringing together millions of customers and a daily selection of products chosen from its vendor base, zulily has built a large scale and uniquely curated marketplace.

Every morning, zulily launches a variety of flash sales events. These events feature thousands of product styles from different vendors and typically last for 72 hours. The day's events are kicked off by an early morning email to zulily's email subscribers and "push" communication to users of zulily's mobile applications and other platforms such as Facebook Messenger. Product offerings are typically only available for a limited time and in a limited quantity, creating urgency to browse, discover and purchase.

Before zulily launches an event, zulily shoots or obtains photographs of the merchandise and its editorial team writes about the merchandise based on the product details provided by the vendor. zulily works to create the most compelling price points for its customers, with the average item offered for a significant discount off the manufacturer's suggested or comparison retail price. zulily then uses its proprietary technology, data analytics and personalization tools to segment its audience, offering each customer a curated and optimized shopping experience that features brands, products and events that it believes are most relevant for that customer.

zulily acquires new email subscribers through a diverse set of paid and unpaid marketing channels, including affiliate channels and partners, customer referrals, direct navigation, display advertising, key word search campaigns, search engine optimization, social media and television ads. Core to its business model is that zulily acquires customers once via paid and unpaid sources, and then drives engagement and repeat purchases from those customers over a long period of time through the sending of daily emails, mobile "push" communications, remarketing as well as offers and incentives.

Continual innovation through investment in technology is core to zulily's business. zulily uses its technology platform to improve the experience of its customers and vendors, increase the purchase frequency and average order size and optimize the efficiency of its business operations. zulily's technology team is focused on rapid innovation through advanced agile software development processes. zulily's scalable platform uses custom-built and third-party technologies to support its specific customer and vendor requirements, including handling significant spikes in site traffic and transactions on a daily basis, and the rapid and complex order supply chain needs that are unique to zulily's flash sales and minimal inventory model. zulily believes it can quickly scale its infrastructure to accommodate significantly higher volumes of site traffic, customers, orders and the overall growth in its business.

To best serve its customers and vendors, zulily has a custom, fully integrated fulfillment infrastructure consisting of receiving, sorting, inventory management and repackaging systems which are driven by proprietary fulfillment management software. zulily's supply chain solution efficiently handles the small-to-medium lot sizes and high inventory turnover required by constantly changing, limited-time product offerings. zulily operates a minimal inventory, intermediary model where it typically takes customer orders before purchasing inventory from vendors. As a result, zulily is able to offer a much larger selection of products to customers and to generate greater sales for vendors, who are able to match a broader range of their product supply to actual customer demand. In addition, zulily also offers third party fulfillment services to its vendors. This program allows vendors to store their inventory in zulily's warehouses and fulfill orders for zulily's events or other retail channels and has helped reduce shipping times to its customers.

zulily views its target market broadly and competes with any retailer where its customers shop. It faces significant competition from both online and offline retailers, competing on: product curation and selection, personalization, value, convenience, ease of use, consumer experience, vendor satisfaction and shipping time and cost.

zulily relies on laws and regulations, contractual restrictions, copyrights, and trademarks to protect its intellectual property and proprietary rights. zulily's employees and contractors also typically enter into agreements to assign to zulily the inventions and content they produce in performing their jobs. zulily controls access to confidential information by entering into confidentiality agreements with its employees, contractors and third parties, such as vendors, service providers, individuals and entities that may be exploring a business relationship with zulily. Despite the protection of general intellectual property law and its contractual restrictions, it may be possible for a third party to copy or otherwise obtain and use zulily's intellectual property without zulily's authorization.

zulily has registered numerous Internet domain names related to its business. In addition, zulily pursues the registration of its trademarks in the U.S. and certain other locations outside of the U.S.; however, effective intellectual property protection or enforcement may not be available in every country in which zulily's products and services are made available in the future. In the U.S. and certain other countries, zulily has registered or has applications pending for its key trademarks: zulily, the zulily design mark and the "Z" design associated with its mobile applications.

zulily's results are impacted by a pattern of increased sales during the back-to-school shopping season in the third quarter and holiday shopping season in the fourth quarter, which it expects would result in lower sequential growth in the first quarter. The fourth quarter accounted for approximately 32.2% and 30.2% of zulily's revenue for the years ended December 31, 2017 and 2016, respectively.

Evite

With over 250 million accounts, Evite (www.evite.com), a wholly owned subsidiary, is the world's leading digital platform for bringing people together to celebrate their most important life moments. The service has sent over 2 billion invitations in its history, enabling 3 billion unique face-to-face connections. Evite makes getting together effortless and more memorable for its over one hundred million annual users, sending 20,000 invitations every hour and handling hundreds of millions of RSVPs every year. Evite also offers a free private sharing feed in every invitation where users can share photos and conversations before, during and after an event, as well as free thank you notes, gifting, donations and video content. With its recent launch of SMS invitations, Evite is now the leading provider of text-based invitations online. Evite generates revenue primarily from the sale of digital advertising for publication on its platform, including custom display advertising, native advertising content, custom video and brand partnerships. The company conducts advertising sales through its direct regional sales teams and programmatically through ad exchanges. Launched in 1998, Evite is headquartered in Los Angeles.

FTD

FTD is a premier floral and gifting company that provides floral, specialty foods, gift, and related products and services to consumers, retail florists, and other retail locations and companies in need of floral and gifting solutions. Liberty obtained its ownership interest in FTD during December 2014 in a transaction whereby Liberty exchanged its former wholly-owned subsidiary Provide for cash and a 35% ownership interest in FTD. We owned approximately 37% of the outstanding common stock of FTD as of December 31, 2017. We have entered into an agreement with FTD pursuant to which, among other things, we have the right to proportional representation on FTD's board of directors based on our ownership interest in FTD. In connection with this transaction, FTD increased the size of its board of directors from seven to 11 directors. Liberty nominated the four additional directors to the board of directors.

LendingTree

LendingTree was spun off by IAC in August 2008. LendingTree operates what it believes to be the leading online loan marketplace for consumers seeking loans and other credit-based offerings. LendingTree offers consumers tools and resources, including free credit scores, that facilitate comparison-shopping for mortgage loans, home equity loans, reverse mortgage loans, auto loans, credit cards, personal loans, deposit accounts, student loans, small business loans and other related offerings. LendingTree primarily seeks to match in-market consumers with multiple lenders on its marketplace who can provide them with competing quotes for the loans, deposits or credit-based offerings they are seeking. LendingTree also serves as a valued partner to lenders seeking an efficient, scalable and flexible source of customer acquisition with directly measurable benefits, by matching the consumer loan inquiries it generates with these lenders. LendingTree is headquartered in Charlotte, North Carolina.

We own approximately 27% of the outstanding common stock of LendingTree as of December 31, 2017. We have entered into an agreement with LendingTree pursuant to which, among other things, we have the right to nominate 20% of the members of LendingTree's board of directors. We have nominated two of the ten current board members.

Liberty Broadband

Liberty Broadband was spun off by LMC in November 2014. Liberty Broadband consists of its interest in Charter and its subsidiary Skyhook Holding, Inc. ("Skyhook"). Charter is one of the largest providers of cable services in the U.S., offering a variety of entertainment, information and communications solutions to residential and commercial customers. Skyhook provides mobile positioning and contextual location intelligence solutions.

In May 2016, Liberty completed a $2.4 billion investment in Liberty Broadband in connection with the merger of Legacy Charter and TWC. We own approximately 23.5% of the outstanding common stock of Liberty Broadband as of December 31, 2017. 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 as it is believed that the Company's investors value this investment based on the trading price of Liberty Broadband.

Regulatory Matters

Programming and Interactive Television Services

Although QVC and HSN, wholly owned subsidiaries, market and sell consumer products through a variety of outlets, each does so, in large part, through live video programming services distributed by cable television systems, satellite systems and over-the-air broadcasters. Consequently, regulation of programming services and the entities that distribute them can affect QVC and HSN. In the U.S., the FCC regulates broadcasters, the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems and other MVPDs that distribute such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems in the U.S. are also regulated by municipalities or other state and local government authorities. Regulatory carriage requirements also could adversely affect the number of channels available to QVC and HSN.

Regulation of Program Licensing . The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") directed the FCC to promulgate regulations regarding the sale and acquisition of cable programming between MVPDs (including cable operators) and satellite-delivered programming services in which a cable operator has an attributable interest. The 1992 Cable Act and implementing regulations generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated MVPDs. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing MVPDs such as multi-channel multi-point distribution systems and DBS distributors on terms and conditions that do not unfairly discriminate among distributors, and the FCC has established complaint enforcement and damages remedy procedures. FCC rules attribute the ownership interest in Charter of Liberty Broadband, and Liberty Global plc's ownership interest in Liberty Cablevision of Puerto Rico, LLC to us, thereby subjecting us and satellite-delivered programming services in which we have an interest to the program access rules. Our subsidiaries QVC and HSN are subjected to program access rules as a result of our ownership interest in Charter. We are also subject to the program access rules as a condition of FCC approval of Liberty's transaction with News Corporation in 2008.

In 2014, the FCC released a notice of proposed rulemaking seeking comment on a proposal to revise the definition of MVPD in its rules to include services, such as Internet-based services, that make available for purchase by viewers, multiple linear streams of video programming, regardless of the technology used to distribute the programming. If the

FCC were to adopt its proposed definition and determine that the program access rules apply to such MVPDs, QVC and HSNi potentially would be required to negotiate with, and license their programming services to, such MVPDs and to comply with other related regulatory requirements.

Regulation of Carriage of Programming . Under the 1992 Cable Act, the FCC has adopted regulations prohibiting cable operators from requiring a financial interest in a programming service as a condition to carriage of such service, coercing exclusive rights in a programming service or favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete. The FCC has established program carriage complaint rules. Our subsidiaries QVC and HSN are subjected to program carriage rules as a result of our ownership interest in Charter.

Regulation of Ownership. The 1992 Cable Act required the FCC, among other things, (1) to prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that will be allowed to carry programming in which the owner of such cable system has an attributable interest and (2) to consider the necessity and appropriateness of imposing limitations on the degree to which MVPDs (including cable operators) may engage in the creation or production of video programming. Although the FCC adopted regulations limiting carriage by a cable operator, the United States Court of Appeals for the District of Columbia Circuit ("D.C. Circuit") vacated the channel occupancy limits adopted by the FCC and remanded the rule to the FCC for further consideration in 2001. In response to the D.C. Circuit's decision, the FCC subsequently issued further notices of proposed rulemaking to consider channel occupancy limitations, but has not adopted any rules.

Regulation of Carriage of Broadcast Stations . The 1992 Cable Act granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provided for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system's channel capacity, non-commercial television broadcast signals. Such statutorily mandated carriage of broadcast stations coupled with the provisions of the Cable Communications Policy Act of 1984, which require cable television systems with 36 or more "activated" channels to reserve a percentage of such channels for commercial use by unaffiliated third parties and permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for public, educational and government access channels, could adversely affect QVC and HSN by limiting the carriage of such services in cable systems with limited channel capacity.

Closed Captioning Regulation . The Telecommunications Act of 1996 also required the FCC to establish rules and an implementation schedule to ensure that video programming is fully accessible to the hearing impaired through closed captioning. The rules adopted by the FCC require substantial closed captioning, with only limited exemptions. In 2012, the FCC adopted regulations pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 that require, among other things, video programming owners to send caption files for IP delivered video programming to video programming distributors and providers along with program files. In 2014, the FCC adopted closed captioning quality standards regarding captioning accuracy, synchronicity, completeness and placement, and captioning best practices for programmers. In 2016, the FCC amended its closed captioning regulations to assign captioning compliance responsibility to programmers jointly with distributors, and to adopt certain registration, certification and complaint procedures applicable to programmers. The video programmer registration and compliance certification requirements of the amended rules have not yet become effective. As a result of these captioning requirements, QVC and HSNi may incur additional costs for closed captioning.

Internet Services

Our online commerce businesses are subject, both directly and indirectly, to various domestic and foreign laws and governmental regulations. Certain of these businesses engaged in the provision of goods and services over the Internet must comply with federal and state laws and regulations applicable to online communications and commerce. For example, the Children's Online Privacy Protection Act ("COPPA") prohibits web sites from collecting personally identifiable information online from children under age 13 without parental consent and imposes a number of operational requirements. The Federal Trade Commission ("FTC") has adopted regulations implementing COPPA. Certain email activities are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, commonly known as the CAN-SPAM Act. The CAN-SPAM Act regulates the sending of unsolicited commercial email by requiring the email sender, among other things, to comply with specific disclosure requirements and to provide an "opt-out" mechanism for recipients.

Both of these laws include statutory penalties for non-compliance. The Digital Millennium Copyright Act limits, but does not eliminate, liability for listing or linking to third party websites that may include content that infringes on copyrights or other rights so long as our Internet businesses comply with the statutory requirements. Various states also have adopted laws regulating certain aspects of Internet communications. In 2016, Congress enacted a permanent moratorium on state and local taxes on Internet access and commerce.

Our online commerce businesses also are subject to laws governing the collection, use, retention, security and transfer of personally-identifiable information about their users. In particular, the collection and use of personal information by companies has received increased regulatory scrutiny on a global basis. The enactment, interpretation and application of user data protection laws are in a state of flux, and the interpretation and application of such laws may vary from country to country. For example, in April 2016, the European Parliament and the Council of the European Union adopted the General Data Protection Regulation which established new data laws that give customers additional rights and impose additional restrictions and penalties on companies for illegal collection and misuse of personal information. The new data laws take effect in May 2018. Further, in 2015, the Court of Justice of the European Union invalidated the “Safe Harbor Framework,” which had allowed companies to collect and process personal data in European Union (“EU”) nations for use in the U.S. A new data transfer framework, the EU-U.S. Privacy Shield, became fully operational on August 1, 2016, but is the subject of litigation. Finally, on January 10, 2017, the European Commission proposed new regulations in 2017 regarding privacy and electronic communications, including additional regulation of the Internet tracking tools known as “cookies.”

In the U.S., the FTC has proposed a privacy policy framework, and the new Congress may consider legislation that would require organizations that suffer a breach of security related to personal information to notify owners of such information. Many states have adopted laws requiring notification to users when there is a security breach affecting personal data, such as California's Information Practices Act. Complying with these different national and state privacy requirements may cause the Internet companies in which we have interests to incur substantial costs. In addition, such companies generally have and post on their websites privacy policies and practices regarding the collection, use and disclosure of user data. A failure to comply with such posted privacy policies or with the regulatory requirements of federal, state, or foreign privacy laws could result in proceedings or actions by governmental agencies or others (such as class action litigation) which could adversely affect our online commerce businesses. Technical violations of certain privacy laws can result in significant penalties, including statutory penalties. In 2012, the FCC amended its regulations under the Telephone Consumer Protection Act ("TCPA"), which could subject our Internet businesses to increased liability for certain telephonic communications with customers, including but not limited to text messages to mobile phones. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of $500 per violation, whichever is greater, and courts may treble such damage awards for willful or knowing violations. Data collection, privacy and security are growing public concerns. If consumers were to decrease their use of our Internet businesses' websites to purchase products and services, such businesses could be harmed. Congress, individual states and foreign authorities may consider additional online privacy legislation.

Goods sold over the Internet also must comply with traditional regulatory requirements, such as the FTC requirements regarding truthful and accurate claims. Other Internet-related laws and regulations enacted in the future may cover issues such as defamatory speech, copyright infringement, pricing and characteristics and quality of products and services. The future adoption of such laws or regulations may slow the growth of commercial online services and the Internet, which could in turn cause a decline in the demand for the services and products of our online commerce businesses and increase their costs of doing business or otherwise have an adverse effect on their businesses, operating results and financial conditions. Moreover, the applicability to commercial online services and the Internet of existing laws governing issues such as property ownership, libel, personal privacy and taxation is uncertain and could expose these companies to substantial liability.

In 2015, the FCC adopted open Internet rules that reclassified wireline and wireless broadband services as Title II common carrier services and regulate broadband services offered by Internet service providers (“ISPs”) under Title II, Title III and Section 706 of the Telecommunications Act of 1996. Among other things, the regulations prohibited ISPs from: (1) blocking access to, or impairing or degrading, legal content, applications, services or non-harmful devices; and (2) favoring selected Internet traffic in exchange for consideration. On December 14, 2017, the FCC adopted a Declaratory Ruling, Report and Order and Order (“2017 Order”) that, among other things, eliminates these prohibitions. The 2017

Order does require ISPs to disclose information to consumers regarding practices such as throttling, paid prioritization and affiliated prioritization. Various parties likely will challenge the 2017 Order in court and at the FCC. Legislative proposals regarding the open Internet rules are pending in Congress.

Proposed Changes in Regulation

The regulation of programming services, cable television systems, DBS providers, Internet services, online sales and other forms of product marketing is subject to the political process and has been in constant flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated and there can be no assurance that our business will not be adversely affected by future legislation, new regulation or deregulation.

Competition

Our businesses that engage in video and online commerce compete with traditional brick-and-mortar and online retailers ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, such as mail order and catalog companies, and discount retailers. Due to the nature of these businesses there is not a single or small group of competitors that own a significant portion of the overall market share. However, some of these competitors, such as Amazon and Walmart, have a significantly greater web-presence than our e-commerce subsidiaries and equity affiliates. We believe that the principal competitive factors in the markets in which our electronic commerce businesses compete are high-quality products, brand recognition, selection, value, convenience, price, website performance, customer service and accuracy of order shipment. Our businesses that offer services through the Internet compete with businesses that offer their own services directly through the Internet as well as with traditional offline providers of similar services. We believe that the principal competitive factors in the markets in which our businesses that offer services through the Internet engage are selection, price, availability of inventory, convenience, brand recognition, accessibility, customer service, reliability, website performance, and ease of use.

Employees

As of December 31, 2017, our corporate function is supported by a services agreement with LMC which has approximately 85 corporate employees who are also considered employees of Liberty. Additionally, our consolidated subsidiaries had an aggregate of approximately 28,170 full and part-time employees. We believe that our employee relations are good.

(d) *Financial Information About Geographic Areas*

For financial information related to the geographic areas in which we do business, see note 19 to our consolidated financial statements found in Part II of this report.

(e) *Available Information*

All of our filings with the SEC, including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings are available on our Internet website free of charge generally within 24 hours after we file such material with the SEC. Our website address is www.libertyinteractive.com.

Our corporate governance guidelines, code of business conduct and ethics, compensation committee charter, nominating and corporate governance committee charter, and audit committee charter are available on our website. In addition, we will provide a copy of any of these documents, free of charge, to any shareholder who calls or submits a request in writing to Investor Relations, Liberty Interactive Corporation, 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (866) 876-0461.

The information contained on our website and the websites of our subsidiaries and affiliated businesses mentioned throughout this report are not incorporated by reference herein.

Item 1A. Risk Factors

The risks described below and elsewhere in this annual report are not the only ones that relate to our businesses or our capitalization. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Risk Factors Related to our Company, the QVC Group and the Ventures Group

The risks described below apply to our company and to the businesses and assets attributable to the QVC Group and the Ventures Group.

The historical financial information of the QVC Group and the Ventures Group included in this Annual Report, may not necessarily reflect their results had they been separate companies. One of the reasons for the creation of a tracking stock is to permit equity investors to apply more specific criteria in valuing the shares of a particular group, such as comparisons of earnings multiples with those of other companies in the same business sector. In valuing shares of QVC Group tracking stock and Ventures Group tracking stock, investors should recognize that the historical financial information of the QVC Group and the Ventures Group has been extracted from our consolidated financial statements and may not necessarily reflect what the QVC Group's and the Ventures Group's results of operations, financial condition and cash flows would have been had the QVC Group and the Ventures Group been separate, stand-alone entities pursuing independent strategies during the periods presented.

Our subsidiaries QVC and HSN depend on the television distributors that carry their programming, and no assurance can be given that QVC and HSN will be able to maintain and renew their affiliation agreements on favorable terms or at all. QVC and HSN currently distribute their programming through affiliation or transmission agreements with many television providers, including, but not limited to, Comcast, AT&T/DIRECTV, Charter, DISH Network, Verizon and Cox in the U.S., Vodafone Kabel Deutschland GmbH, Media Broadcast GmbH, SES ASTRA, SES Platform Services GmbH, Telekom Deutschland GmbH, Unitymedia GmbH, Tele Columbus and Primacom in Germany, Jupiter Telecommunications, Ltd., Sky Perfect and World Hi-Vision Channel, Inc. in Japan, A1 Telekom Austria AG and UPC Telekabel Wien GmbH in Austria, British Sky Broadcasting, Freesat, Freeview and Virgin Media in the U.K. and Mediaset, Hot Bird and Sky Italia in Italy, Orange, Free, Canalsat, Bouygues Telecom and Fransat. QVC's and HSN's affiliation agreements with their distributors are scheduled to expire between 2018 and 2027. As part of normal course renewal discussions, occasionally QVC and HSN have disagreements with their distributors over the terms of their carriage, such as channel placement or other contract terms. If not resolved through business negotiation, such disagreements could result in litigation or termination of an existing agreement. Termination of an existing agreement resulting in the loss of distribution of QVC's or HSN's programming to a material portion of their television households may adversely affect their growth, net revenue and earnings. The renewal negotiation process for affiliation agreements is typically lengthy. In some cases, renewals are not agreed upon prior to the expiration of a given agreement while the programming continues to be carried by the relevant distributor without an effective agreement in place. QVC and HSN do not have distribution agreements with some of the cable operators that carry their programming. In total, QVC and HSN are currently providing programming without affiliation agreements to distributors representing approximately 10% and 0.4% of their U.S. distribution, respectively, and short-term, rolling 30 day letters of extension, to distributors who represent approximately 27% and 51% of their U.S. distribution, respectively. Some of QVC's international programming may continue to be carried by distributors after the expiration dates on its affiliation agreements with such distributors have passed. QVC and HSN may be unable to obtain renewals with their current distributors on acceptable terms, if at all. QVC and HSN may also be unable to successfully negotiate affiliation agreements with new or existing distributors to carry their programming and no assurance can be given that they will be successful in negotiating renewals with these distributors or that the financial and other terms of these renewals will be acceptable. Although QVC and HSN consider their current levels of distribution without written agreement to be ordinary course, no assurance can be given that QVC and HSN will be successful in negotiating renewals with all these operators or that the financial and other terms of renewal will be on acceptable terms. The failure to successfully renew or negotiate new affiliation agreements covering a material portion of television households on acceptable terms could result in a discontinuation of carriage that may adversely affect their viewership, growth, net revenue and earnings.

Our programming and online commerce businesses depend on their relationships with third party suppliers and vendors and any adverse changes in these relationships could adversely affect our results of operations and those attributed to any of our groups. An important component of the success of our programming and online commerce businesses is their ability to maintain their existing, as well as build new, relationships with a limited number of local and foreign suppliers, manufacturers and vendors, among other parties. There can be no assurance that our subsidiaries and business affiliates will be able to maintain their existing supplier or vendor arrangements on commercially reasonable terms or at all or, with respect to goods sourced from foreign markets, if the supply costs will remain stable. In addition, our subsidiaries and business affiliates cannot guarantee that goods produced and delivered by third parties will meet applicable quality standards, which is impacted by a number of factors, some which are not within the control of these parties. Adverse changes in existing relationships or the inability to enter into new arrangements with these parties on favorable terms, if at all, could result in lost sales or cause a failure to meet customer expectations and timely delivery of products, which could in turn have a significant adverse effect on our results of operations and those attributed to our groups.

Our businesses attributed to each group are subject to risks of adverse government regulation. Our programming businesses, such as QVC and HSNi, market and provide a broad range of merchandise through television shopping programs and proprietary websites. Similarly, our online commerce businesses, such as zulily and the e-commerce companies, market and provide a broad range of merchandise and/or services through their proprietary websites. As a result, these businesses are subject to a wide variety of statutes, rules, regulations, policies and procedures in various jurisdictions, including foreign jurisdictions, which are subject to change at any time, including laws regarding consumer protection, data privacy and security, the regulation of retailers generally, the license requirements for television retailers in foreign jurisdictions, the importation, sale and promotion of merchandise and the operation of retail stores and warehouse facilities, as well as laws and regulations applicable to the Internet and businesses engaged in online commerce, such as those regulating the sending of unsolicited, commercial electronic mail and texts. The failure by our businesses to comply with these laws and regulations could result in a revocation of required licenses, fines and/or proceedings by governmental agencies and/or consumers, which could adversely affect our businesses, financial condition and results of operations. Moreover, unfavorable changes in the laws, rules and regulations applicable to our businesses could decrease demand for our businesses' products and services, increase costs and/or subject our businesses to additional liabilities. Similarly, new disclosure and reporting requirements, established under existing or new state, federal or foreign laws, such as regulatory rules regarding requirements to disclose efforts to identify the origin and existence of certain "conflict minerals" or abusive labor practices in portions of QVC's and HSNi's supply chains, could increase the cost of doing business, adversely affecting our results of operations. In addition, certain of these regulations may impact the marketing efforts of our businesses and their brands.

As mentioned above, the manner in which certain of our subsidiaries and business affiliates sell and promote merchandise and related claims and representations made in connection with these efforts is regulated by federal, state and local law, as well as the laws of the foreign countries in which they operate. Certain of our subsidiaries and business affiliates may be exposed to potential liability from claims by purchasers or from regulators and law enforcement agencies, including, but not limited to, claims for personal injury, wrongful death and damage to personal property relating to merchandise sold and misrepresentation of merchandise features and benefits. In certain instances, these subsidiaries and business affiliates have the right to seek indemnification for related liabilities from their respective vendors and may require such vendors to carry minimum levels of product liability and errors and omissions insurance. These vendors, however, may be unable to satisfy indemnification claims, obtain suitable coverage or maintain this coverage on acceptable terms, or insurance may provide inadequate coverage or be unavailable with respect to a particular claim.

In addition, programming services, cable television systems, the Internet, telephony services and satellite service providers are subject to varying degrees of regulation in the U.S. by the FCC and other entities and in foreign countries by similar regulators. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. The application of various sales and use tax provisions under state, local and foreign law to the products and services of our subsidiaries and certain of our business affiliates sold via the Internet, television and telephone is subject to interpretation by the applicable taxing authorities, and no assurance can be given that such authorities will not take a contrary position to that taken by our subsidiaries and certain of our business affiliates, which could have a material adverse effect on their businesses. In addition, there have been numerous attempts at the federal, state and local levels to impose additional taxes on online commerce transactions. Moreover, most foreign countries in which our subsidiaries or business affiliates have, or may in the future make, an investment, regulate, in varying degrees, the distribution, content and ownership of programming services and foreign investment in programming companies and the Internet.

In addition, certain of our businesses are subject to consent decrees issued by the FTC barring them from making deceptive claims for specified weight-loss products and dietary supplements and prohibiting them from making certain claims about specified weight-loss, dietary supplement and anti-cellulite products unless they have competent and reliable scientific evidence to substantiate such claims. In October 1996, HSNi became subject to a consent order issued by the FTC which terminates on the later of April 15, 2019, or 20 years from the most recent date that the United States or the FTC files a complaint in federal court alleging any violation thereunder. Pursuant to this consent order, HSNi (including its subsidiaries and affiliates) is prohibited from making claims for specified categories of products, including claims that a given product can cure, treat or prevent any disease or have an effect on the structure or function of the human body, unless it has competent and reliable scientific evidence to substantiate such claims. The FTC periodically investigates HSNi's business and operations on an ongoing basis for purposes of determining its compliance with the consent order. Violation of these consent decrees may result in the imposition of significant civil penalties for non-compliance and related redress to consumers and/or the issuance of an injunction enjoining these businesses from engaging in prohibited activities. Further material changes in the law and increased regulatory requirements must be anticipated, and there can be no assurance that the businesses and assets attributed to each group will not become subject to increased expenses or more stringent restrictions as a result of any future legislation, new regulation or deregulation.

Weak economic conditions worldwide may reduce consumer demand for our businesses' products and services. Prolonged economic uncertainty in various regions of the world in which our subsidiaries and affiliates operate could adversely affect demand for our businesses' products and services since a substantial portion of our businesses' revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets may experience disruptions, including increased volatility and diminished liquidity and credit availability. If economic and financial market conditions in the U.S. or other key markets, including China, Japan and Europe deteriorate, customers of our subsidiaries and affiliates may respond by suspending, delaying, or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect revenue across each of our tracking stock groups. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments decline. Such weak economic conditions may also inhibit the expansion of our subsidiaries and affiliates into new European and other markets. We currently are unable to predict the extent of any of these potential adverse effects.

We may be subject to significant tax liabilities related to the CommerceHub Spin-Off or the Expedia Holdings Split-Off. In connection with the CommerceHub Spin-Off, we received an opinion of counsel to the effect that, for U.S. federal income tax purposes, the CommerceHub Spin-Off will qualify as a tax-free transaction to Liberty and to the holders of its Liberty Ventures common stock under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"), except with respect to the receipt of cash in lieu of fractional shares. We also received an opinion of counsel in connection with the Expedia Holdings Split-Off to the effect that the Expedia Holdings Split-Off will qualify as a tax-free transaction to Liberty and to the holders of its Liberty Ventures common stock under Section 355, Section 368(a)(1)(D) and related provisions of the Code, except with respect to the receipt of cash 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. 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.

Prior to the CommerceHub Spin-Off, we entered into a tax sharing agreement with CommerceHub. Under this agreement with CommerceHub, our company is generally responsible for any taxes and losses resulting from the failure of the CommerceHub Spin-Off to qualify as a tax-free transaction; however, CommerceHub is required to indemnify our company for any taxes and losses which (i) result primarily from, individually or in the aggregate, the breach of certain covenants made by CommerceHub (applicable to actions or failures to act by CommerceHub and its subsidiaries following the completion of the CommerceHub Spin-Off), or (ii) result from the application of Section 355(e) of the Code to the CommerceHub Spin-Off as a result of the treatment of the CommerceHub Spin-Off as part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, a 50-percent or greater interest (measured by either vote or value) in the stock of CommerceHub or any successor corporation. As the taxpaying entity, however, we are subject to the risk of non-payment by CommerceHub of its indemnification obligations under the tax sharing agreement.

Similarly, prior to the Expedia Holdings Split-Off, we entered into a tax sharing agreement with Expedia Holdings. Under this agreement with Expedia Holdings, our company is generally responsible for any taxes and losses resulting from the failure of the Expedia Holdings Split-Off to qualify as a tax-free transaction; however, Expedia Holdings is required to indemnify our company for any taxes and losses which (i) result primarily from, individually or in the aggregate, the breach of certain covenants made by Expedia Holdings (applicable to actions or failures to act by Expedia Holdings and its subsidiaries following the completion of the Expedia Holdings Split-Off), or (ii) result from the application of Section 355(e) of the Code to the Expedia Holdings Split-Off as a result of the treatment of the Expedia Holdings Split-Off as part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, a 50-percent or greater interest (measured by either vote or value) in the stock of Expedia Holdings or any successor corporation. As the taxpaying entity, however, we are subject to the risk of non-payment by Expedia Holdings of its indemnification obligations under the tax sharing agreement.

To preserve the tax-free treatment of the CommerceHub Spin-Off and the Expedia Holdings Split-Off, we may determine to forego certain transactions that might have otherwise been advantageous to our company, including certain asset dispositions or other strategic transactions for some period of time following each of the CommerceHub Spin-Off and the Expedia Holdings Split-Off. In addition, our potential tax liabilities related to the CommerceHub Spin-Off and the Expedia Holdings Split-Off might discourage, delay or prevent a change of control transaction for some period of time following each of the CommerceHub Spin-Off and the Expedia Holdings Split-Off.

Rapid technological advances could render the products and services offered by our subsidiaries and our business affiliates attributed to our QVC Group and our Ventures Group obsolete or non-competitive . Our subsidiaries and business affiliates attributed to each group must stay abreast of rapidly evolving technological developments and offerings to remain competitive and increase the utility of their services. As their operations grow in size and scope, our subsidiaries and business affiliates must continuously improve and upgrade their systems and infrastructure while maintaining or improving the reliability and integrity of their systems and infrastructure. These subsidiaries and business affiliates must be able to incorporate new technologies into their products and services in order to address the needs of their customers. The emergence of alternative platforms such as mobile and tablet computing devices and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter their markets due to lower up-front technology costs. There can be no assurance that our subsidiaries and business affiliates will be able to compete with advancing technology or be able to maintain existing systems or replace or introduce new technologies and systems as quickly as they would like or in a cost-effective manner, and any failure to do so could result in customers seeking alternative service providers and may adversely affect the group to which they are attributed, thereby adversely impacting our revenue and operating income.

Our subsidiaries and business affiliates attributed to each of our QVC and Ventures Groups conduct their businesses under highly competitive conditions. Although QVC and HSNi are two of the nation's largest home shopping networks, they and their e-commerce businesses have numerous and varied competitors at the national and local levels, ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, wholesale clubs, discount retailers, infomercial retailers, Internet retailers, and mail-order and catalog companies. In addition, QVC and HSNi compete with other televised shopping retailers, such as EVINE Live in the U.S., Shop Channel in Japan, HSE 24 in Germany and Italy, Ideal World in the U.K., and M6 Boutique in France, infomercial retailers, Internet retailers, and mail-order and catalog companies. QVC and HSNi also compete for access to customers and audience share with other providers of televised, online and hard copy entertainment and content. Similarly, zulily competes with e-commerce businesses such as Amazon.com, Inc. and Alibaba Group, the e-commerce platforms of traditional retailers such as Target Corporation, Toys"R"Us, Inc. and Wal-Mart Stores, Inc., and online marketplaces such as eBay Inc. zulily expects increased competition with companies employing a flash sales model as there are no significant barriers to entry. Competition is characterized by many factors, including assortment, advertising, price, quality, service, accessibility, site functionality, reputation and credit availability, as well as the financial, technical and marketing expertise of competitors. For example, many of our businesses' competitors have greater resources, longer histories, more customers and greater brand recognition than our businesses do, and competitors may secure better terms from vendors, adopt more aggressive pricing, offer free or subsidized shipping and devote more resources to technology, fulfillment and marketing. In addition, many retailers, especially online retailers with whom our subsidiaries and business affiliates compete, are increasingly offering customers aggressive shipping terms, including free or discounted expedited shipping. As these practices become more prevalent, our subsidiaries and business affiliates may experience further competitive pressures to attract customers and/or to change their shipping programs. Other companies also may enter into business combinations or alliances that strengthen their competitive positions. If our subsidiaries and business affiliates do not compete effectively with regard to these factors, our results of operations could be materially and adversely affected.

The sales and operating results of the businesses attributed to each of our QVC Group and Ventures Group depend on their ability to attract new customers, retain existing customers and predict or respond to consumer preferences. In an effort to attract and retain customers, these businesses engage in various merchandising and marketing initiatives, which involve the expenditure of money and resources. For example, HSNi has spent, and expects to continue to spend, increasing amounts of money on, and devote greater resources to, certain of these initiatives, particularly in connection with the growth and maintenance of its brands generally, as well as in the continuing efforts of its businesses to increasingly engage customers through digital channels. These initiatives, however, may not resonate with existing customers or consumers generally or may not be cost-effective. In addition, costs associated with the production and distribution of television programming (in the case of QVC and HSN), paper and printing costs for catalogs (in the case of Cornerstone) and costs associated with online marketing, including search engine marketing (primarily the purchase of relevant keywords) have increased and are likely to continue to increase in the foreseeable future and, if significant, could have a material adverse effect to the extent that they do not result in corresponding increases in net revenue. These companies also continuously develop new retail concepts and adjust their product mix in an effort to satisfy customer demands. Any sustained failure to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on the businesses of these subsidiaries and business affiliates. Consumer spending may be affected by many factors outside of their control, including competition from store-based retailers, mail-order and third-party Internet companies, consumer confidence and preferences, and general economic conditions.

The failure of our subsidiaries QVC and HSN to maintain suitable placement for their respective programming could adversely affect their ability to attract and retain television viewers and could result in a decrease in revenue. QVC and HSN are dependent upon the continued ability of their programming to compete for viewers. Effectively competing for television viewers is dependent, in substantial part, on their ability to negotiate and maintain placement of their programming at a favorable channel position, such as in a basic tier or within a general entertainment or general broadcasting tier. The advent of digital compression technologies and the adoption of digital cable have resulted in increased channel capacity, which together with other changing laws, rules and regulations regarding cable television ownership, impacts the ability of both QVC and HSN to negotiate and maintain suitable channel placement with their respective distributors. Increased channel capacity could adversely affect the ability to attract television viewers to QVC's or HSN's programming to the extent it results in a less favorable channel position for their respective programming, such as placement adjacent to programming that does not complement their respective programming, a position next to their respective televised home shopping competitors or isolation in a "shopping" tier, more competitors entering the marketplace, or more programming options being available to the viewing public in the form of new television networks and timeshifted viewing (e.g., personal video recorders, video-on-demand, interactive television and streaming video over Internet connections). In addition, if QVC's or HSN's programming is carried exclusively by a distributor on a digital programming tier, QVC or HSN may experience a reduction in revenue to the extent that the digital programming tier has less television viewer penetration than the basic or expanded basic programming tier. QVC and HSN may experience a further reduction in revenue due to increased television viewing audience fragmentation to the extent that not all television sets within a digital cable home are equipped to receive television programming in a digital format. The future success of each of QVC and HSN will depend, in part, on their ability to anticipate and adapt to technological changes and to offer elements of their respective programming via new technologies in a cost-effective manner that meets customer demands and evolving industry standards.

Any continued or permanent inability of QVC or HSN to transmit their programming via satellite would result in lost revenue and could result in lost customers. The success of our subsidiaries QVC and HSN is dependent upon their continued ability to transmit their respective programming to television providers from their respective satellite uplink facilities, which transmissions are subject to FCC compliance in the U.S. and foreign regulatory requirements in QVC's international operations. In most cases, each of QVC and HSN has entered into long-term satellite transponder leases to provide for continued carriage of its programming on replacement transponders and/or replacement satellites, as applicable, in the event of a failure of either the transponders and/or satellites currently carrying its programming. Although QVC and HSN believe that they take reasonable and customary measures to ensure continued satellite transmission capability and believe that these international transponder service agreements can be renewed (or replaced, if necessary) in the ordinary course of business, termination or interruption of satellite transmissions may occur, particularly if either QVC or HSN is not able to successfully negotiate renewals or replacements of any of its expiring transponder service agreements in the future.

System interruption and the lack of integration and redundancy in the systems and infrastructures of our subsidiaries QVC and HSNi and our other online commerce businesses may adversely affect their ability to, as applicable, operate their businesses, transmit their television programs, operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. The success of our subsidiaries and business affiliates depends, in part, on their ability to maintain the integrity of their transmissions, systems and infrastructures, including the transmission of television programs (in the case of QVC and HSN), as well as their websites, information and related systems, call centers and fulfillment facilities. These subsidiaries and business affiliates may experience occasional system interruptions that make some or all transmissions, systems or data unavailable or prevent them from transmitting their signals or efficiently providing services or fulfilling orders, as the case may be. QVC is in the process of implementing new technology systems and upgrading others. The failure to properly implement new systems or delays in implementing new systems could impair the ability of our subsidiaries and business affiliates to provide services and content, fulfill orders and/or process transactions. QVC and HSNi also rely on affiliate and third-party computer systems, broadband, transmission and other communications systems and service providers in connection with the transmission of their respective signals, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in their signal transmissions, systems and infrastructures, or any deterioration in the performance of these transmissions, systems and infrastructures, could impair their ability to provide services, fulfill orders and/or process transactions. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, acts of war or terrorism, acts of God and similar events or disruptions may damage or interrupt television transmissions, computer, broadband or other communications systems and infrastructures at any time. Any of these events could cause transmission or system interruption, delays and loss of critical data, and could prevent our subsidiaries and business affiliates from providing services, fulfilling orders and/or processing transactions. While our subsidiaries and business affiliates have backup systems for certain aspects of their operations, these systems are not fully redundant and disaster recovery planning is not sufficient for all possible risks. In addition, some of our subsidiaries and business affiliates may not have adequate insurance coverage to compensate for losses from a major interruption.

The processing, storage, sharing, use, disclosure and protection of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights. In the processing of consumer transactions and managing their employees, our businesses receive, transmit and store a large volume of personally identifiable information and other user data. The processing, storage, sharing, use, disclosure and protection of this information are governed by the privacy and data security policies maintained by these businesses. Moreover, there are federal, state and international laws regarding privacy and the processing, storage, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to legislation and regulations, including changes in legislation and regulations, in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. Compliance with these laws and regulations, or changes in these laws and regulations, may be onerous and expensive and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. For example, the European Court of Justice in 2015 invalidated the U.S.-EU Safe Harbor Framework, which facilitated personal data transfers to the U.S. in compliance with applicable European data protection laws. A new data transfer framework, the EU-U.S. Privacy Shield became fully operational on August 1, 2016, but is the subject of litigation. In addition, Standard Contractual Clauses - another key mechanism to allow data transfers between the U.S. and the EU - are also subject to litigation over whether Standard Contractual Clauses can be used for transferring personal data from the EU to the U.S. Further, the European Parliament and the Council of the European Union have approved a General Data Protection Regulation, which becomes effective on May 25, 2018 and which will give consumers additional rights and impose additional restrictions and penalties on companies for illegal collection and misuse of personal information. Finally, the European Commission proposed new regulations in 2017 regarding privacy and electronic communications, including additional regulation of the Internet tracking tools known as “cookies.” QVC’s, HSNi’s and zulily’s failure, and/or the failure by the various third party vendors and service providers with which QVC, HSNi and zulily do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations, or changes in applicable laws and regulations, or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage QVC’s, HSNi’s and zulily’s reputations and the reputation of their third party vendors and service providers, discourage potential users from trying their products and services and/or result in fines and/or proceedings by governmental agencies and/or consumers, any one or all of which could adversely affect QVC’s, HSNi’s, and zulily’s business, financial condition and results of operations and, as a result, our company. In addition, we, our subsidiaries or our business affiliates may not have adequate insurance coverage to compensate for losses.

Our home television and online commerce businesses are subject to security risks, including security breaches and identity theft. In order to succeed, our home television and online commerce businesses must be able to provide for secure transmission of confidential information over public networks and protect their confidential information on their systems. Unauthorized parties may attempt to gain access to our businesses’ systems by, among other things, hacking into our businesses’ systems or those of our businesses’ partners or vendors, or through fraud or other means of deceiving our businesses’ employees, partners or vendors. The techniques used to gain such access to our businesses’ information technology systems, our businesses' data or customers' data, disable or degrade service, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until launched against a target. Our businesses’ have implemented systems and processes intended to secure their information technology systems and prevent unauthorized access to or loss of sensitive data, but as with all companies, these security measures may not be sufficient for all eventualities and there is no guarantee that they will be adequate to safeguard against all data security breaches, system compromises or misuses of data. Any penetration of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our businesses and subject them to increased costs, litigation and other liabilities. Security breaches could also significantly damage their reputation with their customers and third parties with whom they do business. If our businesses’ are unable to maintain the security of their retail commerce websites and mobile commerce applications, they could suffer loss of sales, reductions in traffic, and deterioration of their competitive position and incur liability for any damage to customers whose personal information is unlawfully obtained and used. Our businesses may be required to expend significant capital and other resources to protect against and remedy any potential or existing security breaches and their consequences. They also face risks associated with security breaches affecting third parties with which they are affiliated or otherwise conduct business online. The loss of confidence in our online commerce businesses resulting from any such security breaches or identity theft could adversely affect the business, financial condition and results of operations of our online commerce businesses and, as a result, our company.

Certain of our subsidiaries and business affiliates may fail to adequately protect their intellectual property rights or may be accused of infringing intellectual property rights of third parties . Our subsidiaries and business affiliates regard their respective intellectual property rights, including service marks, trademarks and domain names, copyrights (including their programming and their websites), trade secrets and similar intellectual property, as critical to their success. These businesses also rely heavily upon software codes, informational databases and other components that make up their products and services. From time to time, these businesses are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of the trademarks, patents, copyrights and other intellectual property rights of third parties. In addition, litigation may be necessary to enforce the intellectual property rights of these businesses, protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect the business, financial condition and results of operations of these businesses and in turn our financial condition and results of operations. The failure of these businesses to protect their intellectual property rights, particularly their proprietary brands, in a meaningful manner or third party challenges to related contractual rights could result in erosion of brand names and limit the ability of these businesses to control marketing on or through the Internet using their various domain names, which could adversely affect the business, financial condition and results of operations of these businesses, as well as the financial condition and results of operations of our company.

Our home television and online commerce businesses rely on independent shipping companies to deliver the products they sell. Our home television and online commerce businesses rely on third party carriers to deliver merchandise from vendors and manufacturers to them and to ship merchandise to their customers. As a result, they are subject to carrier disruptions and delays due to factors that are beyond their control, including employee strikes, inclement weather and regulation and enforcement actions by customs agencies. Any failure to deliver products to their customers in a timely and accurate manner may damage their reputation and brand and could cause them to lose customers. Enforcement actions by customs agencies can also cause the costs of imported goods to increase, negatively affecting profits. These businesses are also impacted by increases in shipping rates charged by third party carriers, which over the past few years have increased significantly in comparison to historical levels, and it is currently expected that shipping and postal rates will continue to increase. In the case of deliveries to customers, in each market where they operate, they have negotiated agreements with one or more independent, third party shipping companies, which in certain circumstances provide for favorable shipping rates. If any of these relationships were to terminate or if a shipping company was unable to fulfill its obligations under its contract for any reason, these businesses would have to work with other shipping companies to deliver merchandise to customers, which would most likely be at less favorable rates. Other potential adverse consequences of changing carriers include reduced visibility of order status and package tracking, delays in order processing and product delivery, and reduced shipment quality, which may result in damaged products and customer dissatisfaction. Any increase in shipping rates and related fuel and other surcharges passed on to these businesses by their current carriers or any other shipping company would adversely impact profits, given that these businesses may not be able to pass these increased costs directly to customers or offset them by increasing prices without a detrimental effect on customer demand.

Certain businesses attributed to our QVC Group face significant inventory risk. Certain businesses attributed to our QVC Group are exposed to significant inventory risks that may adversely affect their operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, changes in consumer demand, consumer spending patterns, changes in consumer tastes with respect to their products and other factors. These businesses endeavor to accurately predict these trends and avoid overstocking or understocking products they sell. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. In addition, when these businesses begin selling a new product, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components may require significant lead-time and prepayment and they may not be returnable. These businesses carry a broad selection and significant inventory levels of certain products, and they may be unable to sell products in sufficient quantities or during the relevant selling seasons. Any one of the inventory risk factors set forth above may adversely affect their operating results.

The seasonality of certain of our businesses places increased strain on their operations. The net revenue of our home television and online commerce businesses in recent years indicates that these businesses are seasonal due to a higher volume of sales in certain months or calendar quarters or related to particular holiday shopping. For example, in recent years, QVC and HSNi have earned, on average, between 22% and 24% of their combined global revenue in each of the first three quarters of the year and between 29% and 32% of their combined global revenue in the fourth quarter of the year. Similarly, our subsidiary zulily experiences a stronger third quarter during the back-to-school shopping season and stronger fourth quarter due to the holiday shopping season. If the vendors for these businesses are not able to provide popular products in sufficient amounts such that these businesses fail to meet customer demand, it could significantly affect their revenue and future growth. If too many customers access the websites of these businesses within a short period of time due to increased demand, our businesses may experience system interruptions that make their websites unavailable or prevent them from efficiently fulfilling orders, which may reduce the volume of goods they sell and the attractiveness of their products and services. In addition, they may be unable to adequately staff their fulfillment and customer service centers during these peak periods and delivery and other third party shipping (or carrier) companies may be unable to meet the seasonal demand. To the extent these businesses pay for holiday merchandise in advance of certain holidays (e.g., in the case of QVC and HSNi, in August through November of each year), their available cash may decrease, resulting in less liquidity.

The failure of our subsidiaries QVC and HSN to effectively manage the Easy-Pay and revolving credit card programs and Flexpay program, respectively, could result in less income. QVC offers Easy-Pay in the U.S., U.K., Germany and Italy (known as Q-Pay in Germany and Italy), a payment plan that, when offered by QVC, allows customers to pay for certain merchandise in two or more monthly installments. When Easy-Pay is offered by QVC and elected by the customer, the first installment is typically billed to the customer's credit card upon shipment. Generally, the customer's credit card is subsequently billed up to five additional monthly installments until the total purchase price of the products has been billed by QVC. QVC cannot predict whether customers will pay all of their Easy-Pay installments. In addition, QVC-U.S. has an agreement with a large consumer financial institution (the "Bank") pursuant to which the Bank provides revolving credit directly to QVC's customers for the sole purpose of purchasing merchandise from QVC with a QVC branded credit card ("Q Card"). QVC receives a portion of the net economics of the credit card program. We cannot predict the extent to which QVC's customers will use the Q Card, nor the extent that they will make payments on their outstanding balances.

HSN offers Flexpay, a program which customers may pay for certain merchandise in two to six interest-free, monthly credit or debit card installments. HSN maintains allowances for estimated losses resulting from the inability of customers to make required payments. Actual losses due to the inability of customers to make required payments may increase in a given period or exceed related estimates. As Flexpay usage continues to grow, HSN may experience these losses at greater rates, which will require it to maintain greater allowances for doubtful accounts of estimated losses than it has historically. To the extent that Flexpay losses exceed historical levels, HSN's results of operations may be negatively impacted.

The success of our home television and online commerce businesses depends in large part on their ability to recruit and retain key personnel capable of executing their unique business models. QVC and HSNi, as well as our e-commerce subsidiaries and business affiliates have business models that require them to recruit and retain key employees, including management, with the skills necessary for a unique business that demands knowledge of the general retail industry, television production, direct to consumer marketing and fulfillment and the Internet. We cannot assure you that if QVC, HSNi or our online commerce businesses experience turnover of these key employees they will be able to recruit and retain acceptable replacements because the market for such employees is very competitive and limited.

Certain of our subsidiaries and business affiliates have operations outside of the United States that are subject to numerous operational and financial risks. Certain of our subsidiaries and business affiliates have operations in countries other than the United States that are subject to the following risks inherent in international operations:

- fluctuations in currency exchange rates;
- longer payment cycles for sales in foreign countries that may increase the uncertainty associated with recoverable accounts;
- recessionary conditions and economic instability, including fiscal policies that are implementing austerity measures in certain countries, which are affecting overseas markets;
- limited ability to repatriate funds to the U.S. at favorable tax rates;
- potentially adverse tax consequences;
- export and import restrictions, changes in tariffs, trade policies and trade relations;
- increases in taxes and governmental royalties and fees;
- the ability to obtain and maintain required licenses or certifications, such as for web services and electronic devices, that enable us to operate our businesses in foreign jurisdictions;
- changes in foreign and U.S. laws, regulations and policies that govern operations of foreign-based companies;
- changes to general consumer protection laws and regulations;
- difficulties in staffing and managing international operations as a result of distance, language and cultural differences; and
- threatened and actual terrorist attacks, political unrest in international markets and ongoing military action around the world that may result in disruptions of service that are critical to QVC's and HSNi's international businesses.

Moreover, in many foreign countries, particularly in certain developing economies, it is not uncommon to encounter business practices that are prohibited by certain regulations, such as the Foreign Corrupt Practices Act and similar laws. Although certain of our subsidiaries and business affiliates have undertaken compliance efforts with respect to these laws, their respective employees, contractors and agents, as well as those companies to which they outsource certain of their business operations, may take actions in violation of their policies and procedures. Any such violation, even if prohibited by the policies and procedures of these subsidiaries and business affiliates or the law, could have certain adverse effects on the financial condition of these subsidiaries and business affiliates. Any failure by these subsidiaries and business affiliates to effectively manage the challenges associated with the international operation of their businesses could materially adversely affect their, and hence our, financial condition.

Significant developments stemming from the 2016 U.S. presidential election or the Brexit vote could have a material adverse effect on businesses attributed to the QVC and Ventures Groups. After the presidential inauguration on January 20, 2017, President Donald J. Trump and his administration took office in the United States. As a presidential candidate, President Trump 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. During the campaign, he also raised the possibility of significantly increasing tariffs on goods imported into the United States, particularly from China and Mexico. On January 23, 2017, the President of the United States signed a presidential memorandum to withdraw the U.S. from the Trans-Pacific Partnership. This and other proposed actions, if implemented, could adversely affect businesses attributed to the QVC and Ventures Groups that sell imported products.

Additionally, the Brexit process and negotiations have created political and economic uncertainty, particularly in the U.K. and the EU, and this uncertainty may last for years. QVC's business could be affected during this period of uncertainty, and perhaps longer, by the impact of this vote. In addition, QVC's business could be negatively affected by new trade agreements between the U.K. and other countries, including the U.S., and by the possible imposition of trade or other regulatory barriers in the U.K. These possible negative impacts, and others resulting from the U.K.'s actual withdrawal from the EU, may adversely affect QVC's operating results.

Our online commerce businesses, including QVC, HSNi and zulily could be negatively affected by changes in search engine algorithms and dynamics or search engine disintermediation as well as their inability to monetize the resulting web traffic. The success of our online commerce businesses depends on a high degree of website traffic, which is dependent on many factors, including the availability of appealing website content, user loyalty and new user generation from search portals that charge a fee (such as Google). In obtaining a significant amount of website traffic via search engines, they utilize techniques such as search engine optimization ("SEO") which is the practice of developing websites with relevant and current content that rank well in "organic," or unpaid, search engine results) and search engine marketing ("SEM") (which is a form of Internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages through the use of paid placement, contextual advertising, and paid inclusion) to improve their placement in relevant search queries. Search engines, including Google, frequently update and change the logic that determines the placement and display of results of a user's search, such that the purchased or algorithmic placement of links to the websites of our online commerce businesses can be negatively affected. Moreover, a search engine could, for competitive or other purposes, alter its search algorithms or results causing their websites to place lower in search query results. If a major search engine changes its algorithms in a manner that negatively affects their paid or unpaid search ranking, or if competitive dynamics impact the effectiveness of SEO or SEM in a negative manner, the business and financial performance of our online commerce businesses would be adversely affected, potentially to a material extent. Furthermore, the failure of our online commerce businesses to successfully manage their SEO and SEM strategies could result in a substantial decrease in traffic to their websites, as well as increased costs if they were to replace free traffic with paid traffic. Even if our online commerce businesses are successful in generating a high level of website traffic, no assurance can be given that our online commerce businesses will be successful in achieving repeat user loyalty or that new visitors will explore the offerings on their sites. Monetizing this traffic by converting users to consumers is dependent on many factors, including availability of inventory, consumer preferences, price, ease of use and website quality. No assurance can be given that the fees paid to search portals will not exceed the revenue generated by their visitors. Any failure to sustain user traffic or to monetize such traffic could materially adversely affect the financial performance of our online commerce businesses and, as a result, adversely affect our financial results.

Our online commerce businesses, including QVC, HSNi and zulily may experience difficulty in achieving the successful development, implementation and customer acceptance of, and a viable advertising market via, applications for smartphone and tablet computing devices, which could harm their business. Although our online commerce businesses have developed services and applications to address user and consumer interaction with website content on smartphone and other non-traditional desktop or laptop computer systems (which typically have smaller screens and less convenient typing capabilities), the efficacy of the smartphone application and its advertising market is still developing. Moreover, if smartphone computing services prove to be less effective for the users of our online commerce businesses or less economically attractive for advertisers and the smartphone segment of Internet traffic grows at the expense of traditional computer and tablet Internet access, our online commerce businesses may experience difficulty attracting and retaining traffic and, in turn, advertisers, on these platforms. Additionally, as new devices and new platforms are continually being released, it is difficult to predict the challenges that may be encountered in developing versions of our online commerce businesses' offerings for use on these alternative devices, and our online commerce businesses may need to devote significant resources to the creation, support, and maintenance of their services on such devices. To the extent that revenue generated from advertising placed on smartphone computing devices becomes increasingly more important to their businesses and they fail to adequately evolve and address this market, their business and financial performance could be negatively impacted. In addition, growth in the use of smartphone products as a substitute for use on personal computers and tablets may adversely impact revenue derived from advertising, as many of the processes used for smartphone advertising and related monetization strategies are still in development.

Our subsidiaries QVC and HSNi have significant indebtedness, which could limit their flexibility to respond to current market conditions, restrict their business activities and adversely affect their financial condition. As of December 31, 2017, QVC had total debt of approximately $5,215 million, consisting of $3,550 million in senior secured notes, $1,496 million under its senior secured credit facility and $169 million of capital and build to suit lease obligations. QVC also had $877 million available for borrowing under its senior secured credit facility as of that date. As of December 31, 2017, HSNi had total debt of approximately $460 million and also had $533 million available for borrowing. QVC or HSNi may incur significant additional indebtedness in the future. The indebtedness of QVC and HSNi, combined with other financial obligations and contractual commitments, could among other things:

- increase QVC's and HSNi's vulnerability to general adverse economic and industry conditions;
- require a substantial portion of QVC's and HSNi's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness;
- limit QVC's and HSNi's ability to use cash flow or obtain additional financing for future working capital, capital expenditures or other general corporate purposes, which reduces the funds available to it for operations and any future business opportunities ;
- limit flexibility in planning for, or reacting to, changes in its business and the markets in which it operates;
- competitively disadvantage QVC and HSNi compared with competitors that have less debt;
- limit QVC's and HSNi's ability to borrow additional funds or to borrow funds at rates or on other terms that it finds acceptable; and
- expose QVC and HSNi to the risk of increased interest rates because certain of QVC's and HSNi's borrowings, including borrowings under its credit facility, are at variable interest rates.

In addition, it is possible that QVC or HSNi may need to incur additional indebtedness in the future in the ordinary course of business. If new debt is added to their current debt levels, the risks described above could intensify. If QVC or HSNi experiences adverse effects on their financial condition as a result of their indebtedness, our financial performance could be adversely affected as well.

We may fail to realize the potential benefits of the acquisition of HSNi or those benefits may take longer to realize than expected. We believe there are significant benefits and synergies that may be realized through leveraging the scale, vendor relationships, merchandizing expertise and customer base of QVC and HSNi. However, the efforts to realize these benefits and synergies will be a complex process and may disrupt each company's existing operations if not implemented in a timely and efficient manner. If the respective managements of Liberty, QVC and HSNi are unable to minimize the potential disruption to their respective businesses and operations during this period, we may not realize the anticipated benefits of the acquisition of HSNi. Realizing these benefits may depend in part on the efficient coordination and alignment of various functions, including marketing, merchandising, buying expertise, customer acquisition and the integration of certain administrative functions, while maintaining adequate focus on QVC's and HSNi's core businesses.

The operating expenses attributed to the QVC Group are expected to increase over the near term due to the increased headcount, expanded operations and changes related to the assimilation of HSNi. In addition, we have incurred expenses related to the acquisition of HSNi that have been attributed to the QVC Group, which may adversely affect our financial results. To the extent that our expenses increase but revenue does not increase commensurately, there are unanticipated expenses related to the assimilation process, there are significant costs associated with presently unknown liabilities, or if the foregoing charges and expenses are larger than anticipated, our consolidated business, operating results and financial condition, as well as those attributable to the QVC Group, may be adversely affected. Failure to timely implement, or problems with implementing, the post-acquisition strategy for HSNi also may adversely affect the trading price of QVC Group common stock.

We depend on the continued growth of e-commerce in general and zulily depends on the flash sales model in particular. The business of selling products over the Internet, particularly on the flash sales model, is dynamic and evolving. The market segment for the flash sales model has grown significantly, and this growth may not be sustainable. If customers cease to find the flash sales model shopping experience fun, entertaining and a good value, or otherwise lose interest in shopping in this manner, zulily may not acquire new customers at rates consistent with its historical or projected periods, and existing customers' buying patterns and levels may be less than historical or projected rates. If zulily is unable to successfully deliver emails or mobile alerts to its subscribers, or if subscribers decline to open its emails or mobile alerts, zulily's net sales and profitability would be adversely affected. In addition, changes in how webmail application providers, such as Google Inc. and Yahoo! Inc., prioritize, filter and deliver email may also reduce the number of subscribers opening zulily's emails which may also result in a decline in net sales. If the market segment for the flash sales model were to become saturated or decline overall, zulily may not be able to acquire new customers or engage existing customers, which could adversely affect the QVC Group's financial condition and operating results.

We do not have the right to manage our business affiliates attributed to our Ventures Group, which means we are not able to cause those affiliates to act in a manner that we deem desirable. We do not have the right to manage the businesses or affairs of any of our business affiliates (generally those companies in which we have less than a majority voting stake or with respect to which we have provided a proxy over our voting power to a third party). Rather, our rights may take the form of representation on the board of directors or similar committee that supervises management or possession of veto rights over significant or extraordinary actions. The scope of our veto rights varies from agreement to agreement. Although our board representation and veto rights may enable us to exercise influence over the management or policies of a business affiliate, enable us to prevent the sale of material assets by a business affiliate in which we own less than a majority voting interest or prevent us from paying dividends or making distributions to our stockholders or partners, they will not enable us to cause these actions to be taken as these companies are business affiliates in which we own a partial interest.

We have overlapping directors and officers with LMC, TripAdvisor Holdings, Liberty Broadband and Expedia Holdings, and are expected to have overlapping directors and officers with GCI Liberty, Inc., which may lead to conflicting interests . As a result of the LMC Split-Off, other transactions between 2011 and 2016 that resulted in the separate corporate existence of Liberty, TripAdvisor Holdings, Liberty Broadband and Expedia Holdings, as well as the completion of the proposed transactions (the "Transactions") involving Liberty and GCI (renamed GCI Liberty), most of the executive officers of Liberty also serve or will serve as executive officers of LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings and GCI Liberty and there are overlapping directors. Other than Liberty ' s current ownership of shares of Liberty Broadband ' s non-voting Series C common stock, which we expect to be held by GCI Liberty after the completion of the Transactions, none of the foregoing companies has any ownership interest in any of the others. Our executive officers and the members of our company ' s board of directors have fiduciary duties to our stockholders. Likewise, any such persons who serve in similar capacities at LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings or GCI Liberty have fiduciary duties to that company ' s stockholders. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting more than one of the companies to which they owe fiduciary duties. For example, there may be the potential for a conflict of interest when our company, LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings or GCI Liberty looks at acquisitions and other corporate opportunities that may be suitable for each of them. Moreover, most of our company's directors and officers own LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings, and will own GCI Liberty, stock and equity awards. These ownership interests could create, or appear to create, potential conflicts of interest when the applicable individuals are faced with decisions that could have different implications for our company, LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings and/or GCI Liberty. Any potential conflict that qualifies as a "related party transaction" (as defined in Item 404 of Regulation S-K under the Securities Act of 1933, as amended) is subject to review by an independent committee of the applicable issuer's board of directors in accordance with its corporate governance guidelines. Each of Liberty Broadband, TripAdvisor Holdings and Expedia Holdings has renounced its rights to certain business opportunities and each company ' s restated certificate of incorporation contains provisions deeming directors and officers not in breach of their fiduciary duties in certain cases for directing a corporate opportunity to another person or entity (including LMC, TripAdvisor Holdings, Liberty Broadband and Expedia Holdings) instead of such company. In addition, we understand that GCI Liberty is expected to adopt similar renouncement and waiver provisions if it is successfully able to reincorporate in Delaware following the closing of the Transactions. Any other potential conflicts that arise will be addressed on a case-by-case basis, keeping in mind the applicable fiduciary duties owed by the executive officers and directors of each issuer. From time to time, we may enter into transactions with LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings or GCI Liberty and/or their subsidiaries or other affiliates. There can be no assurance that the terms of any such transactions will be as favorable to our company, LMC, TripAdvisor Holdings, Liberty Broadband, Expedia Holdings or GCI Liberty or any of their respective subsidiaries or affiliates as would be the case where there is no overlapping officer or director.

The liquidity and value of our public investments may be affected by market conditions beyond our control that could cause us to record losses for declines in their market value. Included among our assets are equity interests in publicly-traded companies that are not consolidated subsidiaries. The value of these interests may be affected by economic and market conditions that are beyond our control; and our ability to liquidate or otherwise monetize these interests without adversely affecting their value may be limited. In addition, as of December 31, 2017, we owned (and attributed to our Ventures Group) shares of Charter valued at approximately $1.8 billion and shares of Liberty Broadband, which is Charter's largest stockholder with a 25.01% voting interest in Charter, valued at approximately $3.6 billion. The risks associated with the business of Charter, and hence the business of Liberty Broadband, are different than those associated with the video and online commerce industries in which our subsidiaries and equity affiliates operate. For additional information regarding these risks and uncertainties, we refer the holders of Liberty Ventures common stock to “Item 1A, Risk Factors, Factors Relating to Our Corporate History and Structure” and “Item 1A, Risk Factors, Factors Relating to Charter” of Liberty Broadband Corporation’s Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 9, 2018.

A substantial portion of our consolidated debt attributed to each group is held above the operating subsidiary level, and we could be unable in the future to obtain cash in amounts sufficient to service that debt and our other financial obligations. As of December 31, 2017, our wholly-owned subsidiary Liberty Interactive LLC (“Liberty LLC”) had $2,738 million principal amount of publicly-traded debt outstanding. Liberty LLC is a holding company for all of our subsidiaries and investments. Our ability to meet the financial obligations of Liberty LLC and our other financial obligations will depend on our ability to access cash. Our sources of cash include our available cash balances, net cash from operating activities, dividends and interest from our investments, availability under credit facilities at the operating subsidiary level, monetization of our public investment portfolio and proceeds from asset sales. There are no assurances that we will maintain the amounts of cash, cash equivalents or marketable securities that we maintained over the past few years. The ability of our operating subsidiaries, including QVC and HSNi, to pay dividends or to make other payments or advances to us or Liberty LLC depends on their individual operating results, any statutory, regulatory or contractual restrictions to which they may be or may become subject and the terms of their own indebtedness, including QVC’s credit facility and bond indentures and HSNi’s credit facility. The agreements governing such indebtedness restrict sales of assets and prohibit or limit the payment of dividends or the making of distributions, loans or advances to stockholders and partners. Neither we nor Liberty LLC will generally receive cash, in the form of dividends, loans, advances or otherwise, from our business affiliates. See “We do not have the right to manage our business affiliates attributed to our Ventures Group, which means we are not able to cause those affiliates to act in a manner that we deem desirable” above.

We have disposed of certain of the reference shares underlying the exchangeable debentures of Liberty LLC attributed to our Ventures Group, which exposes us to liquidity risk. Liberty LLC currently has outstanding multiple tranches of exchangeable debentures in the aggregate principal amount of $1,947 million as of December 31, 2017. Under the terms of these exchangeable debentures, which are attributed to our Ventures Group (other than the 1% Exchangeable Senior Debentures due 2043, which are attributed to the QVC Group), the holders may elect to require Liberty LLC to exchange the debentures for the value of a specified number of the underlying reference shares, which Liberty LLC may honor through delivery of reference shares, cash or a combination thereof. Also, Liberty LLC is required to distribute to the holders of its exchangeable debentures any cash, securities (other than publicly traded securities, which would themselves become reference shares) or other payments made by the issuer of the reference shares in respect of those shares. The principal amount of the debentures will be reduced by the amount of any such required distributions other than regular cash dividends. As Liberty LLC has disposed of some of the reference shares underlying certain of these exchangeable debentures, any exercise of the exchange right by, or required distribution of cash, securities or other payments to, holders of such debentures will require that Liberty LLC fund the required payments from its own resources, which will depend on the availability of cash or other sources of liquidity to Liberty LLC at that time. Additionally, in the event all reference shares underlying a series of exchangeable debentures are liquidated or otherwise cease to be outstanding without replacement, there is a possibility that the treatment of tax matters associated with that series could change. This may include acceleration of tax liabilities that are recorded as deferred tax liabilities in our financial statements, in amounts that would be significant.

Risks Relating to the Ownership of Our Common Stock due to our Tracking Stock Capitalization

Holders of QVC Group tracking stock and Ventures Group tracking stock are common stockholders of our company and are, therefore, subject to risks associated with an investment in our company as a whole, even if a holder does not own shares of common stock of both of our groups. Even though we have attributed, for financial reporting purposes, all of our consolidated assets, liabilities, revenue, expenses and cash flows to either the QVC Group or the Ventures Group in order to prepare the separate financial statement schedules for each of those groups, we retain legal title to all of our assets and our capitalization does not limit our legal responsibility, or that of our subsidiaries, for the liabilities included in any set of financial statement schedules. Holders of QVC Group tracking stock and Ventures Group tracking stock do not have any legal rights related to specific assets attributed to the QVC Group or the Ventures Group and, in any liquidation, holders of QVC Group tracking stock and holders of Ventures Group tracking stock will be entitled to receive a pro rata share of our available net assets based on their respective numbers of liquidation units.

Our board of directors' ability to reattribute businesses, assets and expenses between tracking stock groups may make it difficult to assess the future prospects of either tracking stock group based on its past performance. Our board of directors is vested with discretion to reattribute businesses, assets and liabilities that are attributed to one tracking stock group to the other tracking stock group, without the approval of any of our stockholders. For example, in October 2014, our board of directors approved the change in attribution from the QVC Group to the Ventures Group of certain Liberty online commerce subsidiaries and approximately $1 billion in cash, without stockholder approval. Any reattribution made by our board of directors, as well as the existence of the right in and of itself to effect a reattribution, may impact the ability of investors to assess the future prospects of either tracking stock group, including its liquidity and capital resource needs, based on its past performance. Stockholders may also have difficulty evaluating the liquidity and capital resources of each group based on past performance, as our board of directors may use one group's liquidity to fund the other group's liquidity and capital expenditure requirements through the use of inter-group loans and inter-group interests.

We could be required to use assets attributed to one group to pay liabilities attributed to the other group. The assets attributed to one group are potentially subject to the liabilities attributed to the other group, even if those liabilities arise from lawsuits, contracts or indebtedness that are attributed to such other group. While our current management and allocation policies provide that reattributions of assets between groups will result in the creation of an inter-group loan or an inter-group interest or an offsetting reattribution of cash or other assets, no provision of our restated charter prevents us from satisfying liabilities of one group with assets of the other group, and our creditors are not in any way limited by our tracking stock capitalization from proceeding against any assets they could have proceeded against if we did not have a tracking stock capitalization.

The market price of QVC Group tracking stock and Ventures Group tracking stock may not reflect the performance of the QVC Group and the Ventures Group, respectively, as we intend. We cannot assure you that the market price of the common stock of a group, in fact, will reflect the performance of the group of businesses, assets and liabilities attributed to that group. Holders of QVC Group tracking stock and Ventures Group tracking stock are common stockholders of our company as a whole and, as such, will be subject to all risks associated with an investment in our company and all of our businesses, assets and liabilities. As a result, the market price of each series of stock of a group may simply reflect the performance of our company as a whole or may more independently reflect the performance of some or all of the group of assets attributed to such group. In addition, investors may discount the value of the stock of a group because it is part of a common enterprise rather than a stand-alone entity.

The market price of QVC Group tracking stock and Ventures Group tracking stock may be volatile, could fluctuate substantially and could be affected by factors that do not affect traditional common stock. The market prices of QVC Group tracking stock and Ventures Group tracking stock may be materially affected by, among other things:

- actual or anticipated fluctuations in a group's operating results or in the operating results of particular companies attributable to such group;
- potential acquisition activity by our company, our subsidiaries or our business affiliates;
- issuances of debt or equity securities to raise capital by our company, our subsidiaries or our business affiliates and the manner in which that debt or the proceeds of an equity issuance are attributed to each of the groups;
- changes in financial estimates by securities analysts regarding QVC Group tracking stock or Ventures Group tracking stock or the companies attributable to either of our tracking stock groups;
- the complex nature and the potential difficulties investors may have in understanding the terms of both of our tracking stocks, as well as concerns regarding the possible effect of certain of those terms on an investment in our stock; and
- general market conditions.

The market value of QVC Group tracking stock and Ventures Group tracking stock could be adversely affected by events involving the assets and businesses attributed to either of the groups. Because we are the issuer of QVC Group tracking stock and Ventures Group tracking stock, an adverse market reaction to events relating to the assets and businesses attributed to either of our groups, such as earnings announcements, announcements of new products or services, or acquisitions or dispositions that the market does not view favorably, may cause an adverse reaction to the common stock of our other group. This could occur even if the triggering event is not material to us as a whole. A certain triggering event may also have a greater impact on one group than the same triggering event would have on the other group due to the asset composition of the affected group. In addition, the incurrence of significant indebtedness by us or any of our subsidiaries on behalf of one group, including indebtedness incurred or assumed in connection with acquisitions of or investments in businesses, could affect our credit rating and that of our subsidiaries and, therefore, could increase the borrowing costs of businesses attributable to our other group or the borrowing costs of our company as a whole.

We may not pay dividends equally or at all on QVC Group tracking stock or Ventures Group tracking stock. We do not presently intend to pay cash dividends on QVC Group tracking stock or Ventures Group tracking stock for the foreseeable future. However, we will have the right to pay dividends on the shares of common stock of each group in equal or unequal amounts, and we may pay dividends on the shares of common stock of one group and not pay dividends on shares of common stock of the other group. In addition, any dividends or distributions on, or repurchases of, shares relating to either group will reduce our assets legally available to be paid as dividends on the shares relating to the other group.

Our tracking stock capital structure could create conflicts of interest, and our board of directors may make decisions that could adversely affect only some holders of our common stock. Our tracking stock capital structure could give rise to occasions when the interests of holders of stock of one group might diverge or appear to diverge from the interests of holders of stock of the other group. In addition, given the nature of their businesses, there may be inherent conflicts of interests between the QVC Group and the Ventures Group. Our tracking stock groups are not separate entities and thus holders of QVC Group tracking stock and Ventures Group tracking stock do not have the right to elect separate boards of directors. As a result, our company's officers and directors owe fiduciary duties to our company as a whole and all of our stockholders as opposed to only holders of a particular group. Decisions deemed to be in the best interest of our company and all of our stockholders may not be in the best interest of a particular group when considered independently. Examples include:

- decisions as to the terms of any business relationships that may be created between the QVC Group and the Ventures Group or the terms of any reattributions of assets or liabilities between the groups;
- decisions as to the allocation of consideration among the holders of QVC Group tracking stock and Ventures Group tracking stock, or among the series of stocks relating to either of our groups, to be received in connection with a merger involving our company;
- decisions as to the allocation of corporate opportunities between the groups, especially where the opportunities might meet the strategic business objectives of both groups;
- decisions as to operational and financial matters that could be considered detrimental to one group but beneficial to the other;
- decisions as to the conversion of shares of common stock of one group into shares of common stock of the other;
- decisions regarding the creation of, and, if created, the subsequent increase or decrease of any inter-group interest that one group may own in the other group;
- decisions as to the internal or external financing attributable to businesses or assets attributed to either of our groups;
- decisions as to the dispositions of assets of either of our groups; and
- decisions as to the payment of dividends on the stock relating to either of our groups.

Our directors' or officers' ownership of QVC Group tracking stock and Ventures Group tracking stock may create or appear to create conflicts of interest. If directors or officers own disproportionate interests (in percentage or value terms) in QVC Group tracking stock or Ventures Group tracking stock, that disparity could create or appear to create conflicts of interest when they are faced with decisions that could have different implications for the holders of QVC Group tracking stock or Ventures Group tracking stock.

Other than pursuant to our management and allocation policies, we have not adopted any specific procedures for consideration of matters involving a divergence of interests among holders of shares of stock relating to our two groups, or among holders of different series of stock relating to a specific group. Rather than develop additional specific procedures in advance, our board of directors intends to exercise its judgment from time to time, depending on the circumstances, as to how best to:

- obtain information regarding the divergence (or potential divergence) of interests;
- determine under what circumstances to seek the assistance of outside advisers;
- determine whether a committee of our board of directors should be appointed to address a specific matter and the appropriate members of that committee; and
- assess what is in our best interests and the best interests of all of our stockholders.

Our board of directors believes the advantage of retaining flexibility in determining how to fulfill its responsibilities in any such circumstances as they may arise outweighs any perceived advantages of adopting additional specific procedures in advance.

Our board of directors may change the management and allocation policies to the detriment of either group without stockholder approval. Our board of directors has adopted certain management and allocation policies to serve as guidelines in making decisions regarding the relationships between the QVC Group and the Ventures Group with respect to matters such as tax liabilities and benefits, inter-group loans, inter-group interests, attribution of assets, financing alternatives, corporate opportunities and similar items. These policies also set forth the initial focuses and strategies of these groups and the initial attribution of our businesses, assets and liabilities between them. These policies are not included in the restated certificate of incorporation (the "restated charter"). Our board of directors may at any time change or make exceptions to these policies. Because these policies relate to matters concerning the day-to-day management of our company as opposed to significant corporate actions, such as a merger involving our company or a sale of substantially all of our assets, no stockholder approval is required with respect to their adoption or amendment. A decision to change, or make exceptions to, these policies or adopt additional policies could disadvantage one group while advantaging the other.

Holders of shares of stock relating to a particular group may not have any remedies if any action by our directors or officers has an adverse effect on only that stock, or on a particular series of that stock. Principles of Delaware law and the provisions of our restated charter may protect decisions of our board of directors that have a disparate impact upon holders of shares of stock relating to a particular group, or upon holders of any series of stock relating to a particular group. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of our stockholders, regardless of the stock, or series, they hold. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all stockholders and does not have separate or additional duties to any subset of stockholders. Judicial opinions in Delaware involving tracking stocks have established that decisions by directors or officers involving differing treatment of holders of tracking stocks may be judged under the "business judgment rule." In some circumstances, our directors or officers may be required to make a decision that is viewed as adverse to the holders of shares relating to a particular group or to the holders of a particular series of that stock. Under the principles of Delaware law and the business judgment rule referred to above, a stockholder may not be able to successfully challenge decisions that a stockholder believes have a disparate impact upon the stockholders of one of our groups if a majority of our board of directors is disinterested and independent with respect to the action taken, is adequately informed with respect to the action taken and acts in good faith and in the honest belief that the board is acting in the best interest of Liberty and all of our stockholders.

Stockholders will not vote on how to attribute consideration received in connection with a merger involving our company among holders of QVC Group tracking stock and Ventures Group tracking stock. Our restated charter does not contain any provisions governing how consideration received in connection with a merger or consolidation involving our company is to be attributed to the holders of QVC Group tracking stock and holders of Ventures Group tracking stock or to the holders of different series of stock, and none of the holders of QVC Group tracking stock or Ventures Group tracking stock will have a separate class vote in the event of such a merger or consolidation. Consistent with applicable principles of Delaware law, our board of directors will seek to divide the type and amount of consideration received in a merger or consolidation involving our company among holders of QVC Group tracking stock and Ventures Group tracking stock in a fair manner. As the different ways the board of directors may divide the consideration between holders of stock relating to the different groups, and among holders of different series of a particular stock, might have materially different results, the consideration to be received by holders of QVC Group tracking stock and Ventures Group tracking stock in any such merger or consolidation may be materially less valuable than the consideration they would have received if they had a separate class vote on such merger or consolidation.

We may dispose of assets of the QVC Group or the Ventures Group without your approval. Delaware law requires stockholder approval only for a sale or other disposition of all or substantially all of the assets of our company taken as a whole, and our restated charter does not require a separate class vote in the case of a sale of a significant amount of assets of any of our groups. As long as the assets attributed to the QVC Group or the Ventures Group proposed to be disposed of represent less than substantially all of our assets, we may approve sales and other dispositions of any amount of the assets of such group without any stockholder approval.

If we dispose of all or substantially all of the assets attributed to any group (which means, for this purpose, assets representing 80% of the fair market value of the total assets of the disposing group, as determined by our board of directors), we would be required, if the disposition is not an exempt disposition under the terms of our restated charter, to choose one or more of the following three alternatives:

- declare and pay a dividend on the disposing group's common stock;
- redeem shares of the disposing group's common stock in exchange for cash, securities or other property; and/or
- convert all or a portion of the disposing group's outstanding common stock into common stock of the other group.

In this type of a transaction, holders of the disposing group's common stock may receive less value than the value that a third-party buyer might pay for all or substantially all of the assets of the disposing group.

Our board of directors will decide, in its sole discretion, how to proceed and is not required to select the option that would result in the highest value to holders of any group of our common stock.

Holders of QVC Group tracking stock or Ventures Group tracking stock may receive less consideration upon a sale of the assets attributed to that group than if that group were a separate company. If the QVC Group or the Ventures Group were a separate, independent company and its shares were acquired by another person, certain costs of that sale, including corporate level taxes, might not be payable in connection with that acquisition. As a result, stockholders of a separate, independent company with the same assets might receive a greater amount of proceeds than the holders of QVC Group tracking stock or Ventures Group tracking stock would receive upon a sale of all or substantially all of the assets of the group to which their shares relate. In addition, we cannot assure our stockholders that in the event of such a sale the per share consideration to be paid to holders of QVC Group tracking stock or Ventures Group tracking stock, as the case may be, will be equal to or more than the per share value of that share of stock prior to or after the announcement of a sale of all or substantially all of the assets of the applicable group. Further, there is no requirement that the consideration paid be tax-free to the holders of the shares of common stock of that group. Accordingly, if we sell all or substantially all of the assets attributed to the QVC Group or the Ventures Group, our stockholders could suffer a loss in the value of their investment in our company.

We may split off, spin off or reattribute assets, liabilities and businesses attributed to our tracking stock groups in a manner that may disparately impact some of our stockholders if our board of directors determines such transaction to be in the best interest of all of our stockholders, and in some cases, not all of our stockholders would be entitled to vote on such a transaction. Pursuant to the terms of the restated charter, our board of directors may determine that it is in the best interest of all of our stockholders to effect a redemptive split-off whereby all or a portion of the outstanding shares of a particular tracking stock would be redeemed for shares of common stock of a subsidiary ("Splitco") that holds all or a portion of the assets and liabilities attributed to such tracking stock group subject to the approval of only the holders of the tracking stock to be redeemed. However, the vote of holders of our other tracking stock would not be required, unless Splitco also held assets and liabilities of such other tracking stock group. If we were to effect a redemptive split-off, then, pursuant to the terms of the restated charter, we would be required to redeem the outstanding shares of the affected tracking stock from its holders on an equal per share basis (i.e., we could not redeem shares from holders of only certain series of the affected tracking stock or redeem from all holders of the affected tracking stock on a non-pro rata basis). Following a redemptive split-off, the other tracking stock would become the only outstanding common stock of Liberty, and thus would cease to function as a tracking stock and would effectively become a regular common stock (even if the tracking stock structure set forth in the restated charter remained in place until the restated charter was amended to eliminate the tracking stock specific provisions). In addition, in the case of a partial redemptive split-off, holders of the affected tracking stock would hold shares of Splitco and continue to hold a reduced number of shares of the affected tracking stock which would track the remaining assets and liabilities retained by us and attributed to such tracking stock after the split-off.

We are also permitted, pursuant to the terms of the restated charter, to effect a spin-off of certain of our assets and liabilities through the dividend of shares of a subsidiary holding such assets and liabilities, and the spin-off would not be subject to prior stockholder approval. In this situation, a tracking stock holder would retain their tracking stock shares and receive shares of the spun-off entity.

Furthermore, in structuring these transactions, our board of directors may determine to alter the composition of the assets and liabilities underlying our tracking stock groups through a reattribution. As contemplated by both the restated charter and the Management and Allocation Policies designed to assist us in managing and separately presenting the businesses and operations attributed to our tracking stock groups, our board of directors is vested with the discretion to reattribute assets and liabilities from one tracking stock group to another tracking stock group without the approval of any of its stockholders, and the only limitations on its exercise of such discretion are that the reattribution be in the best interest of all of our stockholders and that the reattribution be done on a fair value basis. Holders of the affected tracking stock groups will not be entitled to a separate vote to approve a reattribution, even if such reattribution is occurring in connection with a redemptive split-off and such stockholders would otherwise be entitled to vote on the redemptive split-off itself.

In the event of a liquidation of Liberty, holders of Ventures Group tracking stock and QVC Group tracking stock will not have a priority with respect to the assets attributed to the related tracking stock group remaining for distribution to stockholders. Under the restated charter, upon Liberty's liquidation, dissolution or winding up, holders of the Ventures Group tracking stock and the QVC Group tracking stock will be entitled to receive, in respect of their shares of such stock, their proportionate interest in all of Liberty's assets, if any, remaining for distribution to holders of common stock in proportion to their respective number of "liquidation units" per share. Relative liquidation units were determined based on the volume weighted average prices of the Ventures Group tracking stock and the QVC Group tracking stock over the 20 trading day period which commenced shortly after the initial filing of the restated charter. Hence, the assets to be distributed to a holder of either tracking stock upon a liquidation, dissolution or winding up of Liberty will have nothing to do with the value of the assets attributed to the related tracking stock group or to changes in the relative value of the QVC Group tracking stock and the Ventures Group tracking stock over time.

Our board of directors may in its sole discretion elect to convert the common stock relating to one group into common stock relating to the other group, thereby changing the nature of your investment and possibly diluting your economic interest in our company, which could result in a loss in value to you. Our restated charter permits our board of directors, in its sole discretion, to convert all of the outstanding shares of common stock relating to either of our groups into shares of common stock of the other group on specified terms. A conversion would preclude the holders of stock in each group involved in such conversion from retaining their investment in a security that is intended to reflect separately the performance of the relevant group. We cannot predict the impact on the market value of our stock of (1) our board of directors' ability to effect any such conversion or (2) the exercise of this conversion right by our company. In addition, our board of directors may effect such a conversion at a time when the market value of our stock could cause the stockholders of one group to be disadvantaged.

Holders of QVC Group tracking stock and Ventures Group tracking stock will vote together and will have limited separate voting rights. Holders of QVC Group tracking stock and Ventures Group tracking stock will vote together as a single class, except in certain limited circumstances prescribed by our restated charter and under Delaware law. Each share of Series B common stock of each group has ten votes per share, and each share of Series A common stock of each group has one vote per share. Holders of Series C common stock of each group have no voting rights, other than those required under Delaware law. When holders of QVC Group tracking stock and Ventures Group tracking stock vote together as a single class, holders having a majority of the votes will be in a position to control the outcome of the vote even if the matter involves a conflict of interest among our stockholders or has a greater impact on one group than the other.

Transactions in our common stock by our insiders could depress the market price of our common stock. Sales of or hedging transactions such as collars relating to our shares by our Chairman of the Board or any of our other directors or executive officers could cause a perception in the marketplace that our stock price has peaked or that adverse events or trends have occurred or may be occurring at our company. This perception can result notwithstanding any personal financial motivation for these insider transactions. As a result, insider transactions could depress the market price for shares of one or more series of our tracking stocks.

Our capital structure, as well as the fact that the QVC Group and the Ventures Group are not independent companies, may inhibit or prevent acquisition bids for the QVC Group or the Ventures Group and may make it difficult for a third party to acquire us, even if doing so may be beneficial to our stockholders. If the QVC Group and the Ventures Group were separate independent companies, any person interested in acquiring the QVC Group or the Ventures Group without negotiating with management could seek control of that group by obtaining control of its outstanding voting stock, by means of a tender offer, or by means of a proxy contest. Although we intend QVC Group tracking stock and Ventures Group tracking stock to reflect the separate economic performance of the QVC Group and the Ventures Group, respectively, those groups are not separate entities and a person interested in acquiring only one group without negotiation with our management could obtain control of that group only by obtaining control of a majority in voting power of all of the outstanding shares of common stock of our company. The existence of shares of common stock, and different series of shares, relating to different groups could present complexities and in certain circumstances pose obstacles, financial and otherwise, to an acquiring person that are not present in companies that do not have capital structures similar to ours.

Certain provisions of our restated charter and bylaws may discourage, delay or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- authorizing a capital structure with multiple series of common stock, a Series B common stock of each group that entitles the holders to ten votes per share, a Series A common stock of each group that entitles the holder to one vote per share, and a Series C common stock of each group that except as otherwise required by applicable law, entitles the holder to no voting rights;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of the stockholders;
- establishing advance notice requirements for nominations of candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- requiring stockholder approval by holders of at least 66 2/3% of our aggregate voting power or the approval by at least 75% of our board of directors with respect to certain extraordinary matters, such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated charter; and
- the existence of authorized and unissued stock, including "blank check" preferred stock, which could be issued by our board of directors to persons friendly to our then current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of our company.

Our chairman, John C. Malone, beneficially owns shares representing the power to direct approximately 37% and 32% of the aggregate voting power in our company, due to his beneficial ownership of approximately 95% and 90% of the outstanding shares of each of our Series B QVC Group common stock and Series B Liberty Ventures common stock, respectively, as of January 31, 2018.

Risks Relating to the Transactions

In addition to the other information included in this Annual Report and the risks described below, you should carefully consider the risks associated with the Transactions, including the risks relating to the completion of the Transactions and, subject to the completion of the Transactions, the risks relating to the legacy GCI operations and GCI Liberty's corporate and capital structure and certain financial matters. These risks are described in "Risk Factors" in Amendment No. 3 to GCI's Registration Statement on Form S-4, filed with the SEC on December 27, 2017.

We expect to incur significant costs and expenses in connection with the Transactions. We expect to incur certain nonrecurring costs in connection with the consummation of the Transactions contemplated by the related GCI Reorganization Agreement including advisory, legal and other transaction costs. A majority of these costs have already been incurred or will be incurred regardless of whether the Transactions are completed. While many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time, our management continues to assess the magnitude of these costs, and additional unanticipated costs may be incurred in connection with the Transactions. Although we expect that the realization of benefits related to the Transactions will offset such costs and expenses over time, no assurances can be made that this net benefit will be achieved in the near term, or at all.

The announcement and pendency of the Transactions could divert the attention of management and cause disruptions in the businesses of GCI and Liberty, which could have an adverse effect on the business and financial results of both GCI and Liberty. Liberty and GCI are unaffiliated companies that are currently operating independently of each other. Management of both GCI and Liberty may be required to divert a disproportionate amount of attention away from their respective day-to-day activities and operations, and devote time and effort to consummating the Transactions. The risks, and adverse effects, of such disruptions and diversions could be exacerbated by a delay in the completion of the Transactions. These factors could adversely affect the financial position or results of operations of Liberty and GCI, regardless of whether the Transactions are completed.

We are subject to contractual restrictions while the Transactions are pending, which could adversely affect our business. The GCI Reorganization Agreement imposes certain restrictive interim covenants on our Company. For instance, the consent of GCI is required in respect of, among other things, amendments to our organizational documents, certain payments of dividends with respect to the Liberty Ventures common stock and certain issuances of shares of Liberty Ventures common stock. These restrictions may prevent us from taking certain actions before the closing of the Transactions or the termination of the GCI Reorganization Agreement, including making certain acquisitions or otherwise pursuing certain business opportunities, or making certain changes to our capital stock, that our board of directors may deem beneficial.

Failure to complete the Transactions could negatively impact our stock price and financial results. If the Transactions are not completed for any reason, including as a result of the GCI stockholders or Liberty stockholders failing to approve the necessary proposals, we may be subject to numerous risks, including the following:

- Liberty experiencing negative reactions from the financial markets, including negative impacts on the price of Liberty Ventures common stock;
- Liberty being required to pay GCI a termination fee in connection with the termination of the GCI Reorganization Agreement under certain circumstances;
- Liberty experiencing reputational harm due to the adverse perception of any failure to successfully complete the Transactions; and
- Liberty (i) operating under the restrictions on the conduct of its business set forth in the GCI Reorganization Agreement, (ii) having its management divert attention away from their respective day-to-day activities and operations and devoting time and effort to consummating the Transactions and (iii) incurring significant costs, including advisory, legal and other transaction costs, each as explained above, without realizing any of the benefits of having completed the Transactions.

In addition, we could be subject to the cost of litigation related to any dispute regarding an alleged failure of a closing condition or any related enforcement proceeding commenced against us to perform our obligations under the GCI Reorganization Agreement or any of the other transaction documents, as well as any judgment potentially sustained against us in any such action. All of these risks, expenses and contingencies could adversely affect our financial position and results of operation.

Item 1B. Unresolved Staff Comment s

None.

Item 2. Properties .

We lease our corporate headquarters in Englewood, Colorado under a facilities agreement with LMC. All of our other real or personal property is owned or leased by our subsidiaries and business affiliates.

QVC owns its corporate headquarters and operations center in West Chester, Pennsylvania, which consist of office space and include executive offices, television studios, showrooms, broadcast facilities and administrative offices for QVC. QVC also owns call centers in San Antonio, Texas; Chesapeake, Virginia; Bochum and Kassel, Germany; and Chiba-Shi, Japan. QVC owns distribution centers in Lancaster, Pennsylvania; Suffolk, Virginia; Rocky Mount, North Carolina; Florence, South Carolina; Ontario, California; Chiba, Japan; and Hücklehoven, Germany. Additionally, QVC owns multi-functional buildings in Knowsley, United Kingdom, Chiba, Japan and Brugherio, Italy. In Germany, QVC owns its administrative offices within the headquarters located in Düsseldorf, Germany which also includes leased television studios and broadcast facilities. To supplement the facilities QVC owns, it also leases various facilities worldwide.

zulily leases its corporate headquarters in Seattle, Washington, fulfillment centers in Lockbourne, Ohio, McCarran, Nevada and Bethlehem, Pennsylvania, and a corporate office in Gahanna, Ohio.

HSNi owns its corporate headquarters in St. Petersburg, Florida, which consist of office space and include executive offices, television studios, showrooms, broadcast facilities and administrative offices for HSNi. HSN owns its fulfillment center in Piney Flats, Tennessee. HSN leases its fulfillment centers in Fontana, California; Roanoke, Virginia; Ronkonkoma, New York and Greeneville, Tennessee; as well as five outlet stores and other properties in various locations in the United States for administrative offices and data centers. Cornerstone owns an office and storage facility in Franconia, New Hampshire. Cornerstone leases its fulfillment centers in West Chester, Ohio; Monroe, Ohio and Phoenix, Arizona. It also leases other properties consisting of administrative offices, 19 retail stores and outlets, and photo centers in various locations throughout the United States.

Our other subsidiaries and business affiliates own or lease the fixed assets necessary for the operation of their respective businesses, including office space, transponder space, headends, cable television and telecommunications distribution equipment and telecommunications switches.

Item 3. Legal Proceedings

On September 7, 2017, a putative class action complaint was filed by a purported HSNi stockholder in the United States District Court for the District of Delaware: *McClure v. HSN, Inc., et al.* , Case No. 1:17-cv-01279. The complaint names as defendants HSNi and members of the HSNi board. The complaint asserts claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and rules and regulations promulgated thereunder, and alleges that HSNi and the members of the HSNi board caused a registration statement that allegedly omitted material information to be filed in connection with the merger, which allegedly rendered the registration statement false and misleading. The complaint further alleges that the members of the HSNi board acted as controlling persons of HSNi and had knowledge of the allegedly false statements contained in the registration statement or were negligent in not knowing that material information was allegedly omitted from the registration statement. Among other relief, the complaint seeks a declaration certifying a class, an injunction to prevent the merger from proceeding unless and until HSNi discloses the material information allegedly omitted from the registration statement, unspecified damages, and unspecified costs, expenses and attorneys' fees. The complaint was dismissed in early 2018.

On September 28, 2017, a putative class action complaint was filed by a purported HSNi stockholder in the United States District Court for the Middle District of Florida: Palkon v. HSN, Inc., et al., Case No. 8:17-cv-2271. The complaint names as defendants HSNi, members of the HSNi board, Liberty and Liberty Horizon, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Liberty ("Merger Sub"). The complaint asserts claims under Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended, and rules and regulations promulgated thereunder, and alleges that HSNi and the members of the HSNi board caused a registration statement that omitted material information to be filed in connection with Liberty's acquisition on December 29, 2017 of the approximately 62% of HSNi it did not already own in an all-stock transaction (the "Merger"), which registration statement allegedly rendered the registration statement false and misleading.

The complaint further alleges that the members of the HSNi board, Liberty and Merger Sub acted as controlling persons of HSNi, were involved in the making and composition of the registration statement, and had knowledge of the allegedly false statements contained in the registration statement. The complaint seeks, among other relief, an injunction to prevent the Merger from proceeding, rescission of the Merger, an order directing HSNi to disseminate a registration statement that does not contain any untrue statements of material fact, a judgment declaring a violation of Sections 14(a) and/or 20(a) of the Exchange Act, as well as Rule 14a-9 promulgated thereunder, unspecified damages, and unspecified costs, expenses, and attorneys' fees. In early 2018, the case was voluntarily dismissed.

Item 4. Mine Safety Disclosures

Not applicable.

PART I I

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities .

Market Information

Each series of the common stock of Liberty Interactive Corporation ("Liberty," the "Company," "we," "us" and "our") trades on the Nasdaq Global Select Market. Our Series A and Series B QVC Group common stock trade under the symbols "QVCA" and "QVCB," respectively. Our Series A and Series B Liberty Ventures common stock trade under the symbols "LVNTA" and "LVNTB," respectively. Our Series B QVC Group common stock and Series B Liberty Ventures common stock are not actively traded. 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, 2017 and 2016.

	QVC Group			
	Series A (QVCA)		Series B (QVCB)	
	High	Low	High	Low
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
2017				
First quarter	$ 20.88	17.24	22.05	17.62
Second quarter	$ 24.94	19.81	24.93	19.40
Third quarter	$ 26.00	20.90	25.10	21.14
Fourth quarter	$ 26.79	20.79	26.79	20.93

	Liberty Ventures			
	Series A (LVNTA)		Series B (LVNTB)	
	High	Low	High	Low
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
2017				
First quarter	$ 45.17	36.69	46.61	38.61
Second quarter	$ 55.93	44.13	56.33	53.33
Third quarter	$ 62.41	50.56	59.88	51.80
Fourth quarter	$ 59.90	52.43	54.30	54.30

(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, 2018, there were 2,742 and 85 record holders of our Series A and Series B QVC Group common stock, respectively, and 991 and 61 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. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources."

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2018 Annual Meeting of Stockholders that will be filed with the Securities and Exchange Commission on or before April 30, 2018.

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 stock. Additionally, on each of October 30, 2012 and February 27, 2014, the board authorized the repurchase of an additional $1 billion of Series A and Series B Liberty Interactive common stock. In connection with the TripAdvisor Holdings Spin-Off (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. On September 19, 2017, the board authorized the repurchase of an additional $1 billion of Series A QVC Group common stock.

A summary of the repurchase activity for the three months ended December 31, 2017 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, 2017	7,736,267	$ 23.03	7,736,267	$ 822 million
November 1 - 30, 2017	5,901,315	$ 23.23	5,901,315	$ 684 million
December 1 - 31, 2017	—	$ —	—	$ 684 million
Total	13,637,582		13,637,582	

3,135 shares of Series A QVC Group common stock and zero 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, 2017.

Item 6. 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,				
	2017	2016	2015	2014	2013
	amounts in millions				
Summary Balance Sheet Data:					
Cash and cash equivalents	$ 903	825	2,449	2,306	902
Investments in available-for-sale securities and other cost investments	$ 2,363	1,922	1,353	1,224	1,313
Investment in affiliates, accounted for using the equity method	$ 309	581	714	1,119	760
Investment in Liberty Broadband measured at fair value	$ 3,635	3,161	—	—	—
Intangible assets not subject to amortization (1)	$ 11,011	9,354	9,485	7,893	8,383
Noncurrent assets of discontinued operations (2) (3)	$ —	—	927	514	7,572
Total assets	$ 24,122	20,355	21,180	18,598	24,642
Long-term debt	$ 7,553	7,166	7,481	7,062	6,072
Deferred income tax liabilities	$ 2,803	3,636	3,217	2,681	2,794
Noncurrent liabilities of discontinued operations (2) (3)	$ —	—	285	140	1,584
Total equity (1)	$ 10,083	6,861	6,875	5,780	11,435
Noncontrolling interest in equity of subsidiaries (2)	$ 99	89	88	107	4,499

		Years ended December 31,				
		2017	2016	2015	2014	2013
		amounts in millions, except per share amounts				
Summary Statement of Operations Data:						
Revenue	$	10,404	10,647	9,989	10,499	10,219
Operating income (loss)	$	1,043	968	1,116	1,188	1,136
Interest expense	$	(355)	(363)	(360)	(387)	(380)
Share of earnings (losses) of affiliates, net	$	(200)	(68)	(178)	(19)	2
Realized and unrealized gains (losses) on financial instruments, net	$	618	1,175	114	(57)	(22)
Gains (losses) on transactions, net (1)	$	410	9	110	74	(1)
Earnings (loss) from continuing operations (4):						
QVC Group common stock	$	1,254	511	674	574	500
Liberty Ventures common stock		1,233	743	(43)	(36)	27
	$	2,487	1,254	631	538	527
Basic earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share (5):						
Series A and Series B QVC Group common stock	$	2.71	0.99	1.35	1.10	0.88
Series A and Series B Liberty Ventures common stock	$	14.34	5.54	(0.36)	(0.43)	0.37
Diluted earnings (loss) from continuing operations attributable to Liberty Interactive Corporation stockholders per common share (5):						
Series A and Series B QVC Group common stock	$	2.70	0.98	1.33	1.09	0.86
Series A and Series B Liberty Ventures common stock (3)	$	14.17	5.49	(0.36)	(0.43)	0.36

(1) On December 29, 2017, the Company acquired the remaining approximately 62% of HSNi it did not already own in an all-stock transaction, making HSNi a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. In conjunction with the application of acquisition accounting, the Company recorded a full step up in basis of HSNi along with a gain between our historical basis and the fair value of our interest in HSNi.

(2) On December 11, 2012, the Company 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 the Company owns. Following the transaction the Company owned approximately 22% of the equity and 57% of the total votes of all classes of TripAdvisor common stock. On August 27, 2014, the Company completed the TripAdvisor Holdings Spin-Off. 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 Item 1 " Business" for further details on the TripAdvisor Holdings Spin-Off.

(3) 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.

(4) Includes earnings (losses) from continuing operations attributable to the noncontrolling interests of $46 million, $39 million, $42 million, $40 million and $45 million for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation s

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 December 29, 2017, we acquired the approximately 62% of HSN, Inc. ("HSNi") we did not already own in an all-stock transaction (the "Merger") making HSNi a wholly-owned subsidiary, attributed to the QVC Group. HSNi has two main operating segments: its televised shopping business "HSN" and its catalog retail business "Cornerstone." HSN is a reportable segment, and Cornerstone is included in the "Corporate and other" reportable segment. QVC and HSN are referred to collectively as the "Televised Shopping Businesses." 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, which is also a reportable segment. See note 5 of the accompanying consolidated financial statements for further details on the acquisitions of zulily and HSNi.

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"), 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"), and Cornerstone. Evite is an online invitation and social event planning service on the web. 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") and LendingTree, Inc. ("LendingTree"), which we account for as equity method investments; an interest in Liberty Broadband Corporation ("Liberty Broadband"), which we account for at fair value; and we maintain investments and related financial instruments in public companies such as Charter Communications, Inc. ("Charter"), ILG, Inc. ("ILG") and Time Warner Inc. ("Time Warner"), which are accounted for at their respective fair market values.

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 Liberty's 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 no group can 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. The Ventures Group consists of our businesses not included in the QVC Group including Evite and our interests in Liberty Broadband, LendingTree, FTD, investments in Charter and ILG, as well as cash in the amount of approximately $573 million (at December 31, 2017), 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.

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

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

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

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions. Simultaneous with that closing, QVC Group common stock will become the only outstanding common stock of Liberty, and thus QVC Group common stock will cease to function as a tracking stock and will effectively become regular common stock, and Liberty will be renamed Qurate Retail Group, Inc., with QVC, HSNi and zulily as wholly-owned subsidiaries .

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 the Televised Shopping Businesses and other online or catalog retail businesses. The QVC Group has attributed to it the remainder of our businesses and assets not attributed to the Ventures Group, including our wholly-owned subsidiaries QVC, zulily (as of October 1, 2015), and HSNi (as of December 29, 2017) as well as cash in the amount of approximately $330 million (at December 31, 2017), including subsidiary cash.

Disposals

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 viewed 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 represented a strategic shift that had 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

Televised Shopping Businesses. The goal of QVC 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. The goal of HSN is to become the preeminent interactive entertainment and lifestyle retailer offering a curated assortment of exclusive products and top brand names to its customers through entertainment, inspiration and personalities providing an entirely unique shopping experience. The objective for both of the Televised Shopping Businesses is to provide an integrated shopping experience that utilizes all forms of media including television, the internet and mobile devices. The Televised Shopping Businesses intend 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 and HSN brands; (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.

Future net revenue growth will primarily depend on sales growth from e-commerce and mobile platforms, additions of new customers from households already receiving the Company's television programming, and increased spending from existing customers. Future net revenue may also be affected by (i) the willingness of cable television and direct-to-home satellite system operators to continue carrying the Company's programming services; (ii) the Televised Shopping Businesses' 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.

Prolonged economic uncertainty in various regions of the world in which the Televised Shopping Businesses' subsidiaries and affiliates operate could adversely affect demand for our businesses' products and services since a substantial portion of our businesses' revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets may 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 deteriorate, customers may respond by suspending, delaying, or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect revenue. Accordingly, our businesses' ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments decline. Such weak economic conditions may also inhibit QVC's expansion into new European and other markets. The Company 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 women who love to shop. 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 and channels that its customers want to engage with the brand in. In addition, zulily expects to invest in and develop international markets and supply chain systems.

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. For a more detailed discussion and analysis of the financial results of the principal reporting segments, see "Results of Operations - Businesses" below.

Operating Results

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Revenue			
QVC Group			
QVC	$ 8,771	8,682	8,743
HSN	—	NA	NA
zulily	1,613	1,547	426
Corporate and other	—	—	—
Inter-segment eliminations	(3)	(10)	—
Total QVC Group	10,381	10,219	9,169
Ventures Group			
Corporate and other	23	428	820
Total Ventures Group	23	428	820
Consolidated Liberty	$ 10,404	10,647	9,989
Operating Income (Loss)			
QVC Group			
QVC	$ 1,347	1,203	1,275
HSN	(38)	NA	NA
zulily	(129)	(152)	(53)
Corporate and other	(80)	(40)	(52)
Total QVC Group	1,100	1,011	1,170
Ventures Group			
Corporate and other	(57)	(43)	(54)
Total Ventures Group	(57)	(43)	(54)
Consolidated Liberty	$ 1,043	968	1,116
Adjusted OIBDA			
QVC Group			
QVC	$ 1,897	1,840	1,894
HSN	—	NA	NA
zulily	91	112	21
Corporate and other	(35)	(16)	(28)
Total QVC Group	1,953	1,936	1,887
Ventures Group			
Corporate and other	(27)	3	59
Total Ventures Group	(27)	3	59
Consolidated Liberty	$ 1,926	1,939	1,946

Revenue. Our consolidated revenue decreased 2.3% and increased 6.6% for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. Corporate and other revenue decreased $405 million for the year ended December 31, 2017, as compared to the corresponding period in the prior year due to the disposition of Bodybuilding in November 2016 as part of the Expedia Holdings Split-Off ($355 million) and the CommerceHub Spin-Off in July 2016 ($51 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). QVC's revenue increased $89 million and decreased $61 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. zulily's revenue increased $66 million during the year ended December 31, 2017, as compared to the corresponding prior year period. The increase in zulily's revenue in 2016 compared to the same period in the prior year was due to the acquisition of zulily on October 1, 2015. With the exception of $38 million of severance-related costs incurred on December 30, 2017, HSN's results of operations are not included in our consolidated operating results for the year ended December 31, 2017. See " Results of Operations - Businesses " below for a more complete discussion of the results of operations of QVC, HSN and zulily.

Operating income (loss). Our consolidated operating income increased $75 million and decreased $148 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. Operating losses for Corporate and other declined $54 million for the year ended December 31, 2017, as compared to the corresponding prior year period, primarily due to an increase in stock compensation expense as a result of the stock option exchange (see note 15 to the accompanying consolidated financial statements), and transaction costs associated with the acquisition of HSN, partially offset by the disposition of Bodybuilding in November 2016 as part of the Expedia Holdings Split-Off, and the CommerceHub Spin-Off. 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 the CommerceHub Spin-Off. QVC's operating income increased $144 million and decreased $72 million for the years ended December 31, 2017 and 2016, respectively as compared to the corresponding prior year periods. zulily's operating losses improved $23 million and declined $99 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. HSN's operating loss was the result of $38 million of severance-related expenses, including salaries and wages and stock-based compensation expense, recorded in the period ended December 31, 2017. See " Results of Operations - Businesses " below for a more complete discussion of the results of operations of QVC, HSN 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 $13 million and $7 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. Corporate and other Adjusted OIBDA decreased $49 million for the year ended December 31, 2017, as compared to the corresponding period in the prior year, primarily due to the disposition of Bodybuilding in November 2016 as part of the Expedia Holdings Split-Off ($24 million), the CommerceHub Spin-Off in July 2016 ($16 million), and transaction costs associated with the acquisition of HSNi (approximately $15 million). 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). QVC's Adjusted OIBDA increased $57 million and decreased $54 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. zulily's Adjusted OIBDA decreased $21 million and increased $91 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. See " Results of Operations - Businesses " below for a more complete discussion of the results of operations of QVC, HSN and zulily.

Other Income and Expense

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

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Interest expense			
QVC Group	$ (293)	(289)	(283)
Ventures Group	(62)	(74)	(77)
Consolidated Liberty	$ (355)	(363)	(360)
Share of earnings (losses) of affiliate, net			
QVC Group	$ 38	42	55
Ventures Group	(238)	(110)	(233)
Consolidated Liberty	$ (200)	(68)	(178)
Realized and unrealized gains (losses) on financial instruments, net			
QVC Group	$ —	2	42
Ventures Group	618	1,173	72
Consolidated Liberty	$ 618	1,175	114
Gains (losses) on transactions, net			
QVC Group	$ 409	—	—
Ventures Group	1	9	110
Consolidated Liberty	$ 410	9	110
Other, net			
QVC Group	$ (3)	42	(6)
Ventures Group	10	89	20
Consolidated Liberty	$ 7	131	14

Interest expense. Interest expense decreased $8 million and increased $3 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. The decrease in interest expense for the year ended December 31, 2017 is due to higher average debt balances at the corporate level in 2016, and the redemption of the majority of our 0.75% Exchangeable Senior Debentures due 2043 during the second and third quarter of 2016. 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.

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

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
QVC Group			
HSN	$ 40	48	64
Other	(2)	(6)	(9)
Total QVC Group	38	42	55
Ventures Group			
FTD (1)	(146)	(41)	(83)
LendingTree	7	12	2
Other	(99)	(81)	(152)
Total Ventures Group	(238)	(110)	(233)
Consolidated Liberty	$ (200)	(68)	(178)

(1) The carrying value of Liberty's investment in FTD was written down to its fair value as of December 31, 2017 and as of December 31, 2015.

The Other category for the Ventures Group is comprised of 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,		
	2017	2016	2015
	amounts in millions		
Fair Value Option Securities - AFS	$ 434	723	84
Fair Value Option Securities - Liberty Broadband	473	761	NA
Exchangeable senior debentures	(193)	(308)	30
Other financial instruments	(96)	(1)	—
	$ 618	1,175	114

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 decrease for the year ended December 31, 2017 as compared to the corresponding prior year period was primarily driven by the investments in Liberty Broadband and Charter experiencing higher gains during 2016 compared to 2017, as well as the exchange of a majority of our 0.75% Exchangeable Senior Debentures due 2043 during 2016. 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 ILG, which resulted in its classification as an available-for-sale security rather than an equity method investment.

Gains on transactions, net. Gain on transactions, net, increased $401 million and decreased $101 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior year periods. The gain on transactions, net for the year ended December 31, 2017 is related to the acquisition of HSNi. In conjunction with the application of acquisition accounting, we recorded a full step up in basis of HSNi along with a gain between our historical basis and the fair value of our interest in HSNi. 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 decreased $124 million for the year ended December 31, 2017 when compared to the corresponding prior year period primarily due to a change in gain (loss) on dilution of investments of $80 million and a change in foreign exchange gains (losses) of $44 million. Other, net increased $117 million for the year ended December 31, 2016 when compared to the corresponding prior year period primarily due to a change in gain (loss) on dilution of investments in affiliates of $83 million, and a change in foreign exchange gains (losses) of $26 million.

Income taxes. The Company had an income tax benefit of $964 million, and income tax expense of $598 million and $185 million for the years ended December 31, 2017, 2016 and 2015, respectively. In connection with the initial analysis of the impact of the Tax Cuts and Jobs Act (the "Tax Act"), as discussed in note 12 in the accompanying consolidated financial statements, the Company has recorded a discrete net tax benefit in the period ending December 31, 2017. This net benefit primarily consists of a net benefit for the corporate rate reduction. In addition our tax rate was impacted by the consolidation of our equity method investment in HSNi during the year ended December 31, 2017.

Our effective tax rate for the years ended December 31, 2016 and 2015 was 32.3% and 22.7%, respectively. The effective tax rate is less than the U.S. federal tax rate of 35% in both periods 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.

Net earnings. We had net earnings of $2,487 million, $1,274 million and $911 million for the years ended December 31, 2017, 2016 and 2015, 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, 2017 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, equity issuances, dividend and interest receipts, proceeds from asset sales, monetization of our public investment portfolio, debt (including availability under QVC's Bank Credit Facilities, (the "Third Amended and Restated Credit Facility") and HSNi's Bank Credit Facility, as discussed in note 11 of the accompanying consolidated financial statements) and cash generated by the operating activities of our wholly-owned subsidiaries. Cash generated by the operating activities of our subsidiaries is only a source of liquidity to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted such as, in the case of QVC, zulily and HSNi, due to a requirement that a leverage ratio (defined as the ratio of subsidiaries' consolidated total debt to Adjusted OIBDA for the most recent four fiscal quarter period) of less than 3.5 to 1.0 must be maintained.

During the year, there were no changes to our corporate debt credit ratings or our consolidated subsidiaries' debt credit ratings. Liberty, QVC and HSNi are in compliance with their debt covenants as of December 31, 2017.

As of December 31, 2017, Liberty's liquidity position consisted of the following:

	Cash and cash equivalents	Available-for-sale securities
	amounts in millions	
QVC	$ 261	—
HSNi	22	
zulily	17	—
Corporate and other	30	3
Total QVC Group	330	3
Corporate and other	573	2,360
Total Ventures Group	573	2,360
Consolidated Liberty	$ 903	2,363

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 $877 million available for borrowing under the QVC Bank Credit Facility at December 31, 2017, and $533 million available for borrowing under the HSNi Bank Credit Facility as of December 31, 2017. As of December 31, 2017, QVC had approximately $204 million of cash and cash equivalents held in foreign subsidiaries that is available for domestic purposes with no significant tax consequences upon repatriation to the U.S. QVC accrues taxes on the unremitted earnings of its international subsidiaries. Approximately 79% of this foreign cash balance was that of QVC-Japan. QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui & Co, LTD. QVC believes that it currently has appropriate legal structures in place to repatriate foreign cash as tax efficiently as possible and meet the business needs of QVC.

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,		
		2017	2016	2015
Cash Flow Information		amounts in millions		
QVC Group cash provided (used) by operating activities	$	1,222	1,273	1,005
Ventures Group cash provided (used) by operating activities		270	170	57
Net cash provided (used) by operating activities	$	1,492	1,443	1,062
QVC Group cash provided (used) by investing activities	$	(229)	(238)	(909)
Ventures Group cash provided (used) by investing activities		(162)	(1,254)	121
Net cash provided (used) by investing activities	$	(391)	(1,492)	(788)
QVC Group cash provided (used) by financing activities	$	(1,014)	(1,103)	(89)
Ventures Group cash provided (used) by financing activities		(22)	(469)	(33)
Net cash provided (used) by financing activities	$	(1,036)	(1,572)	(122)

QVC Group

During the year ended December 31, 2017, the QVC Group uses of cash were primarily the net repayment of certain debt obligations of $149 million and repurchase of Series A QVC Group common stock of $765 million. Additionally, the QVC Group had approximately $201 million of capital expenditures during the year ended December 31, 2017.

In 2018, the projected uses of QVC Group cash are the cost to service outstanding debt, approximately $280 million in interest payments on QVC and corporate level debt, anticipated capital improvement spending of approximately $290 million and the continued buyback of QVC Group common stock under the approved share buyback program.

Ventures Group

During the year ended December 31, 2017, the Ventures Group uses of cash were primarily the repayment of certain debt obligations of $13 million and the purchase of additional cost and equity investments of $159 million.

The projected uses of Ventures Group cash are approximately $58 million in interest payments to service outstanding debt, and further investments in existing or new businesses through continued investment activity.

Consolidated

During the year ended December 31, 2017, Liberty's primary uses of cash were $162 million of net repayments on outstanding debt, repurchases of Series A QVC Group common stock of $765 million, purchase of additional cost and equity investments of $159 million and capital expenditures of $204 million.

The projected uses of Liberty's cash, outside of normal operating expenses (inclusive of tax payments), are the costs to service outstanding debt, approximately $338 million for interest payments on outstanding debt, corporate level and other subsidiary debt, anticipated capital improvement spending at the QVC Group of approximately $290 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)	$ 8,594	24	448	2,766	5,356
Interest payments (2)	5,743	338	667	580	4,158
Operating lease obligations	413	73	116	81	143
Build to suit lease	87	5	12	12	58
Purchase orders and other obligations	1,756	1,688	64	4	—
Total	$ 16,593	2,128	1,307	3,443	9,715

(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, 2017, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2017 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, 2017 and 2016, the carrying value of our Fair Value Option securities was $2,275 million and $1,846 million, respectively. As of December 31, 2017, the carrying value of our investment in Liberty Broadband was $3,635 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, 2017 and 2016, the principal amount and carrying value of our exchangeable debentures were $1,947 million and $1,846 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, and our determination of the estimated fair value allocation of net tangible and identifiable intangible assets acquired in business combinations. 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, 2017, the intangible assets not subject to amortization for each of our significant reportable segments were as follows:

	Goodwill	Trademarks	Total
		amounts in millions	
QVC	$ 5,190	2,428	7,618
HSNi	933	627	1,560
zulily	917	870	1,787
Corporate and other	42	4	46
	$ 7,082	3,929	11,011

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 a quantitative 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 quantitative 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 2017, 2016 and 2015.

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, 2017, 2016 and 2015, sales returns represented 18.1%, 18.3% and 19.1% 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, 2017, QVC's inventory was $1,019 million, which was net of the obsolescence adjustment of $92 million. At December 31, 2016, 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 a provision for doubtful accounts in Selling, general, and administrative expenses in our consolidated statements of operations. At December 31, 2017, QVC's trade accounts receivable were $1,388 million, net of the allowance for doubtful accounts of $91 million. At December 31, 2016, 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 televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC2 and Beauty iQ. The Company's U.S. programming is also available on QVC.com, QVC's U.S. website; mobile applications via streaming video; over-the-air broadcasters; and over-the-top content platforms (Roku, Apple TV, etc.) (such U.S. operations, "QVC-U.S."). QVC's international televised shopping programs, including live and recorded content, are distributed to households outside of the U.S., primarily in Germany, Austria, Japan, the U.K., the Republic of Ireland, Italy and France (such international operations, "QVC-International"). In some of the countries where QVC operates, QVC's televised shopping programs are broadcast across multiple QVC channels: QVC Beauty & Style and QVC2 in Germany and QVC Beauty, QVC Extra, QVC Style in the U.K. The programming created for most of these markets is also available via streaming video on QVC's digital platforms. QVC's international business employs product sourcing teams who select products tailored to the interests of each local market.

QVC 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. The CNRS joint venture is accounted for as an equity method investment.

QVC's operating results were as follows:

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Net revenue	$ 8,771	8,682	8,743
Cost of sales	(5,598)	(5,540)	(5,528)
Operating expenses	(601)	(606)	(607)
SG&A expenses (excluding stock-based compensation)	(675)	(696)	(714)
Adjusted OIBDA	1,897	1,840	1,894
Stock-based compensation	(31)	(32)	(31)
Depreciation and amortization	(519)	(605)	(588)
Operating income	$ 1,347	1,203	1,275

Net revenue was generated from the following geographical areas:

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
QVC-U.S.	$ 6,140	6,120	6,257
QVC-International	2,631	2,562	2,486
	$ 8,771	8,682	8,743

QVC's consolidated net revenue increased 1.0% and decreased 0.7% for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior years. The 2017 increase of $89 million in net revenue was primarily comprised of an increase of $405 million due to a 4.2% increase in units sold. This was primarily offset by a 2.3% decrease in average selling price per unit ("ASP") attributing $237 million, $33 million due to unfavorable foreign currency rates, a decrease of $27 million in shipping and handling revenue, a $15 million decrease in miscellaneous income and an increase of $4 million in estimated product returns. The 2016 decrease of $61 million in net revenue was primarily due to a 3.9% decrease in 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, and a decrease of $105 million in estimated product returns.

During the years ended December 31, 2017 and 2016, the changes in revenue and expenses were affected by changes in the exchange rates for the Japanese Yen, the Euro and the U.K. Pound Sterling. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected. QVC’s product margins may continue to be under pressure due to the devaluation of foreign currencies, and it will attempt to reduce its exposure through pricing and vendor negotiations as Brexit negotiations progress.

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, 2017			Year ended December 31, 2016		
	U.S. dollars	Foreign Currency Exchange Impact	Constant currency	U.S. dollars	Foreign Currency Exchange Impact	Constant currency
QVC-US	0.3 %	— %	0.3 %	(2.2)%	— %	(2.2)%
QVC-International	2.7 %	(1.3)%	4.0 %	3.1 %	0.1 %	3.0 %

In 2017, QVC-U.S. net revenue increase was primarily due to a 3.7% increase in units shipped and a decrease in estimated product returns. This increase was offset by a 2.9% decrease in ASP, a $32 million decrease in shipping and handling revenue and a $14 million decrease in miscellaneous income. QVC-U.S. experienced shipped sales growth in all categories except jewelry. The decrease in estimated product returns was primarily due to an overall lower return rate across all product categories except jewelry. The decrease in net shipping and handling revenue was a result of a decrease in shipping and handling revenue per unit from promotional offers. QVC-International net revenue growth in constant currency was primarily due to a 5.0% increase in units shipped, driven by increases in Japan, Germany, France and the U.K. offset by a decrease in units shipped in Italy. There was a $5 million increase in shipping and handling revenue, primarily driven by Japan. This was offset by a decrease of 1.0% in ASP, primarily driven in Japan and Germany offset by increases in Italy and the U.K. and a $20 million increase in estimated product returns, driven by all markets except Japan. QVC-International experienced shipped sales growth in constant currency in all categories except electronics and jewelry.

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.

QVC's cost of sales as a percentage of net revenue was 63.8%, 63.8% and 63.2% for the years ended December 31, 2017, 2016 and 2015, respectively. The slight increase 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.

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 $5.0 million or 0.8% and decreased $1.0 million or 0.2% for the years ended December 31, 2017 and 2016, respectively. The decrease in 2017 was primarily due to favorable exchange rates. 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.

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 $21 million, and remained at 8% of net revenue for the year ended December 31, 2017 as compared to the prior year and decreased $18 million and 8% of net revenue for the year ended December 31, 2016 as compared to the prior year, as a result of a variety of factors.

The decrease in 2017 was primarily due to a decrease in bad debt expense of $35 million, a decrease in severance expense of $13 million, $4 million from favorable foreign currency rates and a $6 million increase in credit card income offset by an increase in bonus expense of $33 million and a $4 million increase in marketing expenses. The decrease in bad debt expense was primarily related to lower default rates associated with the Easy-Pay program in the U.S. The increase in credit card income was due to the favorable economics of the QVC-branded credit card (“Q card”) portfolio in the U.S. The increase in marketing expenses was primarily due to an increase in the investment made to eMarketing partially offset by discontinuing the naming rights to the Chiba Marine Stadium in Japan.

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 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.

Stock-based compensation includes compensation related to options and restricted stock granted to certain officers and employees. QVC recorded $31 million, $32 million and $31 million of stock-based compensation expense for the years ended December 31, 2017, 2016 and 2015, respectively.

Depreciation and amortization consisted of the following:

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Affiliate agreements	$ 97	146	146
Customer relationships	113	169	170
Acquisition related amortization	210	315	316
Property and equipment	155	142	134
Software amortization	93	100	93
Channel placement amortization and related expenses	61	48	45
Total depreciation and amortization	$ 519	605	588

For the year ended December 31, 2017, acquisition related amortization expense decreased primarily due to the end of the useful lives of certain affiliate agreements and customer relationships established at the time of Liberty's acquisition of QVC in 2003. This was offset by an increase in channel placement amortization related to the addition of Beauty iQ in the U.S. and the increase in depreciation related to the additions at the California distribution center. For the year ended December 31, 2016, depreciation and amortization increased primarily due to expense related to the additions at the California distribution center and new website functionality.

HSN

On December 29, 2017, Liberty acquired the approximately 62% of HSNi it did not already own in an all-stock transaction making HSNi a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. As HSNi's Cornerstone operating segment was included in the "Corporate and other" reportable segment (see note 19 in the accompanying consolidated financial statements), the information presented in this section relates to the HSN reportable segment. With the exception of $38 million of severance-related costs incurred on December 30, 2017, HSN's results of operations are not included in our consolidated operating results for the year ended December 31, 2017, as the final two days of the period were considered immaterial. However, we believe a discussion of HSN's stand alone results promotes a better understanding of the overall results of its business.

HSN is an interactive entertainment and lifestyle retailer offering a curated assortment of exclusive products and top brand names to its customers primarily through television home shopping programming on the HSN television networks, through its business-to-consumer digital commerce site HSN.com, through mobile applications, through outlet stores and through wholesale distribution of certain proprietary products to other retailers. HSN incorporates entertainment, inspiration and personalities to provide an entirely unique shopping experience. HSN's live programming is distributed via its nationally televised shopping program seven days a week, 364 days per year.

HSN's stand-alone operating results for the last three years were as follows:

	Years ended		
	December 31, 2017 (3)	December 31, 2016 (3)	December 31, 2015 (3)
	amounts in millions		
Net revenue	$ 2,343	2,479	2,552
Cost of sales	(1,533)	(1,638)	(1,647)
SG&A expenses (excluding stock-based compensation and acquisition related expenses)	(590)	(582)	(605)
Adjusted OIBDA	220	259	300
Stock-based compensation	(17)	(15)	(14)
Depreciation and amortization	(31)	(29)	(29)
Acquisition and restructuring related expenses (1) (2)	(69)	—	(5)
Operating income (loss)	$ 103	215	252

(1) For the year ended December 31, 2017, Acquisition and restructuring related expenses includes $69 million of transaction related costs related to the acquisition of HSN by the Company.

(2) For the year ended December 31, 2015, Acquisition and restructuring related expenses includes $2 million of severance costs associated with a reorganization at HSN and $3 million for certain costs associated with the planned closure of one of HSN's distribution centers.

(3) HSN has reclassified certain costs between financial statement line items to conform with Liberty's reporting structure for ease of comparability for the periods presented.

HSN's net sales primarily relate to the sale of merchandise, including shipping and handling fees, and are reduced by incentive discounts and actual and estimated sales returns. Sales taxes collected are not included in net sales. Digital sales include sales placed through our websites and our mobile applications, including tablets and smart phones. Revenue is recorded when delivery to the customer has occurred. Delivery is considered to have occurred when the customer takes title and assumes the risks and rewards of ownership, which is on the date of shipment. HSNi's sales policy allows customers to return virtually all merchandise for a full refund or exchange, subject to pre-established time restrictions.

HSN's net revenue decreased 5.5% and 2.9% for the years ended December 31, 2017 and December 31, 2016, respectively, as compared to the corresponding prior years. The decrease in net revenue for the year ended December 31, 2017 was primarily attributed to a 3.3% decrease in ASP, a 3.5% decrease in units shipped and a 21.7% decrease in shipping and handling revenue. The decline was partially offset by a 1.4% improvement in the sales return rate from 16.3% to 14.9%. HSN experienced sales declines in all categories. The decrease in net shipping and handling revenue was primarily due to the decrease in shipping and handling rates per unit from promotional offers and due to a reduction in HSN’s standard shipping rates which became effective in August 2016. The decrease in estimated product returns was primarily due to a decrease in return rates experienced across most categories . The decrease in net revenue for the year ended December 31, 2016 was primarily attributed to a 3.4% decrease in ASP and a 20.0% decrease in shipping and handling revenue, partially offset by a 0.8% improvement in the sales return rate from 17.1% to 16.3%. HSN experienced sales declines in all categories with the exception of apparel and electronics. The decrease in net shipping and handling revenue was primarily due to the decrease in shipping and handling rates per unit from promotional offers and due to a reduction in HSN’s standard shipping rates which became effective in August 2016. The decrease in the sales return rate was primarily due to a sales mix shift to categories with lower return rates and an overall lower return rate across all categories. Approximately one-third of the decline in net sales was attributable to a direct-response television marketing campaign that began in 2014 and concluded in the first quarter of 2016 .

HSN's cost of sales as a percentage of net revenue was 65.4%, 66.1% and 64.5% for the years ended December 31, 2017, 2016 and 2015 respectively. The decrease for the year ended December 31, 2017, as compared to the prior year, was primarily attributed to increased product margins and a favorable inventory obsolescence provision, partially offset by higher freight costs driven largely by annual rate increases with HSN’s outbound shipping carriers . The increase for the year ended December 31, 2016 was primarily attributed to lower shipping revenues and higher fulfillment and shipping costs resulting from issues with the implementation of HSN’s warehouse automation initiative. Shipping and handling costs were also impacted by changes in product mix and annual rate increases with HSN’s outbound shipping carriers.

HSN’s SG&A expenses (excluding stock-based compensation and acquisition-related costs) include personnel, commissions, information technology, order processing and customer service expenses, credit card processing fees, credit card income, provision for doubtful accounts, productions costs and marketing and advertising expense. These expenses increased $8 million, and as a percentage of net revenue, increased from 23.5% to 25.2% for the year ended December 31, 2017, as compared to the prior year. The increase in SG&A expense was primarily due to higher personnel costs of $8 million and an increase in bad debt expense of $5 million related to HSN’s Flexpay program, partially offset by lower marketing expense of $8 million. The increase in personnel costs was primarily due to higher bonus expense and higher wages driven by annual merit increases. The decrease in marketing expense is due to lower digital marketing costs and due to advertising and media costs incurred in the prior year related to the expansion of HSN’s wholesale business and direct-response television business. The increase in expense as a percentage of net revenue was driven by the deleveraging of fixed costs due to the decrease in net sales and due to the increases in bonus and bad debt expenses.

HSN’s SG&A expenses decreased $23 million, and as a percentage of revenue decreased from 23.7% to 23.5% for the year ended December 31, 2016, as compared to 2015. The SG&A expense decrease was primarily due to a $11 million decline in bad debt expense driven by higher loss rates from HSN's Flexpay program in the prior year. The decrease is also due to decreases in personnel costs, including performance-based incentives of $10 million. There was also a $9 million decrease in media costs related to direct-response television business. These decreases were partially offset by higher commissions expense of $7 million primarily due to expanded coverage of HSN2, an increase in digital marketing and an increase in consulting costs.

Stock-based compensation includes compensation related to stock appreciation rights and restricted stock units granted to certain employees. HSN recorded $17 million, $15 million and $14 million of stock-based compensation expense for the years ended December 31, 2017, 2016 and 2015, respectively. Stock-based compensation in 2017 included the acceleration of vesting of certain awards for employees terminated in connection with the Merger, offset by the cancellation of awards as a result of the resignation of HSN’s former CEO in 2017.

HSN’s depreciation and amortization expense increased $2 million and remained flat for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior years. The increase in 2017 is primarily attributed to additions related to HSN’s warehouse automation initiative .

Included in HSN's operating income for the year ended December 31, 2017 are allocated acquisition-related costs of $69 million primarily related to investment banking fees, legal fees and severance-related costs. Of the $38 million of acquisition costs recorded by the Company for the two day period after the acquisition, $30 million related to severance and bonus payments is included in the amount reported by HSN. The additional $8 million recorded by the Company related to accelerated vesting of stock options, was not included in HSN's acquisition-related costs, and has been included in Selling, general and administrative, including stock-based compensation expense in the accompanying consolidated statements of operations.

zulily

Liberty acquired zulily on October 1, 2015, and zulily's results are only included in Liberty's results for periods subsequent to October 1, 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's operating results for the last three years were as follows:

	Years ended		
	December 31, 2017	**December 31, 2016**	**December 31, 2015 (1)**
	amounts in millions		
Net revenue	$ 1,613	1,547	1,361
Cost of sales	(1,195)	(1,108)	(978)
Operating expenses	(47)	(47)	(43)
SG&A expenses (excluding stock-based compensation and acquisition related expenses)	(280)	(280)	(269)
Adjusted OIBDA	91	112	71
Acquisition related expenses	—	—	(30)
Stock-based compensation	(18)	(19)	(19)
Depreciation and amortization	(202)	(245)	(83)
Deferred revenue adjustment	—	—	(17)
Operating income (loss)	$ (129)	(152)	(78)

(1) zulily has reclassified certain costs between financial statement line items to conform with Liberty's reporting structure for ease of comparability for the period ended December 31, 2015.

Net revenue consists primarily of sales of women's, children's and men's apparel, children's merchandise and other product categories such as home, beauty and personalized products. 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 4.3% and 13.7% for the years ended December 31, 2017 and December 31, 2016, respectively, as compared to the corresponding prior years. The increase in net revenue for the year ended December 31, 2017 was primarily attributed to a 5.1% increase in orders placed driven by a 15.9% increase in active customers year over year, coming from accelerated growth in the fourth quarter. Along with the increase in orders placed, units per order also increased but was offset by lower average sales price per unit. 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.

zulily's cost of sales as a percentage of net revenue was 74.1%, 71.6% and 71.9% for the years ended December 31, 2017, 2016 and 2015, respectively. The increase for the year ended December 31, 2017 was primarily attributed to higher free shipping and promotional offers, as well as higher supply chain expenses resulting from an increase in international shipping, a shift in product mix, ramping up of zulily's Pennsylvania fulfillment center and growth of its third-party fulfillment services and higher unit volume at a lower average sales price per unit. The decrease for the year ended December 31, 2016 was primarily attributed to improved operational efficiency, partially offset by higher shipping and handling costs.

zulily's operating expenses are principally comprised of credit card processing fees and customer service expenses. Operating expenses remained flat and increased $4 million, or 9.3%, for the years ended December 31, 2017 and 2016, 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. As a percentage of net revenue, SG&A decreased from 18.1% to 17.4% for the year ended December 31, 2017 primarily due to a shift in marketing and advertising spend to promotional offers.

zulily's SG&A 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 stock-based compensation expense decreased slightly for the year ended December 31, 2017 as compared to the corresponding period in the prior year primarily due to the transfer of certain senior leadership to QVC. zulily's stock-based compensation expense remained flat for the year ended December 31, 2016, compared to the corresponding period in the prior year.

zulily's depreciation and amortization expense decreased $43 million and increased $162 million for the years ended December 31, 2017 and 2016, respectively, as compared to the corresponding prior years. The decrease for the year ended December 31, 2017 as compared to the prior year was primarily attributable to the decelerating amortization of intangible assets recognized in purchase accounting. The increase for the year ended December 31, 2016 as compared to the prior year was 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: October 1, 2015 - December 31, 2015	Deferred Revenue Adjustment	Pre-Acquisition: December 29, 2014 - September 30, 2015	2015 Total
Net revenue	$ 426	17	918	1,361
Cost of sales	(318)	—	(660)	(978)
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.

Item 7A. 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, 2017, 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	$ 1,496	3.0 %	$ 3,719	4.6 %
HSNi	$ 460	3.1 %	$ —	— %
zulily	$ 267	3.0 %	$ —	— %
Corporate and other	$ —	— %	$ 792	8.3 %
Ventures Group				
Corporate and other	$ —	— %	$ 1,947	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, 2017, the fair value of our AFS securities was $2,275 million. Had the market price of such securities been 10% lower at December 31, 2017, the aggregate value of such securities would have been $228 million lower. Our investments in 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 $1,171 million at December 31, 2017 and had the market price of such securities been 10% lower at December 31, 2017, the aggregate value of such securities would have been $117 million lower. These securities are also subject to market risk that is not directly reflected in our statements of operations. At December 31, 2017, the fair value of our investment in Liberty Broadband was $3,635 million. Had the market price of such security been 10% lower at December 31, 2017, the fair value of such security would have been $364 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, 2017 would have been impacted by approximately $5 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.

Item 8. Financial Statements and Supplementary Data .

The consolidated financial statements of Liberty are filed under this Item, beginning on page II-33. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10‑K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .

None.

Item 9A. 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, 2017 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

The Company acquired HSNi in December 2017. As a result of the acquisition, the Company is reviewing the internal controls of HSNi and is making appropriate changes as deemed necessary. Except for the changes in internal control at HSNi, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

See page II-29 for Management's Report on Internal Control Over Financial Reporting.

See page II-30 for KPMG LLP's attestation report regarding the effectiveness of our internal control over financial reporting.

Item 9B. 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, 2017, 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, 2017, its internal control over financial reporting is effective. The Company's assessment of internal control over financial reporting did not include the internal controls of HSN, Inc. ("HSNi") which the Company acquired on December 29, 2017. The amount of total assets and revenue of HSNi included in our consolidated financial statements as of and for the year ended December 31, 2017 was $3.0 billion and zero, respectively.

The Company's independent registered public accounting firm that audited the consolidated financial statements and related disclosures in the Annual Report on Form 10-K has issued an audit report on the effectiveness of the Company's internal control over financial reporting. This report appears on page II-30 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Interactive Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Liberty Interactive Corporation and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission . In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, 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, 2017, and related notes, and our report dated March 1, 2018 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired HSN, Inc. during 2017, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, HSN, Inc.'s internal control over financial reporting associated with total assets of $3,011 million and total revenues of zero included in the consolidated financial statements of the Company as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of HSN, Inc.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

Denver, Colorado
March 1, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Liberty Interactive Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Interactive Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, 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) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

We did not audit the financial statements of HSN, Inc., a wholly-owned subsidiary, which statements reflect certain assets constituting $786 million as of December 31, 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for HSN, Inc., is based solely on the report of the other auditors.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1995.

Denver, Colorado
March 1, 2018

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

	2017	2016
Assets	amounts in millions	
Current assets:		
Cash and cash equivalents	$ 903	825
Trade and other receivables, net	1,726	1,308
Inventory, net	1,411	968
Other current assets	125	68
Total current assets	4,165	3,169
Investments in available-for-sale securities and other cost investments (note 8)	2,363	1,922
Investments in affiliates, accounted for using the equity method (note 9)	309	581
Investment in Liberty Broadband measured at fair value (note 9)	3,635	3,161
Property and equipment, at cost	2,564	2,163
Accumulated depreciation	(1,223)	(1,032)
	1,341	1,131
Intangible assets not subject to amortization (note 10):		
Goodwill	7,082	6,052
Trademarks	3,929	3,302
	11,011	9,354
Intangible assets subject to amortization, net (note 10)	1,248	1,005
Other assets, at cost, net of accumulated amortization	50	32
Total assets	$ 24,122	20,355

(continued)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

	2017	2016
	amounts in millions	
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 1,151	790
Accrued liabilities	1,125	706
Current portion of debt, including $978 million and $862 million measured at fair value (note 11)	996	876
Other current liabilities	169	162
Total current liabilities	3,441	2,534
Long-term debt, including $868 million and $805 million measured at fair value (note 11)	7,553	7,166
Deferred income tax liabilities (note 12)	2,803	3,636
Other liabilities	242	158
Total liabilities	14,039	13,494
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 449,335,940 shares at December 31, 2017 and 429,005,932 shares at December 31, 2016	5	5
Series B QVC Group common stock, $.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,203,895 shares at December 31, 2017 and 29,358,638 shares at December 31, 2016	—	—
Series A Liberty Ventures common stock, $.01 par value. Authorized 400,000,000 shares at December 31, 2017 and December 31, 2016; issued and outstanding 81,686,659 shares at December 31, 2017 and 81,150,711 shares at December 31, 2016	1	1
Series B Liberty Ventures common stock, $.01 par value. Authorized 15,000,000 shares at December 31, 2017 and December 31, 2016; issued and outstanding 4,455,311 shares at December 31, 2017 and 4,271,958 shares at December 31, 2016	—	—
Additional paid-in capital	1,043	—
Accumulated other comprehensive earnings (loss), net of taxes	(133)	(266)
Retained earnings	9,068	7,032
Total stockholders' equity	9,984	6,772
Noncontrolling interests in equity of subsidiaries	99	89
Total equity	10,083	6,861
Commitments and contingencies (note 18)		
Total liabilities and equity	$ 24,122	20,355

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Operations

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	amounts in millions, except per share amounts		
Total revenue, net	$ 10,404	10,647	9,989
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	6,789	6,908	6,393
Operating expense	659	707	699
Selling, general and administrative, including stock-based compensation (note 3)	1,153	1,190	1,078
Acquisition and restructuring charges	35	—	—
Depreciation and amortization	725	874	703
	9,361	9,679	8,873
Operating income	1,043	968	1,116
Other income (expense):			
Interest expense	(355)	(363)	(360)
Share of earnings (losses) of affiliates, net (note 9)	(200)	(68)	(178)
Realized and unrealized gains (losses) on financial instruments, net (note 7)	618	1,175	114
Gains (losses) on transactions, net	410	9	110
Other, net	7	131	14
	480	884	(300)
Earnings (loss) from continuing operations before income taxes	1,523	1,852	816
Income tax (expense) benefit (note 12)	964	(598)	(185)
Earnings (loss) from continuing operations	2,487	1,254	631
Earnings (loss) from discontinued operations, net of taxes (note 6)	—	20	280
Net earnings (loss)	2,487	1,274	911
Less net earnings (loss) attributable to the noncontrolling interests	46	39	42
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 2,441	1,235	869
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
QVC Group common stock	1,208	473	640
Liberty Ventures common stock	1,233	762	229
	$ 2,441	1,235	869
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	$ 2.71	0.99	1.35
Series A and Series B Liberty Ventures common stock	$ 14.34	5.54	(0.36)
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	$ 2.70	0.98	1.33
Series A and Series B Liberty Ventures common stock	$ 14.17	5.49	(0.36)
Basic net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ 2.71	0.99	1.35
Series A and Series B Liberty Ventures common stock	$ 14.34	5.69	1.61
Diluted net earnings (loss) attributable to Liberty Interactive Corporation shareholders per common share (note 3):			
Series A and Series B QVC Group common stock	$ 2.70	0.98	1.33
Series A and Series B Liberty Ventures common stock	$ 14.17	5.64	1.60

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Comprehensive Earnings (Loss)

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in millions	
Net earnings (loss)	$ 2,487	1,274	911
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	134	(84)	(101)
Share of other comprehensive earnings (loss) of equity affiliates	3	(5)	(4)
Other	—	4	(17)
Other comprehensive earnings (loss)	137	(85)	(122)
Comprehensive earnings (loss)	2,624	1,189	789
Less comprehensive earnings (loss) attributable to the noncontrolling interests	50	40	41
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 2,574	1,149	748
Comprehensive earnings (loss) attributable to Liberty Interactive Corporation shareholders:			
QVC Group common stock	$ 1,338	388	540
Liberty Ventures common stock	1,236	761	208
	$ 2,574	1,149	748

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in millions (See note 4)	
Cash flows from operating activities:			
Net earnings (loss)	$ 2,487	1,274	911
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	—	(20)	(280)
Depreciation and amortization	725	874	703
Stock-based compensation	123	97	127
Cash payments for stock-based compensation	—	(92)	(16)
Noncash interest expense	—	12	5
Share of (earnings) losses of affiliates, net	200	68	178
Cash receipts from returns on equity investments	29	31	32
Realized and unrealized (gains) losses on financial instruments, net	(618)	(1,175)	(114)
(Gains) losses on transactions, net	(410)	(9)	(110)
(Gains) losses on extinguishment of debt	—	6	21
Deferred income tax expense (benefit)	(1,136)	473	(103)
Other noncash charges (credits), net	10	(115)	(11)
Changes in operating assets and liabilities			
Current and other assets	(143)	136	(237)
Payables and other liabilities	225	(117)	(44)
Net cash provided (used) by operating activities	1,492	1,443	1,062
Cash flows from investing activities:			
Cash (paid) for acquisitions, net of cash acquired	22	—	(844)
Cash proceeds from dispositions of investments	3	353	271
Investment in and loans to cost and equity investees	(159)	(86)	(120)
Cash receipts from returns of equity investments	—	—	250
Capital expended for property and equipment	(204)	(233)	(258)
Purchases of short term investments and other marketable securities	—	(264)	(1,370)
Sales of short term investments and other marketable securities	—	1,174	1,359
Investment in Liberty Broadband	—	(2,400)	—
Other investing activities, net	(53)	(36)	(76)
Net cash provided (used) by investing activities	(391)	(1,492)	(788)
Cash flows from financing activities:			
Borrowings of debt	2,469	3,427	4,558
Repayments of debt	(2,631)	(4,498)	(3,811)
Repurchases of QVC Group common stock	(765)	(799)	(785)
Withholding taxes on net share settlements of stock-based compensation	(70)	(16)	(30)
Distribution from Liberty Expedia Holdings	—	299	—
Other financing activities, net	(39)	15	(54)
Net cash provided (used) by financing activities	(1,036)	(1,572)	(122)
Effect of foreign currency exchange rates on cash	13	(20)	(3)
Net cash provided (used) by discontinued operations:			
Cash provided (used) by operating activities	—	17	17
Cash provided (used) by investing activities	—	—	(23)
Cash provided (used) by financing activities	—	—	—
Change in available cash held by discontinued operations	—	—	—
Net cash provided (used) by discontinued operations	—	17	(6)
Net increase (decrease) in cash and cash equivalents	78	(1,624)	143
Cash and cash equivalents at beginning of period	825	2,449	2,306
Cash and cash equivalents at end of period	$ 903	825	2,449

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES
Consolidated Statements Of Equity
Years ended December 31, 2017, 2016 and 2015

	Stockholders' Equity								Noncontrolling interest in equity of subsidiaries	Total equity
		QVC Group		Liberty Ventures						
	Preferred Stock	Series A	Series B	Series A	Series B	Additional paid-in capital	Accumulated other comprehensive earnings (loss), net of taxes	Retained Earnings		
	amounts in millions									
Balance at January 1, 2015	$ —	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
Net earnings	—	—	—	—	—	—	—	2,441	46	2,487
Other comprehensive earnings (loss)	—	—	—	—	—	—	133	—	4	137
Stock-based compensation	—	—	—	—	—	123	—	—	—	123
Series A QVC Group stock repurchases	—	—	—	—	—	(765)	—	—	—	(765)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(40)	(40)
Stock issued upon exercise of stock options	—	—	—	—	—	5	—	—	—	5
Withholding taxes on net share settlements of stock-based compensation	—	—	—	—	—	(70)	—	—	—	(70)
Issuance of Series A QVC Group stock in connection HSNi acquisition (note 5)	—	—	—	—	—	1,343	—	—	—	1,343
Reclassification	—	—	—	—	—	405	—	(405)	—	—
Other	—	—	—	—	—	2	—	—	—	2
Balance at December 31, 2017	$ —	5	—	1	—	1,043	(133)	9,068	99	10,083

See accompanying notes to consolidated financial statements.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

(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," the "Company," “we,” “us,” and “our”) unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation.

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

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 the 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 Internal Revenue Service (“IRS”) documenting this conclusion. CommerceHub is included in Liberty’s 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 the split-off (the “Expedia Holdings Split-Off”) of its former wholly-owned subsidiary Liberty Expedia Holdings, Inc. (“Expedia Holdings”). At the time of the Expedia Holdings Split-Off, Expedia Holdings was comprised of, among other things, Liberty’s former interest in Expedia, Inc. (“Expedia”) and Liberty’s former wholly-owned subsidiary Bodybuilding. 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 viewed 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 represented a strategic shift that had a major effect on Liberty’s operations, primarily due to one-time gains on transactions recognized by Expedia in 2015. 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 did 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, $4 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 $11 million, $10 million and $13 million of these allocated expenses were reimbursed from Liberty to LMC for the years ended December 31, 2017, 2016 and 2015, respectively.

(2) Tracking Stocks

Tracking stocks are 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 Liberty's 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. The Ventures Group consists of our businesses not included in the QVC Group including Evite, Inc. ("Evite") and our interests in Liberty Broadband Corporation ("Liberty Broadband"), LendingTree, Inc. ("LendingTree"), FTD Companies, Inc. ("FTD"), investments in Charter Communications, Inc. ("Charter Communications, Inc.") and ILG, Inc. ("ILG"), as well as cash in the amount of approximately $573 million (at December 31, 2017), 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.

On April 4, 2017, Liberty entered into an Agreement and Plan of Reorganization (as amended, the "GCI Reorganization Agreement" and the transactions contemplated thereby, the "Transactions") with General

Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty ("LI LLC"), whereby Liberty will acquire GCI through a reorganization in which certain Ventures Group assets and liabilities will be contributed to GCI Liberty (as defined below) in exchange for a controlling interest in GCI Liberty. Liberty and LI LLC will contribute to GCI Liberty its entire equity interest in Liberty Broadband and Charter, along with, subject to certain exceptions, Liberty's entire equity interests in LendingTree, together with the Evite operating business and certain other assets and liabilities, in exchange for (i) the issuance to LI LLC of a number of shares of new GCI Liberty Class A Common Stock and a number of shares of new GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock outstanding on the closing date of the Contribution, respectively, (ii) cash and (iii) the assumption of certain liabilities by GCI Liberty (the "Contribution").

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

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

On December 29, 2017, Broadband Holdco, LLC, a wholly owned subsidiary of the Company, entered into a margin loan agreement with an availability of $1 billion with various lender parties. Approximately 42.7 million shares of Liberty Broadband series C common stock held by the Company with a value of $3.6 billion were pledged by Broadband Holdco, LLC as collateral to the loan as of December 31, 2017. This margin loan has a term of two years and bears interest at a rate of LIBOR plus 1.85% and contains an undrawn commitment fee of 0.75% per annum. As of December 31, 2017 there were no outstanding borrowings on the margin loan.

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated on March 9, 2018 , subject to the satisfaction of customary closing conditions. Simultaneous with that closing, QVC Group common stock will become the only outstanding common stock of Liberty, and thus QVC Group common stock will cease to function as a tracking stock and will effectively become regular common stock, and Liberty will be renamed Qurate Retail Group, Inc., with QVC, HSNi and zulily as wholly-owned subsidiaries.

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. The QVC Group has attributed to it the remainder of our businesses and assets not attributed to the Ventures Group, including our wholly-owned subsidiaries QVC and zulily (as of October 1, 2015) and HSN, Inc. (“HSNi”) (as of December 29, 2017) as well as cash in the amount of approximately $330 million (at December 31, 2017), 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 of Charter and TWC 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 this Annual Report on Form 10-K for unaudited attributed financial information for Liberty's tracking stock groups.

(3) Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Receivables

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

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				
2017	$ 99	73	(1)	(79)	92
2016	$ 87	109	(1)	(96)	99
2015	$ 92	84	(1)	(88)	87

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 $93 million and $76 million for the years ended December 31, 2017 and 2016, 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 $2,275 million and $1,846 million as of December 31, 2017 and 2016, respectively.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

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 plans to adopt this standard during the first quarter of 2018 and does not expect that the adoption will have a material effect on its consolidated financial statements.

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

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

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.

Property and Equipment

Property and equipment consisted of the following:

	December 31, 2017	December 31, 2016
	amounts in millions	
Land	$ 108	81
Buildings and improvements	1,165	1,016
Support equipment	1,240	1,034
Projects in progress	51	32
Total property and equipment	$ 2,564	2,163

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, 2017, 2016 and 2015 was $176 million, $171 million and $153 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.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity no longer performs a hypothetical purchase price allocation to measure goodwill impairment. Instead, a goodwill impairment is measured using the difference between the carrying value and the fair value of the reporting unit. The Company early adopted this guidance during the fourth quarter of 2017.

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 quantitative impairment test.

The quantitative goodwill impairment test 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.

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. The accounting guidance also allows entities the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to the quantitative impairment test. The entity may resume performing the qualitative assessment in any subsequent period. 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.

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, 2017, 2016 and 2015 aggregated $1,861 million, $1,865 million and $2,037 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		
2017	$ 98	1,027	(1,023)	102
2016	$ 106	1,051	(1,060)	98
2015	$ 109	1,213	(1,216)	106

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. The Company will adopt the accounting guidance effective as of January 1, 2018 with an immaterial adjustment to retained earnings using the modified transition method. The Company has completed our review of the applicable ASU and has concluded it will recognize revenue at the time of shipment to its customers consistent with when title passes. This is a change from the current practice whereby the Company recognizes revenue at the time of delivery to the customers and deferred revenue is recorded to account for the shipments in-transit. The Company has also concluded that it will continue to act as principal in certain vendor arrangements and will recognize credit card income for its QVC-branded credit card as part of net revenue. At the current time, the credit card income is included as an offset to selling, general, and administrative expenses. In addition, the Company's balance sheet presentation of its sales return reserve will change to present a separate return asset and liability, instead of the net presentation currently used. The Company will also elect the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component when its payment terms are less than one year, as well as the practical expedient to exclude from the measurement of the transaction price sales and similar taxes collected from customers.

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 $217 million, $231 million and $154 million for the years ended December 31, 2017, 2016 and 2015, 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 ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for 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 $123 million, $97 million and $127 million for the years ended December 31, 2017, 2016 and 2015, 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 of excess tax benefits for the year ended December 31, 2015 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

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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 guidance amending the accounting for income taxes associated with intra-entity transfers of assets other than inventory. This accounting update, which is part of the FASB's simplification initiative, is intended to reduce diversity in practice and the complexity of tax accounting, particularly for those transfers involving intellectual property. This new guidance requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with early adoption permitted. We anticipate an immaterial retained earnings decrease upon adoption related to the unrecognized income tax effects of asset transfers that occurred prior to adoption.

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,		
	2017	2016	2015
QVC Group			
Net earnings (loss) from continuing operations	$ 1,208	473	640
Net earnings (loss) from discontinued operations	$ NA	NA	NA
Liberty Ventures			
Net earnings (loss) from continuing operations	$ 1,233	742	(51)
Net earnings (loss) from discontinued operations	$ —	20	280

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.

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Series A and Series B QVC Group Common Stock

EPS for all periods through December 31, 2017, is based on the following weighted average shares outstanding. Excluded from diluted EPS for the years ended December 31, 2017, 2016 and 2015 are approximately 20 million, 13 million and 6 million potential common shares, respectively, because their inclusion would be antidilutive.

	Years ended December 31,		
	2017	2016	2015
	number of shares in millions		
Basic WASO	445	476	475
Potentially dilutive shares	3	5	6
Diluted WASO	448	481	481

Series A and Series B Liberty Ventures Common Stock

EPS for all periods through December 31, 2017, is based on the following weighted average shares outstanding. Excluded from diluted EPS for the years ended December 31, 2017, 2016, and 2015 are less than a million potential common shares because their inclusion would be antidilutive.

	Years ended December 31,		
	2017	2016	2015
	number of shares in millions		
Basic WASO	86	134	142
Potentially dilutive shares	1	1	1
Diluted WASO	87	135	143

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 in certain quarterly periods during the year ended December 31, 2017. In order to maintain a zero balance in the additional paid-in capital account, we reclassified the amount of the deficit ($405 million) at December 31, 2017 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.

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,		
	2017	2016	2015
	amounts in millions		
Cash paid for acquisitions:			
Fair value of assets acquired	$ 956	—	154
Intangible assets not subject to amortization	1,577	7	1,791
Intangible assets subject to amortization	651	(40)	837
Net liabilities assumed	(977)	—	(214)
Deferred tax assets (liabilities)	(281)	33	(637)
Fair value of equity consideration	(1,948)	—	(1,087)
Cash paid (received) for acquisitions, net of cash acquired	$ (22)	—	844
Cash paid for interest	$ 343	354	374
Cash paid for income taxes	$ 158	204	318

(5) Acquisitions

On December 29, 2017, Liberty acquired the approximately 62% of HSNi it did not already own in an all-stock transaction making HSNi a wholly-owned subsidiary, attributed to the QVC Group. HSNi shareholders (other than Liberty) received fixed consideration of 1.65 shares of Series A QVC Group common stock ("QVCA") for each share of HSNi common stock. Liberty issued 53.6 million shares QVCA common stock to HSNi shareholders. In conjunction with application of acquisition accounting, we recorded a full step up in basis of HSNi which resulted in a $409 million gain. The fair market value of our ownership interest previously held in HSNi ($605 million) was determined based on the trading price of QVCA common stock on the date of the acquisition (Level 1) less a control premium. The market value of the shares of QVCA common stock issued to HSNi shareholders ($1.3 billion) was determined based on the trading price of QVCA common stock on the date of the acquisition. The total equity value of the transaction was $1.9 billion. With the exception of $43 million of severance-related costs incurred on December 30, 2017, HSNi's results of operations are not included in our consolidated operating results for the year ended December 31, 2017, as the final two days of the period were considered immaterial.

The preliminary purchase price allocation for HSNi is as follows (amounts in millions):

Cash and cash equivalents	$	22
Property and equipment		214
Other assets		752
Goodwill		950
Trademarks		676
Intangible assets subject to amortization		602
Accounts payable & accrued liabilities		(515)
Debt		(460)
Other liabilities assumed		(12)
Deferred tax liabilities		(281)
	$	1,948

Goodwill is calculated as the excess of the consideration transferred over the identifiable net assets acquired and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce, value associated with future customers, continued innovation and noncontractual relationships. Intangible assets acquired during 2017 were comprised of customer relationships of $425 million with a weighted average life of approximately 9 years, capitalized software of $16 million with a weighted average life of approximately 1 year, and technology of $161 million with a weighted average life of approximately 7 years. None of the acquired goodwill is expected to be deductible for tax purposes. As of December 31, 2017, the valuation related to the purchase is not final and the purchase price allocation is preliminary and subject to revision. The primary areas of the purchase price allocation that are not yet finalized are related to certain fixed and intangible assets, liabilities and tax balances.

Included in net earnings (loss) from continuing operations for the year ended December 31, 2017 is $43 million related to HSNi's operations since the date of acquisition, which is primarily related to severance cost post acquisition. Of the $43 million, $38 million related to HSN ($8 million of which related to stock-based compensation expense and is included in Selling, general and administrative, including stock-based compensation expense in the consolidated statements of operations) and $5 million related to Cornerstone.

The pro forma revenue and net earnings from continuing operations of Liberty, prepared utilizing the historical financial statements of HSNi, giving effect to purchase accounting related adjustments made at the time of acquisition, as if the transaction discussed above occurred on January 1, 2016, are as follows:

		Years Ended December 31,	
		2017	2016
		amounts in millions (unaudited)	
Revenue	$	13,791	14,220
Net earnings (loss) from continuing operations		2,200	1,258

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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 HSNi during the periods presented. The pro forma information includes a nonrecurring adjustment for transactions costs incurred as a result of the acquisition.

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.

(6) Disposals

Disposals - Presented as Discontinued Operations

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

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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

	Year ended December 31, 2015
	amounts in millions
Operating income	$ 414
Gain on sale of business	$ 509
Income tax (expense) benefit	$ (203)
Net earnings (loss) attributable to Expedia shareholders	$ 764

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

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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
Earnings (loss) before income taxes	$	24	437
Income tax (expense) benefit	$	(4)	(157)

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

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

Disposals – Not Presented as Discontinued Operations

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 Total revenue, net in the accompanying consolidated statements of operations is $227 million for the year ended December 31, 2015, related to Backcountry. Included in Net earnings (loss) in the accompanying consolidated statements of operations are losses of $3 million for the year ended December 31, 2015, 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 Total revenue, net in the accompanying consolidated statements of operations is $51 million and $89 million for the years ended December 31, 2016 and 2015, respectively, related to CommerceHub. Included in Net earnings (loss) in the accompanying consolidated statements of operations are earnings of $5 million and losses of $10 million for the years ended December 31, 2016 and 2015, 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 Total revenue, net in the accompanying consolidated statements of operations is

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$355 million and $464 million for the years ended December 31, 2016 and 2015, respectively, related to Bodybuilding. Included in Net earnings (loss) in the accompanying consolidated statements of operations are earnings of $6 million and $3 million for the years ended December 31, 2016 and 2015, 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, 2017			December 31, 2016		
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	$ 655	655	—	625	625	—
Available-for-sale securities	$ 2,275	2,275	—	1,846	1,846	—
Investment in Liberty Broadband	$ 3,635	3,635	—	3,161	3,161	—
Debt	$ 1,846	—	1,846	1,667	—	1,667

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,		
	2017	2016	2015
	amounts in millions		
Fair Value Option Securities - AFS	$ 434	723	84
Fair Value Option Securities - Liberty Broadband	473	761	NA
Exchangeable senior debentures	(193)	(308)	30
Other financial instruments	(96)	(1)	—
	$ 618	1,175	114

(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 its AFS securities ("Fair Value Option Securities"). Accordingly, changes in the fair value of Fair Value Option Securities, as determined by quoted market prices, are reported in realized and unrealized gains (losses) on financial instruments 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, 2017	December 31, 2016
	amounts in millions	
QVC Group		
Other investments	$ 3	4
Total attributed QVC Group	3	4
Ventures Group		
Charter	1,800	1,543
ILG	474	302
Other investments	86	73
Total attributed Ventures Group	2,360	1,918
Consolidated Liberty	$ 2,363	1,922

(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, 2017 and the carrying amount at December 31, 2016:

	December 31, 2017			December 31, 2016
	Percentage ownership	Market value	Carrying amount	Carrying amount
			dollars in millions	
QVC Group				
HSNi (1)	100 %	$ NA	$ NA	184
Other	various	NA	40	40
Total QVC Group			40	224
Ventures Group				
FTD (2)	37 %	$ 73	73	216
LendingTree (3)	27 %	1,098	115	31
Other (4)	various	NA	81	110
Total Ventures Group			269	357
Consolidated Liberty			$ 309	581

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

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

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
QVC Group			
HSNi (1)	$ 40	48	64
Other	(2)	(6)	(9)
Total QVC Group	38	42	55
Ventures Group			
FTD (2)	(146)	(41)	(83)
LendingTree (3)	7	12	2
Other (4)	(99)	(81)	(152)
Total Ventures Group	(238)	(110)	(233)
Consolidated Liberty	$ (200)	(68)	(178)

(1) As discussed in note 5, on December 29, 2017, the Company acquired the approximately 62% of HSNi it did not already own in an all-stock transaction making HSNi a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. Therefore the Company no longer has an equity method investment in HSNi as of December 31, 2017. In addition, HSNi paid dividends of $28 million, $28 million, and $228 million during the years ended December 31, 2017, 2016 and 2015, 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 carrying value of Liberty's investment in FTD was written down to its fair value (based on the closing price (Level 1)) as of December 31, 2017 and December 31, 2015.

(3) During the year ended December 31, 2017, the Company purchased an additional 450 thousand shares of LendingTree common stock ("TREE"). In order to purchase the additional shares, Ventures Holdco, LLC, a wholly owned subsidiary of the Company executed a 2-year postpaid variable forward with a notional value of $110 million. The company pledged 642,850 shares of TREE and purchased the delta underlying of 450,000 shares for $77 million. Changes in the fair value of the derivative are reflected in the Realized and unrealized gains (losses) on financial instruments, net line item in the consolidated statements of operations. For the period ended December 31, 2017, the Company recorded an unrealized loss of $95 million.

(4) The Other category for the Ventures Group is comprised of 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 had underperformed operationally.

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, 2017, Liberty has a 23.5% 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	HSN	Corporate and Other	Total
	amounts in millions				
Balance at January 1, 2016	$ 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
Acquisition (3)	—	—	933	17	950
Foreign currency translation adjustments	80	—	—	—	80
Balance at December 31, 2017	$ 5,190	917	933	42	7,082

(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.

(3) As discussed in note 5, on December 29, 2017, the Company acquired the approximately 62% of HSNi it did not already own in an all-stock transaction making HSNi a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. The acquisition resulted in an increase to goodwill of $950 million.

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.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

	December 31, 2017			December 31, 2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in millions					
Television distribution rights	$ 730	(652)	78	2,279	(2,095)	184
Customer relationships	3,356	(2,626)	730	2,910	(2,394)	516
Other	1,268	(828)	440	965	(660)	305
Total	$ 5,354	(4,106)	1,248	6,154	(5,149)	1,005

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 $549 million, $703 million and $550 million for the years ended December 31, 2017, 2016 and 2015, respectively. Based on its amortizable intangible assets as of December 31, 2017, Liberty expects that amortization expense will be as follows for the next five years (amounts in millions):

2018	$ 401
2019	$ 236
2020	$ 162
2021	$ 129
2022	$ 77

Impairments

As of December 31, 2017 accumulated goodwill impairment losses for certain e-commerce companies was $56 million.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

(11) Debt

Debt is summarized as follows:

	Outstanding principal December 31, 2017	Carrying value December 31, 2017	Carrying value December 31, 2016
	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	502	501
Subsidiary level notes and facilities			
QVC 3.125% Senior Secured Notes due 2019	400	399	399
QVC 5.125% Senior Secured Notes due 2022	500	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC Bank Credit Facilities	1,763	1,763	1,896
HSNi Bank Credit Facility	460	460	NA
Other subsidiary debt	170	170	174
Deferred loan costs	—	(24)	(28)
Total QVC Group	$ 6,734	6,703	6,375
Ventures Group			
Corporate level debentures			
4% Exchangeable Senior Debentures due 2029	$ 434	316	276
3.75% Exchangeable Senior Debentures due 2030	435	318	267
3.5% Exchangeable Senior Debentures due 2031	328	342	316
0.75% Exchangeable Senior Debentures due 2043	—	2	3
1.75% Exchangeable Senior Debentures due 2046	750	868	805
Total Ventures Group	$ 1,947	1,846	1,667
Total consolidated Liberty debt	$ 8,681	8,549	8,042
Less debt classified as current		(996)	(876)
Total long-term debt		7,553	7,166

Exchangeable Senior Debentures

Each $1,000 debenture of Liberty Interactive LLC's ("Liberty LLC") 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 $547 as of December 31, 2017.

Each $1,000 original principal amount of the 0.75% Exchangeable Senior Debentures due 2043 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. Subsequent to December 31, 2017, an extraordinary additional distribution was made to the holders of the 0.75% Exchangeable Senior Debentures due 2043 in the amount of $11.9399 per $1,000 original principal of the debentures, which is attributable to the cash consideration of $18.50 per share paid to former holders of common stock of Time Inc. on January 31, 2018, in connection with the acquisition of Time Inc. by Meredith Corporation. The Company expects to pay the extraordinary additional distribution on March 1, 2018, to holders of record of the 0.75% Exchangeable Senior Debentures due 2043 on February 14, 2018, the special record date for the extraordinary additional distribution.

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. Exchangeable Senior Debentures classified as current totaled $978 million at December 31, 2017. 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 $4 million at December 31, 2017 and $5 million at December 31, 2016. 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.

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 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. In addition, 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 zulily and 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 3.0% at December 31, 2017. Availability under the Third Amended and Restated Credit Agreement at December 31, 2017 was $877 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, net in the accompanying consolidated statements of operations.

HSNi Bank Credit Facility

On January 27, 2015, HSNi entered into a $1.25 billion five-year syndicated credit agreement ("Credit Agreement") which is secured by 100% of the voting equity securities of HSNi's U.S. subsidiaries and 65% of HSNi's first-tier foreign subsidiaries. Certain HSNi subsidiaries have unconditionally guaranteed HSNi's obligations under the Credit Agreement. The Credit Agreement, which included a $750 million revolving credit facility and a $500 million term loan, could be increased up to $1.75 billion subject to certain conditions and was set to expire on January 27, 2020. On December 29, 2017, the Credit Agreement was amended, the outstanding balance on the term loan was repaid, and the revolving credit facility was increased to $1 billion. The maturity of the revolving credit facility was extended to December 29, 2022. Loans under the amended Credit Agreement bear interest at a per annum rate equal to LIBOR plus a predetermined margin that ranges from 1.25% to 1.75% or the Base Rate (as defined in the Credit Agreement) plus a predetermined margin that ranges from 0.25% to 0.75%. HSNi pays a commitment fee ranging from 0.20% to 0.30% (based on the leverage ratio) on the unused portion of the revolving credit facility.

The Credit Agreement includes various covenants, limitations and events of default customary for similar facilities including a maximum leverage ratio of 3.50x (as defined in the Credit Agreement). The interest rate on the $460 million outstanding long-term debt balance as of December 31, 2017 was 3.07%. The amount available to HSNi under the revolving credit facility portion of the Credit Agreement is reduced by the amount of outstanding letters of credit issued under the revolving credit facility, which totaled $7 million as of December 31, 2017. The ability to draw funds under the revolving credit facility is dependent upon meeting the aforementioned financial covenants. As of December 31, 2017, the amount that could be borrowed under the revolving credit facility, after consideration of the financial covenants and the outstanding letters of credit, was approximately $533 million .

HSNi Interest Rate Swap Arrangement

HSNi has an outstanding interest rate swap that effectively converts $250 million of its variable rate bank credit facility to a fixed rate of 1.05% with a maturity date in January 2020 (the swapped fixed rate is exclusive of the credit spread under the Credit Agreement). Based on HSNi's leverage ratio as of December 31, 2017, the all-in fixed rate was 2.3525%. The interest rate swaps were previously designated and qualified as cash flow hedges; therefore, the effective portions of the changes in fair value were recorded in accumulated other comprehensive income (loss). Going forward the Company will account for the interest rate swaps at fair value with changes recorded through unrealized gain (loss).

Other Subsidiary Debt

Other subsidiary debt at December 31, 2017 is comprised of capitalized satellite transponder lease obligations.

Debt Covenants

Liberty, QVC and other subsidiaries were in compliance with all debt covenants at December 31, 2017.

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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):

2018	$ 24
2019	$ 425
2020	$ 23
2021	$ 1,786
2022	$ 980

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 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,	
	2017	2016
Senior debentures	$ 866	853
QVC senior secured notes	$ 3,636	3,496

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, 2017.

(12) Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) providing bonus depreciation that will allow for full expensing of qualified property; (3) creating a new limitation on deductible interest expense; (4) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (5) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (6) adding limitations on the deductibility of certain executive compensation; and (7) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries that is payable over eight years . The SEC issued guidance on accounting for the tax effects of the Tax Act. The Company must reflect the income tax effects of those aspects of the Tax Act for which the accounting is known. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements and the Tax Act provides a measurement period that should not extend beyond one year from the Tax Act enactment date. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply the tax laws that were in effect immediately before the enactment of the Tax Act.

The corporate rate reduction was applied to our inventory of deferred tax assets and deferred tax liabilities which resulted in the net tax benefit in the period ended December 31, 2017. The Company has determined a reasonable estimate

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Notes to Consolidated Financial Statements (Continued)

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for these amounts, and based on a continued analysis of the estimates and further guidance and interpretations on the application of the law, additional revisions may occur, and may be material, throughout the allowable measurement period.

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Current:			
Federal	$ (61)	(40)	(188)
State and local	(23)	(12)	(26)
Foreign	(88)	(73)	(74)
	$ (172)	(125)	(288)
Deferred:			
Federal	$ 1,266	(444)	74
State and local	(130)	(33)	21
Foreign	—	4	8
	1,136	(473)	103
Income tax benefit (expense)	$ 964	(598)	(185)

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

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Domestic	$ 1,314	1,684	674
Foreign	209	168	142
Total	$ 1,523	1,852	816

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,		
	2017	2016	2015
	amounts in millions		
Computed expected tax benefit (expense)	$ (533)	(649)	(286)
State and local income taxes, net of federal income taxes	(26)	(26)	(15)
Foreign taxes, net of foreign tax credits	(32)	(9)	(5)
Dividends received deductions	10	9	51
Alternative energy tax credits and incentives	85	94	61
Change in valuation allowance affecting tax expense	(101)	(16)	6
Change in tax rate due to Tax Act	1,485	—	—
Change in state tax rate	(84)	1	(7)
Consolidation of equity investment	138	—	—
Other, net	22	(2)	10
Income tax benefit (expense)	$ 964	(598)	(185)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

For the year ended December 31, 2017 the significant reconciling items are net tax benefits for the effect of the change in the U.S. federal corporate tax rate from 35% to 21% on deferred taxes, the tax-free consolidation of our equity method investment in HSNi, and tax benefits derived from Liberty's alternative energy tax credits and incentives, partially offset by net tax expense for an increase in the Company's valuation allowance and an increase in the Company's state effective tax rate used to measure deferred taxes.

The Company has also evaluated the impact of the one-time mandatory repatriation provision of the Tax Act. Under that provision, earnings and profits of certain of the Company's foreign subsidiaries not previously subjected to US tax could be subjected to US tax in 2017 at reduced rates. The Tax Act allows that earnings and profits deficits of certain subsidiaries may be used to offset the surpluses in others in computing the amount subject to the tax under the mandatory repatriation provision. The Company has performed an evaluation of its earnings and profits of its foreign subsidiaries and estimates that deficits in some of the subsidiaries offset the surpluses in others so that no amount is subject to the mandatory repatriation provision of the Tax Act.

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.

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,	
	2017	2016
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 160	123
Foreign tax credit carryforwards	98	134
Accrued stock compensation	51	56
Other accrued liabilities	19	118
Other future deductible amounts	190	144
Deferred tax assets	518	575
Valuation allowance	(165)	(64)
Net deferred tax assets	353	511
Deferred tax liabilities:		
Investments	903	1,057
Intangible assets	1,188	1,540
Discount on exchangeable debentures	981	1,404
Deferred gain on debt retirements	43	129
Other	41	17
Deferred tax liabilities	3,156	4,147
Net deferred tax liabilities	$ 2,803	3,636

The Company's valuation allowance increased $101 million in 2017. The entire change in valuation allowance affected tax expense and is primarily the result of new provisions in the Tax Act that changed the Company's judgment with respect to the future utilization of its foreign tax credit carryforward.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

At December 31, 2017, the Company had net operating losses (on a tax effected basis), federal business tax credits and foreign tax credit carryforwards for income tax purposes aggregating approximately $160 million, $31 million and $98 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. The net operating losses are expected to be utilized prior to expiration, except for $67 million. The federal business tax credits are expected to be utilized prior to expiration. As a result of the international provisions in the Tax Act, the Company estimates that $98 million of its foreign tax credit carryforward will expire without utilization.

A reconciliation of unrecognized tax benefits is as follows:

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Balance at beginning of year	$ 72	104	136
Additions based on tax positions related to the current year	10	16	14
Additions for tax positions of prior years	4	—	—
Reductions for tax positions of prior years	—	(26)	(12)
Lapse of statute and settlements	(15)	(22)	(34)
Balance at end of year	$ 71	72	104

As of December 31, 2017, 2016 and 2015, the Company had recorded tax reserves of $71 million, $72 million and $104 million, respectively, related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, $60 million, $50 million and $47 million for the years ended December 31, 2017, 2016 and 2015, 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 2018. 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 $3 million.

As of December 31, 2017, the Company's tax years prior to 2014 are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2014 tax year. The Company's 2015, 2016 and 2017 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. Certain QVC subsidiaries are currently under audit in Germany for 2012 through 2014.

The Company recorded $17 million of accrued interest and penalties related to uncertain tax positions as of each of December 31, 2017, 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, 2017, 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, 2017, Liberty reserved for issuance upon exercise of outstanding stock options approximately 32.4 million shares of Series A QVC Group common stock and approximately 1.6 million shares of Series B QVC Group common stock. As of December 31, 2017, Liberty reserved for issuance upon exercise of outstanding stock options approximately 1.7 million shares of Series A Liberty Ventures common stock and approximately 1.1 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, 2017, no shares of any Series C QVC Group and Ventures common stock were issued or outstanding.

On October 1, 2015, in conjunction with the acquisition of zulily, Liberty issued 38.5 million shares of Series A QVC Group common stock. On December 29, 2017, in conjunction with the acquisition of HSNi, Liberty issued 53.6 million shares of Series A QVC Group common stock. See additional discussion about both acquisitions in note 5.

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, 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.

During the year ended December 31, 2017, the Company repurchased 34,765,751 shares of Series A QVC Group common stock for aggregate cash consideration of $766 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 $11.75 million 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 $11.75 million 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 $11.75 million 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. Such target equity awards are comprised of options to purchase shares of QVCB and LVNTB, along with performance-based restricted stock units ("Performance RSUs"). Vesting of the Performance RSUs is determined based on satisfaction of performance metrics that are 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 RSUs 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 equity 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 HSNi acquisition in December 2017 (see note 5), outstanding awards to purchase shares of HSNi common stock (an "HSN 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 HSN Award and (2) the acquisition exchange ratio. 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 Expedia Holdings Split-Off in November 2016, the holder of an outstanding award to purchase shares of Liberty Ventures Series A and Series B common stock (a "Liberty Ventures Award") received an Award to purchase shares of the corresponding series of Expedia Holdings common stock and an adjustment to the exercise price and number of shares subject to the Liberty Ventures Award (as so adjusted, an "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, the holder of an outstanding award to purchase shares of Liberty Ventures Series A and Series B common stock (an "Original Liberty Ventures Award") received an adjustment to the exercise price and number of shares subject to the Original Liberty Ventures Award (as so adjusted, an "Adjusted Liberty Ventures Award"). 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 also received an Award to purchase shares of the corresponding series of CommerceHub common stock as well as Series C CommerceHub common stock (in each case, a "CommerceHub 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.

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Liberty – Grants

The following table presents the number and weighted average grant-date fair value ("GDFV") of options granted by Liberty during the years ended December 31, 2017, 2016 and 2015:

	For the Years ended December 31,					
	2017		2016		2015	
	Options Granted (000's)	Weighted Average GDFV	Options Granted (000's)	Weighted Average GDFV	Options Granted (000's)	Weighted Average GDFV
Series A QVC Group common stock, QVC employees (1)	3,115	$ 7.86	2,860	$ 7.84	2,002	$ 11.87
Series A QVC Group common stock, zulily employees (1)	483	$ 7.86	433	$ 7.57	264	$ 9.84
Series A QVC Group common stock, Liberty employees and directors (2)	518	$ 7.81	421	$ 8.02	2,459	$ 11.63
Series A QVC Group common stock, QVC CEO (3)	NA	NA	NA	NA	1,680	$ 10.40
Series B QVC Group common stock, Liberty CEO (4)	154	$ 7.92	730	$ 7.47	132	$ 10.10
Series A Ventures Group common stock, Liberty employees and directors (2)	188	$ 16.52	114	$ 12.25	683	$ 18.10
Series B Ventures Group common stock, Liberty CEO (4)	269	$ 15.41	209	$ 12.48	135	$ 16.94

(1) Mainly vests semi-annually over four years.

(2) Mainly vests between three and five years for employees and in one year for directors.

(3) Vests 50% on each of December 31, 2019 and 2020. Grant was made in connection with a new compensation arrangement.

(4) Grants in 2017 and 2016 cliff vested at the end of their respective grant year; grant in 2015 cliff vested in March 2016. Grants were made in connection with his employment agreement (see note 14).

In connection with the Option Exchange (see below), Liberty granted 5.9 million, 946 thousand and 1.1 million options to purchase shares of Series A QVC Group common stock, Series A Liberty Ventures common stock and Series B Liberty Ventures common stock, respectively. Such options had an incremental weighted average GDFV of $3.49, $8.53 and $6.94, respectively.

In addition to the stock option grants to the Liberty CEO, Liberty granted performance-based restricted stock units ("RSUs") of Series B QVC Group common stock in 2017, 2016 and 2015 of 115 thousand, 53 thousand and 182 thousand, respectively. The RSUs had a fair value of $19.90, $25.11 and $29.41 per share, respectively, at the time they were granted. Liberty also granted performance-based RSUs of Series B Liberty Ventures common stock in 2016 and 2015 of 16 thousand and 13 thousand, respectively. The RSUs had a fair value of $38.79 and $42.33 per share, respectively, at the time they were granted. The 2017, 2016 and 2015 performance-based RSUs cliff vested in one year, subject to the satisfaction of certain performance objectives and based on an amount determined by the compensation committee.

During the fourth quarter of 2017, the Company entered into a series of transactions with certain officers of Liberty, associated with certain outstanding stock options, in order to recognize tax deductions in the current year versus future years (the "Option Exchange"). On December 26, 2017 (the "Grant Date"), pursuant to the approval of the Compensation Committee of its Board of Directors, the Company effected the acceleration of (i) each unvested in-the-money option to acquire shares of LVNTA and (ii) each unvested in-the-money option to acquire shares of LVNTB, in each case, held by certain of its officers (collectively, the "Eligible Optionholders"). Following this acceleration, also on the Grant Date, each

Eligible Optionholder exercised, on a net settled basis, all of his outstanding in-the-money vested and unvested options to acquire QVCA shares, LVNTA shares and LVNTB shares (the "Eligible Options"), and:

- with respect to each vested Eligible Option, the Company granted the Eligible Optionholder a vested new option with substantially the same terms and conditions as the exercised vested Eligible Option, except that the exercise price for the new option is, in the case of options to acquire shares of QVCA or LVNTA, the closing price on the Grant Date per QVCA or LVNTA share, as applicable, and, in the case of options to acquire shares of LVNTB, the fair market value on the Grant Date of the LVNTB shares as determined pursuant to the incentive plan under which the awards were granted; and
- with respect to each unvested Eligible Option:
    - in satisfaction of the exercise, on a net settled basis, of the unvested Eligible Options, the Company granted the Eligible Optionholder a number of restricted LVNTA or LVNTB shares (the "Restricted Shares") with a vesting schedule identical to that of the unvested Eligible Options so exercised, and the Eligible Optionholder made an election under Section 83(b) of the Internal Revenue Code with respect to such Restricted Shares; and
    - the Company granted the Eligible Optionholder a new option (the "Unvested New Option") to acquire the same series of common stock and with substantially the same terms and conditions, including with respect to vesting and expiration, as the unvested Eligible Option exercised as set forth above, except that the number of LVNTA or LVNTB shares subject to such Unvested New Option is equal to the number of shares subject to the unvested Eligible Option minus the number of Restricted Shares received upon exercise of such unvested Eligible Option. The exercise price of such new option is, in the case of a LVNTA option, the closing price on the Grant Date per share of LVNTA, or, in the case of a LVNTB option, the fair market value on the Grant Date of the LVNTB shares as determined pursuant to the incentive plan under which the Unvested New Options were granted.

The Option Exchange was considered a modification under ASC 718 – Stock Compensation, with the following impacts on compensation expense. The unamortized value of the unvested Eligible Options that were exercised, which was $14 million for LVNTA and LVNTB combined, will be expensed over the vesting period of the Restricted Shares attributable to the exercise of those options. The grant of new vested options resulted in incremental compensation expense in the fourth quarter of 2017 of $30 million for QVCA, LVNTA and LVNTB combined. The grant of Unvested New Options resulted in incremental compensation expense totaling $6 million for LVNTA and LVNTB combined, which will be amortized over the vesting periods of those options.

The Company has calculated the GDFV 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 2017, 2016 and 2015, the range of expected terms was 2.0 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.

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The following table presents the range of volatilities used by Liberty in the Black-Scholes-Merton Model for the 2017, 2016 and 2015 QVC Group and Liberty Ventures grants.

	Volatility				
2017 grants					
QVC Group options	26.9	%	-	32.7	%
Liberty Ventures options	25.9	%	-	28.9	%
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	%

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, 2017	29,585	$ 20.80			1,489	$ 27.50		
HSNi Acquisition	3,635	$ 26.22			—	$ —		
Granted	4,116	$ 23.82			154	$ 23.87		
Exercised	(3,611)	$ 16.34			—	$ —		
Forfeited/Cancelled	(1,364)	$ 27.23			—	$ —		
Option Exchange, Exercised	(5,931)	$ 17.76			—	$ —		
Option Exchange, Granted	5,931	$ 25.74			—	$ —		
Outstanding at December 31, 2017	32,361	$ 23.48	4.0 years	$ 86	1,643	$ 27.16	4.8 years	$ —
Exercisable at December 31, 2017	20,286	$ 22.66	3.2 years	$ 71	997	$ 25.40	4.3 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, 2017	1,974	$ 22.18			987	$ 35.02		
Granted	188	$ 55.42			269	$ 52.39		
Exercised	(451)	$ 16.69			—	$ —		
Forfeited/Cancelled	(12)	$ 38.50			—	$ —		
Option Exchange, Exercised	(975)	$ 20.99			(1,256)	$ 38.74		
Option Exchange, Granted	946	$ 55.96			1,080	$ 56.38		
Outstanding at December 31, 2017	1,670	$ 47.12	2.6 years	$ 14	1,080	$ 56.38	4.7 years	$ —
Exercisable at December 31, 2017	1,273	$ 47.45	2.0 years	$ 10	443	$ 56.38	2.0 years	$ —

As of December 31, 2017, the total unrecognized compensation cost related to unvested Liberty Awards was approximately $116 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.8 years.

Liberty - Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2017, 2016 and 2015 was $145 million, $44 million and $115 million, respectively. The aggregate intrinsic value of options exercised for the year ended December 31, 2017 includes approximately $104 million related to the intrinsic value of options exercised as a result of the Option Exchange.

Liberty - Restricted Stock

The Company had approximately 5.2 million and 252 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, 2017. These Series A and Series B unvested restricted shares of QVC Group and Liberty Ventures had a weighted average GDFV of $24.00 and $50.46 per share, respectively.

The aggregate fair value of all restricted shares of Liberty common stock that vested during the years ended December 31, 2017, 2016 and 2015 was $23 million, $26 million and $16 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 $20 million, $25 million and $27 million, respectively, for the years ended December 31, 2017, 2016 and 2015, respectively.

(17) Other Comprehensive Earnings (Loss)

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

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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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
	amounts in millions		
Balance at January 1, 2015	$ (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)	(6)	(266)
Other comprehensive earnings (loss) attributable to Liberty Interactive Corporation stockholders	130	3	133
Balance at December 31, 2017	$ (130)	(3)	(133)

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, 2017:			
Foreign currency translation adjustments	$ 155	(21)	134
Share of other comprehensive earnings (loss) of equity affiliates	5	(2)	3
Other comprehensive earnings (loss)	$ 160	(23)	137
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)

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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(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 $45 million, $46 million and $39 million for the years ended December 31, 2017, 2016 and 2015, respectively.

A summary of future minimum lease payments under noncancelable operating leases and build to suit leases as of December 31, 2017 follows (amounts in millions):

Years ending December 31:		
2018	$	78
2019	$	70
2020	$	58
2021	$	51
2022	$	42
Thereafter	$	201

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 2017.

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. QVC incurred construction costs of $89 million during the year ended December 31, 2016. No such costs were incurred for the year ended December 31, 2017.

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.

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, 2017, 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 INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

- HSN – consolidated subsidiary that markets and sells a wide variety of consumer products primarily in the U.S. by means of its televised shopping programs and via the Internet and mobile transactions through its domestic websites.

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,					
	2017		2016		2015	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
QVC Group						
QVC	$ 8,771	1,897	8,682	1,840	8,743	1,894
HSN	—	—	NA	NA	NA	NA
zulily	1,613	91	1,547	112	426	21
Corporate and other	—	(35)	—	(16)	—	(28)
Inter-segment eliminations	(3)	—	(10)	—	—	—
Total QVC Group	10,381	1,953	10,219	1,936	9,169	1,887
Ventures Group						
Corporate and other	23	(27)	428	3	820	59
Total Ventures Group	23	(27)	428	3	820	59
Consolidated Liberty	$ 10,404	1,926	10,647	1,939	9,989	1,946

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Other Information

	December 31, 2017				December 31, 2016			
	Total assets	Investments in affiliates	Investment in Liberty Broadband	Capital expenditures	Total assets	Investments in affiliates	Investment in Liberty Broadband	Capital expenditures
	amounts in millions							
QVC Group								
QVC	$ 11,550	40	—	152	11,545	40	—	179
HSN	2,798	—	—	—	NA	NA	NA	NA
zulily	2,323	—	—	49	2,461	—	—	27
Corporate and other	566	—	—	—	351	184	—	—
Total QVC Group	17,237	40	—	201	14,357	224	—	206
Ventures Group								
Corporate and other	6,885	269	3,635	3	5,998	357	3,161	27
Total Ventures Group	6,885	269	3,635	3	5,998	357	3,161	27
Inter-group eliminations	—	—		—	—	—		—
Consolidated Liberty	$ 24,122	309	3,635	204	20,355	581	3,161	233

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

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Consolidated segment Adjusted OIBDA	$ 1,926	1,939	1,946
Stock-based compensation	(123)	(97)	(127)
Depreciation and amortization	(725)	(874)	(703)
Acquisition and restructuring related costs	(35)	—	—
Operating income	1,043	968	1,116
Interest expense	(355)	(363)	(360)
Share of earnings (loss) of affiliates, net	(200)	(68)	(178)
Realized and unrealized gains (losses) on financial instruments, net	618	1,175	114
Gains (losses) on transactions, net	410	9	110
Other, net	7	131	14
Earnings (loss) from continuing operations before income taxes	$ 1,523	1,852	816

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

Revenue by Geographic Area

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

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
United States	$ 7,684	7,979	7,412
Japan	934	900	811
Germany	899	866	850
Other foreign countries	887	902	916
	$ 10,404	10,647	9,989

Long-lived Assets by Geographic Area

	December 31,	
	2017	2016
	amounts in millions	
United States	$ 895	694
Japan	143	145
Germany	164	154
Other foreign countries	139	138
	$ 1,341	1,131

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

(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 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			
2017:				
Revenue	$ 2,327	2,352	2,381	3,344
Operating income	$ 213	254	208	368
Earnings from continuing operations	$ 519	184	308	1,476
Net earnings (loss) attributable to Liberty Interactive Corporation stockholders:				
Series A and Series B QVC Group common stock	$ 91	111	119	887
Series A and Series B Liberty Ventures common stock	$ 416	64	177	576
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	$ 0.20	0.25	0.27	2.07
Series A and Series B Liberty Ventures common stock	$ 4.89	0.75	2.06	6.70
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	$ 0.20	0.24	0.26	2.05
Series A and Series B Liberty Ventures common stock	$ 4.84	0.74	2.03	6.70
Basic net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B QVC Group common stock	$ 0.20	0.25	0.27	2.07
Series A and Series B Liberty Ventures common stock	$ 4.89	0.75	2.06	6.70
Diluted net earnings (loss) attributable to Liberty Interactive Corporation stockholders per common share:				
Series A and Series B QVC Group common stock	$ 0.20	0.24	0.26	2.05
Series A and Series B Liberty Ventures common stock	$ 4.84	0.74	2.03	6.70

LIBERTY INTERACTIVE CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2017, 2016 and 2015

	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

PART II I

The following required information is incorporated by reference to our definitive proxy statement for our 2018 Annual Meeting of Stockholders presently scheduled to be held in the second quarter of 2018:

Item 10. Directors, Executive Officers and Corporate Governanc e
Item 11. Executive Compensatio n
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matter s
Item 13. Certain Relationships and Related Transactions, and Director Independenc e
Item 14. Principal Accountant Fees and Service s

We expect to file our definitive proxy statement for our 2018 Annual Meeting of Stockholders with the Securities and Exchange Commission on or before April 30, 2018.

PART IV .

Item 15. Exhibits and Financial Statement Schedules .

(a)(1) *Financial Statements*

Included in Part II of this report:

(a)(2) *Financial Statement Schedules*

(i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the financial statements or notes thereto.

(ii) Balance sheet only Report of Independent Registered Public Accounting Firm for HSN, Inc. referenced by current year Report of Independent Registered Public Accounting Firm.

(iii) Separate financial statements for Liberty Broadband Corporation:

(a)(3) *Exhibits*

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

2 - Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession:

2.1	Reorganization Agreement, dated as of July 15, 2016, between Liberty Interactive Corporation and CommerceHub, Inc. (incorporated by reference to Exhibit 2.1 to CommerceHub, Inc.'s Current Report on Form 8-K filed on July 26, 2016 (File No. 001-37840) (the "CommerceHub 8-K")).
2.2	Reorganization Agreement, dated as of October 26, 2016, between Liberty Interactive Corporation and Liberty Expedia Holdings, Inc. (incorporated by reference to Exhibit 2.1 to Post-Effective Amendment No. 1 to Liberty Expedia Holdings, Inc.'s Registration Statement on Form S-4 filed on November 4, 2016 (File No. 333-210377)).
2.3	Agreement and Plan of Reorganization, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc. and Liberty Interactive LLC (incorporated by reference to Annex A to Liberty Interactive Corporation's Definitive Proxy Statement on Schedule 14A filed on December 29, 2017 (File No. 001-33982)).
2.4	Agreement and Plan of Merger, dated as of July 5, 2017, by and among Liberty Interactive Corporation, Liberty Horizon, Inc. and HSN, Inc. (included as Annex A to the proxy statement/prospectus forming a part of Liberty Interactive Corporation's Registration Statement on Form S-4 filed on August 31, 2017 (File No. 333-220270).
2.5	Amendment No. 1 to Agreement and Plan of Reorganization, dated as of July 19, 2017, by and among Liberty Interactive Corporation, Liberty Interactive LLC and General Communication, Inc. (incorporated by reference to Annex B to Liberty Interactive Corporation's Definitive Proxy Statement on Schedule 14A filed on December 29, 2017 (File No. 001-33982)).
2.6	Amendment No. 2 to Agreement and Plan of Reorganization, dated as of November 8, 2017, by and among Liberty Interactive Corporation, Liberty Interactive LLC and General Communication, Inc. (incorporated by reference to Annex C to Liberty Interactive Corporation's Definitive Proxy Statement on Schedule 14A filed on December 29, 2017 (File No. 001-33982)).

3 - Articles of Incorporation and Bylaws:

3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to the Registrant's Form 8-A filed on June 4, 2015 (File No. 001-33982) (the "Form 8-A")).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Liberty Interactive Corporation (incorporated by reference to Exhibit 3.2 to the Form 8-A).
3.3	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 6, 2015 (File No. 001-33982)).

4 - Instruments Defining the Rights to Securities Holders, including Indentures:

4.1	Form of Specimen certificate for shares of the Registrant's Series A QVC Group common stock, par value $.01 per share (incorporated by reference to Exhibit 4.1 to the Form 8-A).
4.2	Form of Specimen certificate for shares of the Registrant's Series B QVC Group common stock, par value $.01 per share (incorporated by reference to Exhibit 4.2 to the Form 8-A).
4.3	Specimen certificate for shares of the Registrant's Series A Liberty Ventures common stock, par value $.01 per share (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-4 filed on April 3, 2012 (File No. 333-180543) (the "Liberty S-4")).
4.4	Specimen certificate for shares of the Registrant's Series B Liberty Ventures common stock, par value $.01 per share (incorporated by reference to Exhibit 4.4 to the Liberty S-4).
4.5	The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10 - Material Contracts:

10.1	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011) (the "2000 Incentive Plan") (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2011 filed on November 8, 2011 (File No. 001-33982) (the "Liberty 2011 10-Q")). +
10.2	Amendment to the 2000 Incentive Plan (effective as of August 5, 2013) (incorporated by reference to Exhibit 10.3 to the Liberty Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 filed on November 5, 2013) (File No. 001-33982) (the "Liberty 2013 10-Q"). +
10.3	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011) (the "2007 Incentive Plan") (incorporated by reference to Exhibit 10.6 to the Liberty 2011 10-Q). +
10.4	Amendment to the 2007 Incentive Plan (effective as of August 5, 2013) (incorporated by reference to Exhibit 10.4 to the Liberty 2013 10-Q). +
10.5	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011) (the "2010 Incentive Plan") (incorporated by reference to Exhibit 10.7 to the Liberty 2011 10-Q). +
10.6	Amendment to the 2010 Incentive Plan (effective August 5, 2013) (incorporated by reference to Exhibit 10.5 to the Liberty 2013 10-Q). +
10.7	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011) (the "2002 Directors Plan") (incorporated by reference to Exhibit 10.8 to the Liberty 2011 10-Q). +
10.8	Amendment to the 2002 Directors Plan (effective as of August 5, 2013) (incorporated by reference to Exhibit 10.1 to the Liberty 2013 10-Q). +

10.9	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015) (the "2011 Directors Plan") (incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 26, 2016 (File No. 001-33982) (the "Liberty 2015 10-K"). +
10.10	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015) (the "2012 Incentive Plan") (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2015 filed on May 8, 2015 (File No. 001-33982)). +
10.11	Liberty Interactive Corporation 2016 Omnibus Incentive Plan (incorporated by reference to Annex A to the Registrant's Proxy Statement on Schedule 14A filed on July 8, 2016 (File No. 001-33982)). +
10.12	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014 (File No. 001-33982) (the "Liberty 2013 10-K")). +
10.13	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.14 to the Liberty 2013 10-K). +
10.14	Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan, the 2007 Incentive Plan and the 2010 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 23, 2012 (File No. 001-33982) (the "Liberty 2011 10-K")). +
10.15	Form of Restricted Stock Award Agreement under the 2000 Incentive Plan, the 2007 Incentive Plan and the 2010 Incentive Plan [for certain designated award recipients] (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 25, 2010 (File No. 001-33982) (the "Liberty 2009 10-K)). +
10.16	Form of Non-Qualified Stock Option Agreement under the 2002 Directors Plan and the 2011 Directors Plan (incorporated by reference to 10.19 to the Liberty 2011 10-K). +
10.17	Form of Restricted Stock Award Agreement under the 2002 Directors Plan and the 2011 Directors Plan (incorporated by reference to 10.20 to the Liberty 2011 10-K). +
10.18	Non-Qualified Stock Option Agreement under the 2007 Incentive Plan for Michael George dated March 2, 2011 (incorporated by reference to 10.22 to the Liberty 2011 10-K). +
10.19	Amended and Restated Non-Qualified Stock Option Agreement under the 2000 Incentive Plan for Gregory B. Maffei (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ending June 30, 2012 filed on August 8, 2012 (File No. 001-33982) (the "Liberty 2012 10-Q")). +
10.20	Amended and Restated Non-Qualified Stock Option Agreement under the 2007 Incentive Plan for Gregory B. Maffei (incorporated by reference to Exhibit 10.2 to the Liberty 2012 10-Q). +
10.21	Employment Agreement between Michael George and QVC, effective December 16, 2015 (incorporated by reference to Exhibit 10.23 to the Liberty 2015 10-K). +

10.22	Employment Agreement between Gregory B. Maffei and Liberty Interactive Corporation dated December 29, 2014 (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014 filed on February 27, 2015 (File No. 001-33982)). +
10.23	Non-Qualified Stock Option Agreement under the Liberty Interactive Corporation 2010 Incentive Plan for Gregory B. Maffei, effective December 24, 2014 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 filed on August 5, 2015 (File No. 001-33982)). +
10.24	Letter Agreement regarding personal use of the Liberty aircraft, dated as of February 5, 2013, between Gregory B. Maffei and Liberty Media Corporation (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on February 28, 2013 (File No. 001-33982)). +
10.25	Letter Agreement regarding personal use of Liberty Media's aircraft, dated as of November 11, 2015, between Gregory B. Maffei and Liberty Media Corporation (incorporated by reference to Exhibit 10.27 to the Liberty 2015 10-K). +
10.26	Agreement Regarding LINTA Equity Awards dated September 23, 2011, between Liberty Interactive Corporation and Gregory B. Maffei (incorporated by reference to Exhibit 10.25 to the Liberty 2011 10-K). +
10.27	Call Agreement, dated as of February 9, 1998 (the "Call Agreement"), between Liberty Interactive Corporation (as successor of Liberty Interactive LLC (f/k/a Liberty Media LLC, "Old Liberty"), as assignee of Tele-Communications, Inc.) and the Malone Group (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 27, 2009 (File No. 001-33982)).
10.28	Letter, dated as of March 5, 1999, from Tele-Communications, Inc. and Old Liberty addressed to Mr. Malone and Leslie Malone relating to the Call Agreement (incorporated by reference to Exhibit 10.27 to the Liberty 2009 10-K).
10.29	Form of Indemnification Agreement between the Registrant and its executive officers/directors (incorporated by reference to Exhibit 10.29 to the Liberty 2011 10-K).
10.30	Tax Sharing Agreement, dated September 23, 2011, between Liberty Interactive Corporation, Liberty Interactive LLC and Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation)) (incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 1 to Starz's Registration Statement on Form S-4 filed on September 23, 2011 (File No. 333-171201) (the "Starz S-4")).
10.31	Services Agreement, dated as of September 23, 2011, by and between Liberty Interactive Corporation and Liberty Media Corporation (as assignee of Starz (f/k/a Liberty Media Corporation)) (incorporated by reference to Exhibit 10.5 to the Starz S-4).
10.32	Tax Sharing Agreement, dated as of August 27, 2014, between Liberty Interactive Corporation and Liberty TripAdvisor Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 3, 2014 (File No. 001-33982)).

10.33	Amendment to Tax Sharing Agreement, dated as of October 3, 2014, between Liberty Interactive Corporation and Liberty TripAdvisor Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2015 filed on May 8, 2015 (File No. 001-33982)).
10.34	Tax Sharing Agreement, dated as of July 22, 2016, between Liberty Interactive Corporation and CommerceHub, Inc. (incorporated by reference to Exhibit 10.1 to the CommerceHub 8-K).
10.35	Tax Sharing Agreement, dated as of November 4, 2016, between Liberty Interactive Corporation and Liberty Expedia Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 7, 2016 (File No. 001-33982)).
10.36	Indenture dated as of March 23, 2010 among QVC, the guarantors party thereto and U.S. Bank National Association, as trustee, as supplemented by that Supplemental Indenture dated as of June 30, 2011 (incorporated by reference to Exhibit 10.2 to the QVC S-4).
10.37	Indenture dated as of July 2, 2012 among QVC, the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the QVC S-4).
10.38	Indenture dated as of March 18, 2013 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 10.2 to QVC's Quarterly Report on Form 10-Q filed on May 9, 2013 (File No. 333-184501)).
10.39	Form of the Indenture dated as of March 18, 2014 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to QVC's Registration Statement on Form S-4 filed on April 30, 2014 (File No. 333-195586)).
10.40	Indenture dated as of August 21, 2014 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to QVC's Registration Statement on Form S-4 filed on October 10, 2014 (File No. 333-199254)).
10.41	Second Amended and Restated Credit Agreement, dated as of March 9, 2015, among QVC, Inc., as Borrower, J.P. Morgan Securities LLC, as Lead Arranger and Lead Bookrunner, JPMorgan Chase Bank, N.A., as Administrative Agent, Wells Fargo Bank, N.A., and BNP Paribas, as Syndication Agents, and the parties named therein as Lenders, Issuing Banks, Documentation Agents and Co-Lead Arrangers and Co-Bookrunners (incorporated by reference to Exhibit 4.1 to QVC's Current Report on Form 8-K (File No. 333-184501) as filed on March 13, 2015).
10.42	Third Amended and Restated Credit Agreement, dated as of June 23, 2016, among QVC, Inc. and zulily, llc, as Borrowers, JPMorgan Chase Bank, N.A., as Lead Arranger, Lead Bookrunner and Administrative Agent and the parties named therein as Lenders, Co-Bookrunners, Co-Syndication Agents and Co-Documentation Agents (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 28, 2016 (File No. 001-33982)).
10.43	Amended and Restated Investment Agreement, dated May 28, 2015, by and among Liberty Broadband Corporation, Liberty Interactive Corporation, JANA Nirvana Master Fund, Ltd., JANA Master Fund, Ltd., and Coatue Offshore Master Fund, Ltd. (incorporated by reference to Exhibit 10.5 to Liberty Broadband Corporation's Current Report on Form 8-K filed on May 29, 2015 (File No. 001-36713) (the "LBC 8-K").

10.44	Amended and Restated Assignment and Assumption Agreement, dated May 29, 2015, by and among Liberty Broadband Corporation, Liberty Interactive Corporation, Soroban Master Fund LP, and Soroban Opportunities Master Fund LP (incorporated by reference to Exhibit 10.8 to the LBC 8-K).
10.45	Liberty Interactive Corporation Nonemployee Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2015 filed on May 8, 2015 (File No. 001-33982)).
10.46	zulily, inc. 2009 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to zulily, inc.'s Registration Statement on Form S-1 filed on October 8, 2013 (File No. 333-191617)). +
10.47	zulily, inc. 2013 Equity Plan (incorporated by reference to Exhibit 10.3 to Amendment No. 1 to zulily, inc.'s Registration Statement on Form S-1 filed on October 17, 2013 (File No. 333-191617)). +
10.48	Form of Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.48 to the Liberty 2015 10-K). +
10.49	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.49 to the Liberty 2015 10-K). +
10.50	Form of 2017 Performance-based Restricted Stock Unit Agreement (QVCB) under the Liberty Interactive Corporation 2016 Omnibus Incentive Plan (the "2016 Incentive Plan") for Gregory B. Maffei (incorporated by reference to Exhibit 10.1 to Liberty Interactive Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed on November 9, 2017 (File No. 001-33982) (the "LIC 2017 10-Q")) . +
10.51	Form of 2017 Term Option Agreement under the 2016 Incentive Plan for Gregory B. Maffei (incorporated by reference to Exhibit 10.2 to the LIC 2017 10-Q). +
10.52	Form of 2017 Performance-based Restricted Stock Unit Agreement under the 2016 Incentive Plan for certain officers other than the Chief Executive Officer and Chief Legal Officer (incorporated by reference to Exhibit 10.3 to the LIC 2017 10-Q). +
10.53	Form of Restricted Stock Units Agreement under the 2016 Incentive Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.4 to the LIC 2017 10-Q). +
10.54	Form of Nonqualified Stock Option Agreement under the 2016 Incentive Plan for Nonemployee Directors (incorporated by reference to Exhibit 10.5 to the LIC 2017 10-Q). +
10.55	HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan (incorporated by reference to Exhibit 10.13 to HSN, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 01-34061) as filed on February 20, 2014). +
10.56	HSN, Inc. 2017 Omnibus Incentive Plan (incorporated by reference to Annex A of HSN, Inc.'s 2017 Proxy Statement on Schedule 14A (File No. 01-34061) as filed on April 10, 2017). +
10.57	Form of Election Form with respect to December 2017 Option Exchange Proposal for participants.* +

10.58	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., John C. Malone and Leslie Malone (incorporated by reference to Annex F to Liberty Interactive Corporation's Definitive Proxy Statement on Schedule 14A filed on December 29, 2017 (File No. 001-33982)). +
10.59	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., John W. Stanton and Theresa E. Gillespie (incorporated by reference to Annex G to Liberty Interactive Corporation's Definitive Proxy Statement on Schedule 14A filed on December 29, 2017 (File No. 001-33982)).
10.60	Voting Agreement, dated as of April 4, 2017, by and among Liberty Interactive Corporation, General Communication, Inc., Ronald A. Duncan and Dani Bowman (incorporated by reference to Annex H to Liberty Interactive Corporation's Definitive Proxy Statement on Schedule 14A filed on December 29, 2017 (File No. 001-33982)).
10.61	Letter Agreement between Liberty Interactive Corporation and Liberty Media Corporation relating to the Services Agreement dated September 23, 2011 (incorporated by reference to Exhibit 10.60 to Liberty Media Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 as filed on February 28, 2018 (File No. 001-35707)).
21	Subsidiaries of Liberty Interactive Corporation.*
23.1	Consent of KPMG LLP.*
23.2	Consent of KPMG LLP.*
23.3	Consent of Ernst & Young LLP.*
31.1	Rule 13a-14(a)/15d - 14(a) Certification.*
31.2	Rule 13a-14(a)/15d - 14(a) Certification.*
32	Section 1350 Certification.**
99.1	Unaudited Attributed Financial Information for Tracking Stock Groups.*
99.2	Reconciliation of Liberty Interactive Corporation Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings. **
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema Document.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	XBRL Taxonomy Label Linkbase Document.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	XBRL Taxonomy Definition Document.*

* Filed herewith.

** Furnished herewith.
+ This document has been identified as a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

Not applicable.

Report of Independent Registered Certified Public Accounting Firm

To the Shareholders and the Board of Directors of HSN, Inc.

Opinion on the Financial Statement

We have audited the accompanying consolidated balance sheet of HSN, Inc. and subsidiaries (a wholly owned subsidiary of Liberty Interactive Corporation) (the Company) as of December 31, 2017, and the related notes (collectively referred to as the "financial statement") (not presented separately herein). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2007.
Tampa, Florida
March 1, 2018

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Liberty Broadband Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Broadband Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three‑year period ended December 31, 2017, 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) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 9, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Denver, Colorado
February 9, 2018

LIBERTY BROADBAND CORPORATION

Consolidated Balance Sheets

December 31, 2017 and 2016

	2017	2016
	amounts in thousands	
Assets		
Current assets:		
Cash and cash equivalents	$ 81,257	205,728
Derivative instruments	—	49,019
Other current assets	2,797	3,672
Total current assets	84,054	258,419
Investment in Charter, accounted for using the equity method (note 5)	11,835,613	9,315,253
Other tangible and intangible assets, net	12,073	15,803
Other assets	49	1,485
Total assets	$ 11,931,789	9,590,960
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,381	7,931
Current portion of debt (note 6)	—	400,000
Deferred revenue and other current liabilities	5,168	4,185
Total current liabilities	10,549	412,116
Debt (note 6)	497,370	198,512
Deferred income tax liabilities (note 7)	932,593	504,644
Other liabilities	4,376	2,596
Total liabilities	1,444,888	1,117,868
Equity		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, $.01 par value. Authorized 500,000,000 shares; issued and outstanding 26,301,755 and 26,251,533 at December 31, 2017 and 2016, respectively	262	262
Series B common stock, $.01 par value. Authorized 18,750,000 shares; issued and outstanding 2,455,179 and 2,467,509 at December 31, 2017 and 2016, respectively	25	25
Series C common stock, $.01 par value. Authorized 500,000,000 shares; issued and outstanding 152,563,229 and 153,019,547 at December 31, 2017 and 2016, respectively	1,526	1,530
Additional paid-in capital	7,907,900	7,945,883
Accumulated other comprehensive earnings, net of taxes	8,424	7,656
Retained earnings (accumulated deficit)	2,568,764	517,736
Total equity	10,486,901	8,473,092
Commitments and contingencies (note 11)		
Total liabilities and equity	$ 11,931,789	9,590,960

See accompanying notes to consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Consolidated Statements of Operations

Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
	amounts in thousands, except per share amounts		
Revenue:			
Software sales	$ 12,320	28,597	10,364
Service	772	1,858	76,139
Other	—	131	4,679
Total revenue	13,092	30,586	91,182
Operating costs and expenses			
Operating, including stock-based compensation (note 9)	2,582	2,798	6,096
Selling, general and administrative, including stock-based compensation (note 9)	24,065	34,703	42,792
Research and development, including stock-based compensation (note 9)	8,153	10,240	17,032
Gain on legal settlement	—	—	(60,450)
Impairment of intangible assets	—	—	20,669
Depreciation and amortization	3,770	4,005	6,088
	38,570	51,746	32,227
Operating income (loss)	(25,478)	(21,160)	58,955
Other income (expense):			
Interest expense	(19,570)	(14,956)	(7,424)
Dividend and interest income	1,449	5,020	3,797
Share of earnings (losses) of affiliate (note 5)	2,508,991	641,544	(120,962)
Gain (loss) on dilution of investment in affiliate (note 5)	(17,872)	770,766	(7,198)
Realized and unrealized gains (losses) on financial instruments, net (note 4)	3,098	94,122	2,619
Other, net	(18)	336	158
Earnings (loss) from continuing operations before income taxes	2,450,600	1,475,672	(70,055)
Income tax benefit (expense)	(416,933)	(558,369)	19,868
Net earnings (loss) attributable to Liberty Broadband shareholders	$ 2,033,667	917,303	(50,187)
Basic earnings (loss) from continuing operations attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 3)	$ 11.19	6.03	(0.49)
Diluted net earnings (loss) attributable to Series A, Series B and Series C Liberty Broadband shareholders per common share (note 3)	$ 11.10	6.00	(0.49)

See accompanying notes to consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Consolidated Statements of Comprehensive Earnings (Loss)

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in thousands	
Net earnings (loss)	$ 2,033,667	917,303	(50,187)
Other comprehensive earnings (loss), net of taxes:			
Unrealized holding gains (losses) arising during the period	—	(221)	(287)
Share of other comprehensive earnings (loss) of equity affiliate	768	811	1,274
Other	—	(1,839)	—
Other comprehensive earnings (loss), net of taxes	768	(1,249)	987
Comprehensive earnings (loss) attributable to Liberty Broadband shareholders	$ 2,034,435	916,054	(49,200)

See accompanying notes to consolidated financial statements.

LIBERTY BROADBAND CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2017, 2016 and 2015

	2017	2016	2015
		amounts in thousands	
Cash flows from operating activities:			
Net earnings (loss)	$ 2,033,667	917,303	(50,187)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,770	4,005	6,088
Stock-based compensation	5,292	5,713	6,380
Impairment of intangible assets	—	—	20,669
Cash payments for stock-based compensation	(525)	(591)	(1,268)
Share of (earnings) losses of affiliate, net	(2,508,991)	(641,544)	120,962
(Gain) loss on dilution of investment in affiliate	17,872	(770,766)	7,198
Realized and unrealized (gains) losses on financial instruments, net	(3,098)	(94,122)	(2,619)
Deferred income tax expense (benefit)	416,838	560,778	(24,964)
Other, net	2,030	1,033	(1,440)
Changes in operating assets and liabilities:			
Current and other assets	2,310	9,161	(1,238)
Payables and other liabilities	804	(2,868)	(44,292)
Net cash provided by operating activities	(30,031)	(11,898)	35,289
Cash flows from investing activities:			
Capital expended for property and equipment	(70)	(267)	(731)
Investments in equity investees	—	(5,000,000)	—
Purchases of short term investments and other marketable securities	—	(155,444)	(18,032)
Sales of short term investments and other marketable securities	—	164,458	18,019
Other investing activities, net	14	453	(1,735)
Net cash used in investing activities	(56)	(4,990,800)	(2,479)
Cash flows from financing activities:			
Cash received from rights offering	—	—	697,309
Borrowings of debt	500,000	200,000	67,995
Repayments of debt	(600,000)	—	(40,000)
Cash received from issuance of Series C Liberty Broadband common stock	—	4,400,000	—
Proceeds (payments) from issuances of financial instruments	(149,368)	(47,888)	30,158
Proceeds (payments) from settlements of financial instruments	155,683	—	(182,192)
Other financing activities, net	(699)	1,235	4,190
Net cash provided by (used in) financing activities	(94,384)	4,553,347	577,460
Net increase (decrease) in cash	(124,471)	(449,351)	610,270
Cash and cash equivalents, beginning of year	205,728	655,079	44,809
Cash and cash equivalents, end of year	$ 81,257	205,728	655,079

Supplemental disclosure to the consolidated statements of cash flows:

	Years ended December 31,		
	2017	2016	2015
		amounts in thousands	
Cash paid for interest	$ 17,496	13,783	7,251
Cash paid (received) for taxes	$ (1,787)	(9,410)	5,485

See accompanying notes to consolidated financial statements .

LIBERTY BROADBAND CORPORATION

Consolidated Statement of Equity

Years ended December 31, 2017, 2016 and 2015

	Preferred Stock	Common stock Series A	Common stock Series B	Common stock Series C	Additional paid-in capital	Accumulated other comprehensive earnings	Retained earnings (accumulated deficit)	Total equity
	amounts in thousands							
Balance at January 1, 2015	$ —	261	25	572	2,835,373	7,918	(349,380)	2,494,769
Net earnings (loss)	—	—	—	—	—	—	(50,187)	(50,187)
Other comprehensive earnings (loss)	—	—	—	—	—	987	—	987
Stock-based compensation	—	—	—	—	5,200	—	—	5,200
Issuance of common stock upon exercise of stock options	—	1	—	1	138	—	—	140
Excess tax benefits from stock-based compensation	—	—	—	—	1,217	—	—	1,217
Common stock issued pursuant to the rights offering	—	—	—	173	697,136	—	—	697,309
Other	—	—	—	—	(1,216)	—	—	(1,216)
Balance at December 31, 2015	—	262	25	746	3,537,848	8,905	(399,567)	3,148,219
Net earnings (loss)	—	—	—	—	—	—	917,303	917,303
Other comprehensive earnings (loss)	—	—	—	—	—	(1,249)	—	(1,249)
Stock-based compensation	—	—	—	—	5,362	—	—	5,362
Issuance of common stock upon exercise of stock options	—	—	—	1	3,529	—	—	3,530
Issuance of common stock	—	—	—	783	4,399,217	—	—	4,400,000
Other	—	—	—	—	(73)	—	—	(73)
Balance at December 31, 2016	—	262	25	1,530	7,945,883	7,656	517,736	8,473,092
Net earnings (loss)	—	—	—	—	—	—	2,033,667	2,033,667
Other comprehensive earnings (loss)	—	—	—	—	—	768	—	768
Stock-based compensation	—	—	—	—	5,358	—	—	5,358
Issuance of common stock upon exercise of stock options	—	—	—	1	2,456	—	—	2,457
Cumulative effect of accounting change at Charter	—	—	—	—	—	—	17,361	17,361
Non-cash settlement of financial instrument	—	—	—	(5)	(45,797)	—	—	(45,802)
Balance at December 31, 2017	$ —	262	25	1,526	7,907,900	8,424	2,568,764	10,486,901

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

During May 2014, the board of directors of Liberty Media Corporation and its subsidiaries ("Liberty") authorized management to pursue a plan to spin-off to its stockholders common stock of a wholly-owned subsidiary, Liberty Broadband Corporation ("Liberty Broadband" or the "Company"), and to distribute subscription rights to acquire shares of Liberty Broadband's common stock (the "Broadband Spin-Off"). At the time of the Broadband Spin-off, Liberty Broadband was comprised of (i) Liberty's former interest in Charter Communications, Inc. ("Legacy Charter"), (ii) Liberty's former wholly-owned subsidiary TruePosition, Inc. ("TruePosition"), (iii) Liberty's former minority equity investment in Time Warner Cable, Inc. ("Time Warner Cable"), (iv) certain deferred tax liabilities, as well as liabilities related to the Time Warner Cable written call options and (v) initial indebtedness, pursuant to margin loans entered into prior to the completion of the Broadband Spin-Off. These financial statements refer to the combination of the aforementioned subsidiary, investments, and financial instruments, as "Liberty Broadband," "the Company," "us," "we" and "our" in the notes to the consolidated financial statements. The Broadband Spin-Off was accounted for at historical cost due to the pro rata nature of the distribution to holders of Liberty common stock.

In the Broadband Spin-Off, record holders of Liberty Series A, Series B and Series C common stock received one-fourth of a share of the corresponding series of Liberty Broadband common stock for each share of Liberty common stock held by them, with cash paid in lieu of fractional shares. In addition, following the completion of the Broadband Spin-Off, on December 10, 2014, Liberty Broadband stockholders received a subscription right to acquire one share of Series C Liberty Broadband common stock for every five shares of Liberty Broadband common stock. See note 8 for additional information related to the rights offering.

Following the Broadband Spin-Off, Liberty and Liberty Broadband operate as separate, publicly traded companies, and neither has any stock ownership, beneficial or otherwise, in the other. In connection with the Broadband Spin-Off, Liberty (for accounting purposes a related party of the Company) and Liberty Broadband entered into certain agreements in order to govern certain of the ongoing relationships between the two companies after the Broadband Spin-Off and to provide for an orderly transition. These agreements include a reorganization agreement, a services agreement, a facilities sharing agreement and a tax sharing agreement.

The reorganization agreement provides for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Broadband Spin-Off, certain conditions to the Broadband Spin-Off and provisions governing the relationship between Liberty Broadband and Liberty with respect to and resulting from the Broadband Spin-Off. The tax sharing agreement provides for the allocation and indemnification of tax liabilities and benefits between Liberty and Liberty Broadband and other agreements related to tax matters. Pursuant to the tax sharing agreement, Liberty Broadband has agreed to indemnify Liberty, subject to certain limited exceptions, for losses and taxes resulting from the Broadband 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 Liberty Broadband (applicable to actions or failures to act by Liberty Broadband and its subsidiaries following the completion of the Broadband Spin-Off). Pursuant to the services agreement, Liberty provides Liberty Broadband with general and administrative services including legal, tax, accounting, treasury and investor relations support. Under the facilities sharing agreement, Liberty Broadband shares office space with Liberty and related amenities at Liberty's corporate headquarters. Liberty Broadband will reimburse Liberty for direct, out-of-pocket expenses incurred by Liberty in providing these services which will be negotiated semi-annually. Under these various agreements, approximately $3.2 million and $3.4 million were reimbursed to Liberty for the years ended December 31, 2017 and 2016, respectively.

On May 18, 2016, Time Warner Cable merged with Charter (the "Time Warner Cable Merger"). In connection with the Time Warner Cable Merger, Legacy Charter underwent a corporate reorganization, resulting in CCH I, LLC ("Charter"), a former subsidiary of Charter, becoming the new publicly traded parent company. Also on May 18, 2016, the previously announced acquisition of Bright House Networks, LLC ("Bright House") from Advance/Newhouse

Partnership ("A/N") by Charter (the "Bright House Transaction") was completed. In connection with the Time Warner Cable Merger and Bright House Transaction, Liberty Broadband entered into certain agreements with Legacy Charter, Charter (for accounting purposes a related party of the Company), Liberty Interactive Corporation ("Liberty Interactive," for accounting purposes a related party of the Company) and Time Warner Cable. As a result of the Time Warner Cable Merger and Bright House Transaction (collectively, the "Transactions"), Liberty Broadband exchanged its shares of Time Warner Cable for shares of Charter and purchased additional shares of Charter. As a result, and pursuant to proxy agreements entered into with Liberty Interactive and A/N, Liberty Broadband controls 25.01% of the aggregate voting power of Charter. See note 5 for additional detail regarding these transactions and corresponding agreements.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and represent a combination of the historical financial information of Skyhook, the Company's interest in Charter, the Company's former minority equity investment in Time Warner Cable and certain deferred tax liabilities. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

(2) Description of Business

Skyhook Holding, Inc. (formerly known as TruePosition) was originally incorporated on November 24, 1992 to provide technology for locating wireless phones and other mobile devices. TruePosition offered a passive network-based location system based on its patented U-TDOA technology ("U-TDOA Service") to provide E-9-1-1 services domestically and to enhance services in support of commercial applications and national security law enforcement worldwide. In February 2014, TruePosition acquired 100% of the outstanding common shares of Skyhook Wireless, Inc., for approximately $57.5 million in cash. Skyhook Wireless, Inc. was an alternative location services provider that offered a positioning system that used device-based measurements, as opposed to TruePosition's network-based technology.

In 2015, as a result of the loss of one of its major customers – a wireless carrier that accounted for 80% - 90% of TruePosition's revenue – as well as changes in the regulatory environment, TruePosition ceased making further investment in its U-TDOA Service. Thereafter, in May 2016, TruePosition and Skyhook Wireless, Inc. combined operations in order to focus on the development and sale of Skyhook's device-based location technology, and TruePosition subsequently changed its name to Skyhook Holding, Inc. Skyhook Holding, Inc. and Skyhook Wireless, Inc. are referred to collectively herein as "Skyhook."

Today, Skyhook markets and sells two primary products: (1) a location determination service called the Precision Location Solution; and (2) a location intelligence and data insights service called Geospatial Insights.

Skyhook's Precision Location Solution works by collecting nearby radio signals (such as information from Wi-Fi access points, cell towers, IP addresses and other radio beacons) that are observed by a mobile device. Skyhook's Geospatial Insights product uses anonymized location data to analyze foot traffic patterns and better understand the real-world behavior of consumers. Skyhook's revenue is derived from the sale and integration of its Precision Location Solution (including the licensing of software and data components that make up that solution) and the licensing of Geospatial Insights data. In addition, Skyhook earns revenue through entering into licensing agreements with companies to utilize its underlying intellectual property (including patents).

Charter is the second largest cable operator in the United States and a leading broadband communications services company providing video, Internet and voice services to approximately 27.2 million residential and business customers at December 31, 2017. In addition, Charter sells video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology ("IT") solutions to large enterprise customers. Charter also owns and operates regional sports networks and local sports, news and community channels and sells security and home management services in the residential marketplace. Charter's core strategy is to deliver high quality products at highly competitive prices, combined with outstanding service.

Also included in Liberty Broadband is a former investment in outstanding shares of Time Warner Cable, which was classified as available-for-sale and carried at fair value based on quoted market prices until the second quarter of 2016 when Time Warner Cable merged with Charter. Additionally, the Company historically had written call options and a cashless collar agreement on Time Warner Cable shares. See note 4 for information regarding the Time Warner Cable written call options and cashless collar agreement.

(3) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash consists of cash deposits held in global financial institutions. Cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of acquisition. Cash that has restrictions upon its usage has been excluded from cash and cash equivalents.

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. None of the Company's derivatives are currently designated as hedges, as a result, changes in the fair value of the derivative are recognized in earnings.

The fair value of certain of the Company's derivative instruments are estimated using the Black Scholes Merton option-pricing model ("Black-Scholes model"). The Black-Scholes model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtained volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate was obtained at the inception of the derivative instrument and updated each reporting period, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Management judgment was required in estimating the Black-Scholes variables. See note 4 for further discussion of fair value of the Company's derivative instruments. The Company had an outstanding derivative instrument classified as an asset at December 31, 2016. See note 4 for further information.

Investment in Equity Method Affiliate

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally 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. The Company determines the difference between the purchase price of the investee and the underlying equity which results in an excess basis in the investment. This excess basis is allocated to the underlying assets and liabilities of the Company's investee through a purchase accounting exercise and is allocated within memo accounts used for equity accounting purposes. Depending on the applicable underlying assets, these amounts are either amortized over the applicable useful lives or determined to be indefinite lived. Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee, are recognized in the statement of operations through the gain (loss) on dilution of investment in affiliate line item. We periodically evaluate our equity method investment to determine if decreases in fair value below our cost basis are other than temporary. If a decline in fair value is determined to be other than temporary, we are required to reflect such decline in our consolidated statement of operations. Other than temporary declines in fair value of our equity method investment would be included in share of earnings (losses) of affiliate in our consolidated statement of operations.

The primary factors we consider in our determination of whether declines in fair value are other than temporary are the length of time that the fair value of the investment is below our carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, we consider the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12 month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. Fair value of our publicly traded cost and equity investments is based on the market prices of the investments at the balance sheet date. 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.

As Liberty Broadband does not control the decision making process or business management practices of our affiliate accounted for using the equity method, Liberty Broadband relies on management of its affiliate to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, Liberty Broadband relies on the audit reports that are provided by the affiliate's independent auditors on the financial statements of such affiliate. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliate that would have a material effect on Liberty Broadband's consolidated financial statements. See note 5 for additional discussion regarding our investment in Charter and the Transactions that occurred during the second quarter of 2016.

Other tangible and intangible assets

Other tangible and intangible assets consist of long-lived assets, goodwill and other intangible assets. Intangible assets with definite useful lives and long-lived assets, including property and equipment, are carried at cost and are amortized on a straight-line basis over their estimated useful lives of three to five and a half years. The Company reviews the carrying value of long-lived assets and intangible assets with definite useful lives for impairment upon triggering events. Goodwill is reviewed annually on a qualitative basis.

In January 2017, the FASB issued new accounting guidance to simplify the measurement of goodwill impairment. Under the new guidance, an entity no longer performs a hypothetical purchase price allocation to measure goodwill impairment. Instead, a goodwill impairment is measured using the difference between the carrying value and the fair value of the reporting unit. The Company early adopted this guidance during the fourth quarter of 2017 with no impact to our financial position.

There was no indication of impairment of long-lived assets during the years end December 31, 2017, 2016 or 2015, and no goodwill impairment loss recorded during the years ended December 31, 2017 and 2016. In 2015, the impairment test resulted in a $20.7 million impairment loss related to Skyhook's goodwill on its legacy U-TDOA Service.

Foreign Currency Translation and Transaction Gains and Losses

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

Revenue Recognition

Skyhook earns revenue from the sale and integration of its Precision Location Solution (including the licensing of software and data components that make up that solution) and the licensing of Geospatial Insights data. In addition, Skyhook earns revenue from licensing its intellectual property to other enterprises. Prior to 2016, Skyhook also earned significant revenue from the sale of hardware and the licensing of associated software required to operate a passive network overlay system for generating location records for wireless devices using U-TDOA technology, and from professional and support services related thereto. These services were primarily sold to wireless carriers to provide E-9-1-1 services domestically and to enhance services in support of commercial applications, national security and law enforcement worldwide.

Skyhook recognizes fees received from intellectual property licensing at the inception of a license term for perpetual licenses (or licenses with terms comprising substantially all of the remaining life of the intellectual property) when collectability of the license fee is probable and there are no ongoing performance obligations. Revenue recognition is deferred when collectability of the license fee is not considered probable, when the license term is less than substantially all of the remaining life of the intellectual property, or when there are ongoing performance obligations which are not separate elements from the license. In such circumstances, revenue may be recognized as the license fees are collected or over the license term or performance period as appropriate.

Fees from the integration of Skyhook technology are accounted for consistent with the outstanding guidance for software revenue recognition. Under those policies, for revenue derived from multiple-element arrangements, if vendor specific objective evidence ("VSOE") exists for each of the elements of the arrangement at the outset, the Company allocates the revenue to the various elements for recognition upon delivery of each element. If VSOE is not present, the revenue is deferred until the earlier of establishing sufficient VSOE for allocating revenue for recognition or delivery of all of the elements. If a multiple-element arrangement includes post-contract customer support (commonly referred to as maintenance), VSOE must exist for the maintenance in order to allocate revenue to all of the elements of the arrangement. If VSOE does not exist for the maintenance, revenue for the entire arrangement is recognized ratably over the contractual or expected term of the maintenance arrangement.

Revenue from the provision of location services and through the sale of data and revenue from tangible products that contain software components and non-software components that function together to deliver the tangible products essential functionality are not under the scope of software revenue recognition guidance and are instead subject to the guidance for multiple-element arrangements. Accordingly, for multiple-element arrangements entered into or materially modified on or after January 1, 2011, the overall arrangement fee is allocated to each element (both delivered and undelivered items) based on their relative selling prices, regardless of whether those selling prices are evidenced by VSOE or third-party evidence of selling price or are based on the entity's estimated selling price. The associated revenue for each element is recognized upon delivery assuming all other criteria for revenue recognition are met.

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. The Company has adopted this guidance under the modified retrospective transition method as of January 1, 2018. Skyhook has also adopted this guidance under the modified retrospective transition method as of January 1, 2018 and the adoption did not have a material impact on its financial position or results of operations. Additionally, Charter, which is accounted for as an equity method investment, has adopted the new guidance as of January 1, 2018 using the modified retrospective transition method and the adoption did not have a material impact on its financial position or results of operations.

Research and Development Costs

Research and development costs are expensed as incurred.

Deferred Revenue and Deferred Costs

Deferred revenue represents billings in excess of revenue previously recognized. Deferred costs represent direct costs related to installation services, hardware, and software, which, to the extent not previously recognized, are recognized as the related revenue is recognized. Skyhook recognized $35.5 million of deferred revenue during December 2015, which was attributable to prepaid transaction fees, in connection with the expiration of its largest legacy U-TDOA Service customer's contract.

Stock-Based Compensation

As more fully described in note 9, Liberty Broadband has granted to its directors, employees and employees of certain of its subsidiaries options, restricted stock and stock appreciation rights ("SARs") to purchase shares of Liberty Broadband common stock (collectively, "Awards"). Liberty Broadband 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). Liberty Broadband 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. Certain outstanding awards of Liberty were assumed by Liberty Broadband at the time of the Broadband Spin-Off.

Additionally, Skyhook sponsors long-term incentive plans ("LTIPs") which provide for the granting of phantom stock units ("PSUs"), and phantom stock appreciation rights ("PARs") to employees, directors, and consultants of Skyhook. Skyhook measures the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of the award and recognizes that cost ratably over the period during which the employee is required to provide service (usually the vesting period of the award). Skyhook measures the cost of employee services received in exchange for awards of liability instruments (such as PSUs and PARs 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. The consolidated statements of operations includes stock-based compensation related to Skyhook awards.

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. Based on the Company's analysis, no cumulative effect adjustment to retained earnings was necessary for tax benefits that were not previously recognized and for adjustments to compensation cost based on actual forfeitures. The presentation changes for excess tax benefits have been applied retrospectively in the consolidated statements of cash flows, resulting in the reclassification of $1.2 million of excess tax benefits for the year ended December 31, 2015, from cash flows from financing activities to cash flows from operating activities. There were no excess tax benefits reclassified for the year ended December 31, 2016.

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 that such net deferred tax assets will not be realized. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. 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. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

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.

We recognize in our consolidated financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Certain Risks and Concentrations

The Skyhook business is subject to certain risks and concentrations including dependence on relationships with its customers. Skyhook had one significant legacy U-TDOA Service customer whose contract expired on December 31, 2015. The loss of this customer had a material adverse effect on Skyhook's business which is expected to continue unless Skyhook is able to generate significant new business to replace the financial impact of this customer. For the year ended December 31, 2015, this customer accounted for 85% of Skyhook's total revenue. The Company's largest customers, that accounted for greater than 10% of revenue, aggregated 57% of total revenue for the years ended December 31, 2017 and 2016.

Contingent Liabilities

Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) it is probable that an asset has been impaired or a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

Comprehensive Earnings (Loss)

Comprehensive earnings (loss) consists of net earnings (loss), cumulative foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities, net of tax and the Company's share of the comprehensive earnings (loss) of our equity method affiliate.

Earnings per Share (EPS)

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

The Company issued 85,761,332 common shares, which is the aggregate number of shares of Series A, Series B and Series C common stock outstanding upon the completion of the Broadband Spin-Off on November 4, 2014. Additionally, following the completion of the Broadband Spin-Off, Liberty Broadband distributed subscription rights, which were priced at a discount to the market value, to all holders of Liberty Broadband common stock (see further discussion in note 8). The rights offering, because of the discount, is considered a stock dividend which requires retroactive treatment for prior periods for the weighted average shares outstanding based on a factor applied determined by the fair value per share immediately prior to the rights exercise and the theoretical fair value after the rights exercise. The number of shares issued upon completion of the Broadband Spin-Off, adjusted for the rights factor, was used to determine both basic and diluted EPS for the period from January 1, 2014 through the date of the Broadband Spin-Off, as no Company equity awards were outstanding prior to the Broadband Spin-Off. In addition, the Company issued 78,250,042 shares of Series C common stock in connection with the Time Warner Cable Merger on May 18, 2016 (see further discussion in note 8). Basic EPS subsequent to the Broadband Spin-Off was computed using the weighted average number of shares outstanding ("WASO"), adjusted for the rights factor, from the date of the completion of the Broadband Spin-Off through January 9, 2015, the date on which the rights offering was fully subscribed. Basic EPS subsequent to January 9, 2015 was computed using WASO. Diluted EPS subsequent to the Broadband Spin-Off was computed using the WASO from the date of the completion of the Broadband Spin-Off through January 9, 2015, adjusted for the rights factor and potentially dilutive equity awards outstanding during the same period. Subsequent to January 9, 2015, basic EPS was computed using the WASO during the period, and diluted EPS was computed using the WASO adjusted for potentially dilutive equity awards outstanding during the period.

	Years ended December 31,		
	2017	2016	2015
	number of shares in thousands		
Basic WASO	181,772	152,103	102,504
Potentially dilutive shares	1,374	749	494
Diluted WASO	183,146	152,852	102,998

Potential common shares excluded from diluted EPS because their inclusion would be antidilutive for the years ended December 31, 2017, 2016 and 2015 are approximately zero, 17 thousand, and 3 thousand, respectively.

Reclasses and adjustments

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

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. The Company considers the application of the equity method of accounting for its affiliates and accounting for income taxes to be its most significant estimates.

(4) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company 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, 2017			December 31, 2016		
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 thousands			
Cash equivalents	$ 76,304	76,304	—	198,011	198,011	—
Derivative instruments (1)	$ —	—	—	49,019	—	49,019

(1) As of December 31, 2016, the Company had an outstanding zero-strike call option on 704,908 shares of Liberty Broadband Series C common stock which expired in March 2017. The Company prepaid a premium of $47.9 million in December 2016. Liberty Broadband exercised its option to settle the contract in cash in March 2017 for cash proceeds of $50.0 million. The Company accounted for the zero-strike call option as a financial instrument asset due to its settlement provisions. The Company entered into another zero-strike call option on 527,156 shares of Liberty Broadband Series C common stock and prepaid a premium of $47.7 million in October 2017. Upon expiration of the contract in December 2017, the Company elected to physically settle 527,156 shares of Liberty Broadband Series C common stock at a price of $90.54 per share.

The fair value of Level 2 derivative instruments were derived from a Black-Scholes model using observable market data as the significant inputs. The inputs used in the model during the period outstanding (exclusive of the applicable trading price of Series C Liberty Broadband common stock and the strike prices associated with the call options) were as follows:

	Range				
Volatility	21.1	%	-	21.5	%
Interest rate	1.0	%	-	1.0	%
Dividend yield	0	%	-	0	%

Other Financial Instruments

Other financial instruments not measured at fair value on a recurring basis include trade receivables, trade payables, accrued and other current liabilities, current portion of debt and long-term debt. With the exception of long-term debt, the carrying amount approximates fair value due to the short maturity of these instruments as reported on our consolidated balance sheets. The carrying value of our long-term debt bears interest at a variable rate and therefore is also considered to approximate 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, 2017	2016	2015
	(amounts in thousands)		
Time Warner Cable investment and financial instruments (1)(2)(3)	$ —	92,990	2,619
Derivative instruments (4)	3,098	1,132	—
	$ 3,098	94,122	2,619

(1) As of December 31, 2014, the Company had an outstanding written call option on 625,000 Time Warner Cable shares with a strike price of $92.02 per share which expired in February 2015. Upon expiration, this written call option was rolled into a new written call option on 625,000 Time Warner Cable shares with a strike price of $100.39 per share which the Company cash settled during June 2015 for $48.3 million. Additionally, as of December 31, 2014, the Company had another outstanding written call option on 625,000 Time Warner Cable shares with a strike price of $90.84 per share which the Company cash settled during April 2015 for $36.7 million.

(2) On March 27, 2015, Liberty Broadband entered into a cashless collar agreement with a financial institution on 1.7 million Time Warner Cable shares held by the Company with a put option strike price of $136.80 per share and a call option strike price of $161.62 per share. The collar was originally scheduled to expire during March 2017. The Company unwound the agreement during July 2015 for $67.1 million cash paid to the counterparty. In connection with this collar agreement, the Company also entered into a revolving loan agreement with an availability of $234 million, which was terminated upon unwinding of the collar agreement during July 2015 (note 6).

(3) As discussed in note 5, Time Warner Cable merged with Charter on May 18, 2016. Therefore the Company no longer has an investment in Time Warner Cable as of May 18, 2016, and the unrealized gain (loss) related to our investment in Time Warner Cable is recorded through this date. In connection with the merger, the Company exchanged, in a tax-free transaction, its shares of Time Warner Cable for shares of Charter Class A common stock.

(4) As of December 31, 2016, the Company had an outstanding zero-strike call option on 704,908 shares of Liberty Broadband Series C common stock which expired in March 2017. The Company had an unrealized gain on the option during 2016 primarily due to an increase in the market price of Liberty Broadband Series C common stock during that period. In April 2017, the Company entered into another zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. The Company prepaid a premium of $50.0 million in April 2017. Upon expiration in June 2017, the call option was rolled into a new zero-strike call option on 600,242 shares of Liberty Broadband Series C common stock. Liberty Broadband exercised its option to settle the contract in cash in August 2017 for cash proceeds of $53.8 million. The Company realized gains on the options outstanding and settled during the current year primarily due to an increase in the market price of Liberty Broadband Series C common stock during that period.

(5) Investment in Charter Accounted for Using the Equity Method

Through a number of prior years' transactions, Liberty Broadband has acquired an interest in Charter. The investment in Charter is accounted for as an equity method affiliate based on our ownership interest and the board seats held by individuals appointed by Liberty Broadband. As of December 31, 2017, the carrying value of Liberty Broadband's ownership in Charter was approximately $11,836 million. The market value of Liberty Broadband's ownership in Charter as of December 31, 2017 was approximately $18,166 million, which represented an approximate economic ownership of 22.7% of the outstanding equity of Charter as of that date.

Pursuant to Proxy Agreements with Liberty Interactive and A/N, Liberty Broadband has an irrevocable proxy to vote certain shares of Charter common stock owned beneficially or of record by Liberty Interactive and A/N following the closing of the Time Warner Cable Merger, for a five year term subject to extension upon the mutual agreement of both parties, subject to certain limitations.

As a result of the A/N Proxy and the Liberty Interactive Proxy Agreement, Liberty Broadband controls 25.01% of the aggregate voting power of Charter following the completion of the Time Warner Cable Merger and the Bright House Transaction and is Charter's largest stockholder.

Additionally, so long as the A/N Proxy is in effect, if A/N proposes to transfer common units of Charter Communications Holdings, LLC (which units are exchangeable into Charter shares and which will, under certain circumstances, result in the conversion of certain shares of Class B Common Stock into Charter shares) or Charter shares, in each case, constituting either (i) shares representing the first 7.0% of the outstanding voting power of Charter held by A/N or (ii) shares representing the last 7.0% of the outstanding voting power of New Charter held by A/N, Liberty Broadband will have a right of first refusal ("ROFR") to purchase all or a portion of any such securities A/N proposes to transfer. The purchase price per share for any securities sold to Liberty Broadband pursuant to the ROFR will be the volume-weighted average price of Charter shares for the two trading day period before the notice of a proposed sale by A/N, payable in cash. Certain transfers are permitted to affiliates of A/N, subject to the transferee entity entering into an agreement assuming the transferor's obligations under the A/N Proxy.

During the years ended December 31, 2017, 2016 and 2015, there was a dilution loss of $18 million, a dilution gain of $771 million, and a dilution loss of $7 million, respectively, in the Company's investment in Charter. The gain during 2016 is primarily due to the Time Warner Cable Merger. Even after considering the exchange of Time Warner Cable shares held by Liberty Broadband to shares of Charter, Liberty Broadband's interest in Charter was diluted as a result of the conversion of outstanding Time Warner Cable shares held by third parties into shares of Charter. However, Liberty Broadband recognized a gain during the period as Liberty Broadband's investment basis in Charter was at a price per share below the new equity issued in the Time Warner Cable Merger. This gain was partially offset by losses due to the issuance of Charter common stock from the exercise of warrants and stock options, held by outside investors (employees and other third parties), at prices below Liberty Broadband's investment basis per share during the year. The dilution losses during the other periods presented are attributable to stock option exercises by employees and other third parties at prices below Liberty Broadband's book basis per share.

During the years ended December 31, 2017, 2016 and 2015, the Company recorded $768 thousand, $811 thousand and $1.3 million, respectively, of its share of Charter's other comprehensive earnings, net of income taxes. Charter records gains and losses related to the fair value of its interest rate swap agreements which qualify as hedging activities in other comprehensive income. The pre-tax portion of Liberty Broadband's share of Charter's other comprehensive earnings was $1.2 million, $1.3 million and $2.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The excess basis has increased to $2,975 million as of December 31, 2017. Such amount has been allocated within memo accounts used for equity method accounting purposes as follows (amounts in millions):

Property and equipment	$	361
Customer relationships		689
Franchise fees		1,670
Trademarks		29
Goodwill		986
Debt		(98)
Deferred income tax liability		(662)
	$	2,975

Upon acquisition, the Company ascribed remaining useful lives of 7 years and 13 years to property and equipment and customer relationships, respectively, and indefinite lives to franchise fees, trademarks and goodwill. The excess basis of outstanding debt is amortized over the contractual period using the effective interest rate method. The increase in excess basis for the year ended December 31, 2017, was primarily related to the impact of income tax rate changes on the deferred tax liability recorded within the memo accounts for Charter, as well as Charter's share buyback program. Included in our share of earnings from Charter of $2,509 million and $642 million and losses of $121 million for the years ended December 31, 2017, 2016 and 2015, respectively, are $277 million, $42 million and $52 million, respectively, of losses, net of taxes, due to the amortization of the excess basis of our investment in Charter related to debt and intangible assets with identifiable useful lives. The excess basis amortization during the year ended December 31, 2015 was offset by the write-off of the excess basis related to debt instruments which Charter repaid during the second quarter of 2015 prior to their contractual maturity.

Charter Communications, Inc.

Summarized financial information for Charter is as follows:

Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
	amounts in millions	
Current assets	$ 2,555	3,300
Property and equipment, net	33,888	32,963
Goodwill	29,554	29,509
Intangible assets	79,270	81,924
Other assets	1,356	1,371
Total assets	$ 146,623	149,067
Current liabilities	$ 11,090	9,572
Deferred income taxes	17,314	26,665
Long-term debt	68,186	59,719
Other liabilities	2,502	2,745
Equity	47,531	50,366
Total liabilities and equity	$ 146,623	149,067

Consolidated Statements of Operations

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Revenue	$ 41,581	29,003	9,754
Cost and expenses:			
Operating costs and expenses (excluding depreciation and amortization)	26,541	18,655	6,426
Depreciation and amortization	10,588	6,907	2,125
Other operating expenses, net	346	985	89
	37,475	26,547	8,640
Operating income	4,106	2,456	1,114
Interest expense	(3,090)	(2,499)	(1,306)
Loss on extinguishment of debt	(40)	(111)	(128)
Other income (expense), net	52	974	(11)
Income tax (expense) benefit	9,087	2,925	60
Net earnings (loss)	10,115	3,745	(271)
Less: Net income attributable to noncontrolling interests	(220)	(223)	—
Net Income (loss) attributable to Charter shareholders	$ 9,895	3,522	(271)

(6) Debt

Outstanding debt at December 31, 2017 and December 31, 2016 is summarized as follows:

		December 31, 2017	December 31, 2016
		amounts in thousands	
2017 Margin Loans	$	500,000	—
2014 Margin Loans		—	400,000
2016 Margin Loans		—	200,000
Total	$	500,000	600,000

2014 Margin Loans

On October 30, 2014, in connection with and prior to the effectiveness of the Broadband Spin-Off, a wholly-owned special purpose subsidiary of the Company ("BroadbandSPV") entered into two margin loan agreements (the "2014 Margin Loan Agreements") with each of the lenders party thereto. The 2014 Margin Loan Agreements permitted BroadbandSPV, subject to certain funding conditions, to borrow term loans up to an aggregate principal amount equal to $400 million (the "2014 Margin Loans"), of which BroadbandSPV borrowed $320 million on October 31, 2014 and had $80 million available to be drawn immediately following the Broadband Spin-Off. During November 2014, subsequent to the Broadband Spin-Off, Liberty Broadband borrowed an additional $52 million to fund the exercise of the Legacy Charter warrants. During October 2015, Liberty Broadband borrowed an additional $28 million pursuant to the 2014 Margin Loan Agreements. The maximum borrowing capacity of $400 million under the 2014 Margin Loan Agreements was outstanding at December 31, 2016. The maturity date of the 2014 Margin Loans was October 30, 2017. Borrowings under the 2014 Margin Loan Agreements bore interest at the three-month LIBOR rate plus 1.55% and had an unused commitment fee of 0.25% per annum based on the average daily unused portion of the 2014 Margin Loans. Interest was payable quarterly in arrears beginning on December 31, 2014. On August 31, 2017, the outstanding borrowings of $400 million were repaid, as discussed below.

2016 Margin Loans

On March 21, 2016, a wholly-owned special purpose subsidiary of the Company (“Cheetah 5”), entered into two margin loan agreements (the “2016 Margin Loan Agreements” and together with the 2014 Margin Loan Agreements, the “Margin Loan Agreements”) with each of the lenders thereto. The 2016 Margin Loan Agreements permitted Cheetah 5, subject to certain funding conditions, to borrow initial term loans up to an aggregate principal amount equal to $200 million and delayed draw loans (the “Draw Loans”) up to an aggregate principal amount equal to $100 million, for an aggregate total of $300 million (collectively the “2016 Margin Loans”). Cheetah 5 had borrowed $200 million as of December 31, 2016 and had $100 million available to be drawn until September 21, 2017. The maturity date of the 2016 Margin Loans was March 21, 2018. Borrowings under the 2016 Margin Loans bore interest at the applicable LIBOR rate plus 2.10% per annum and have an unused commitment fee of 0.5% per annum based on the average daily unused portion of the Draw Loans. Interest was payable quarterly in arrears beginning on March 31, 2016. The proceeds of the 2016 Margin Loans were used for the Company’s additional investment in Charter during May 2016 (note 5). On August 31, 2017, the outstanding borrowings of $200 million were repaid, as discussed below.

2017 Margin Loan Facility

On August 31, 2017, a bankruptcy remote wholly owned subsidiary of the Company (“SPV”), entered into a multi-draw margin loan credit facility (the “2017 Margin Loan Facility” and, the credit agreement governing such facility, the “2017 Margin Loan Agreement”) with Bank of America, N.A and the lenders thereunder. SPV is permitted, subject to certain funding conditions, to borrow term loans up to an aggregate principal amount equal to $1.0 billion. SPV will also have the ability from time to time to request additional loans in an aggregate principal amount of up to $1.0 billion on an uncommitted basis subject to certain conditions. SPV had borrowed $500 million as of December 31, 2017 and had $500 million available to be drawn until August 31, 2018. The maturity date of the loans under the 2017 Margin Loan Agreement is August 30, 2019 (except for any incremental loans incurred thereunder to the extent SPV and the incremental lenders agree to a later maturity date). Accordingly, the debt is classified as noncurrent as of December 31, 2017. Borrowings under the 2017 Margin Loan Agreement bear interest at the three-month LIBOR rate plus a per annum spread of 1.5%, unless it is unlawful for the applicable lender to fund or maintain loans based on LIBOR or there are material restrictions on the applicable lender to do so, in which case borrowings under the 2017 Margin Loan Agreement will either (a) bear interest at 0.5% plus the higher of (i) the federal funds rate plus ½ of 1%, (ii) the prime rate and (iii) LIBOR plus 1% for each day during such period or (b) be prepaid. Borrowings outstanding under this margin loan bore interest at a rate of 3.19% per annum at December 31, 2017. Interest is payable quarterly in arrears beginning on September 29, 2017. SPV used available cash and a portion of the proceeds of the loans under the 2017 Margin Loan Facility to repay the Margin Loan Agreements. Borrowings may also be used for distribution as a dividend or a return of capital, for the purchase of margin stock and for general corporate purposes.

The 2017 Margin Loan Agreement contains various affirmative and negative covenants that restrict the activities of SPV (and, in some cases, the Company and its subsidiaries with respect to shares of Charter owned by the Company and its subsidiaries). The 2017 Margin Loan Agreement does not include any financial covenants. The 2017 Margin Loan Agreement also contains restrictions related to additional indebtedness and events of default customary for margin loans of this type.

SPV's obligations under the 2017 Margin Loan Agreement are secured by first priority liens on a portion of the Company's ownership interest in Charter, sufficient for SPV to meet the loan to value requirements under the 2017 Margin Loan Agreement. The 2017 Margin Loan Agreement indicates that no lender party shall have any voting rights with respect to the shares transferred, except to the extent that a lender party buys any shares in a sale or other disposition made pursuant to the terms of the loan agreements. As of December 31, 2017, 6.8 million shares of Charter with a value of $2.3 billion were pledged as collateral pursuant to the 2017 Margin Loan Agreement.

(7) Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) bonus depreciation that will allow for full expensing of qualified property; (3) creating a new limitation on deductible interest expense; (4) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (5) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; and (6) limitations on the deductibility of certain executive compensation. The SEC issued guidance on accounting for the tax effects of the Tax Act. The Company must reflect the income tax effects of those aspects of the Tax Act for which the accounting is known. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements and the Tax Act provides a measurement period that should not extend beyond one year from the Tax Act enactment date. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply the tax laws that were in effect immediately before the enactment of the Tax Act.

The corporate tax rate reduction was applied to our inventory of deferred tax assets and deferred tax liabilities, which resulted in the net tax benefit in the period ending December 31, 2017. We have reported provisional amounts for the income tax effects of the Tax Act for which the accounting is incomplete but a reasonable estimate could be determined. Based on a continued analysis of the estimates and further guidance and interpretations on the application of the law, additional revisions may occur throughout the allowable measurement period.

Income tax benefit (expense) consists of:

	Years ended December 31, 2017	2016	2015
	amounts in thousands		
Current:			
Federal	$ (11)	1,556	(4,234)
State and local	(84)	853	(862)
	(95)	2,409	(5,096)
Deferred:			
Federal	(301,837)	(493,890)	23,512
State and local	(115,001)	(66,888)	1,452
	(416,838)	(560,778)	24,964
Income tax benefit (expense)	$ (416,933)	(558,369)	19,868

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, 2017	2016	2014
	amounts in thousands		
Computed expected tax benefit (expense)	$ (857,710)	(516,485)	24,519
State and local taxes, net of federal income taxes	(74,805)	(42,995)	1,786
Foreign taxes, net of foreign tax credit	—	(1,180)	(59)
Change in valuation allowance	(1,208)	683	612
Dividends received deduction	—	931	752
Change in tax rate - other	—	45	(179)
Change in tax rate - U.S. tax reform	515,773	—	—
Impairment of intangible assets not deductible for tax purposes	—	—	(7,234)
Derivative instrument	1,084	396	—
Other	(67)	236	(329)
Income tax (expense) benefit	$ (416,933)	(558,369)	19,868

For the year ended December 31, 2017 the significant reconciling items, as noted in the table above, are the result of the effect of the change in the U.S. federal corporate tax rate from 35% to 21% on deferred taxes and the effect of state income taxes. In connection with the initial analysis of the impact of the Tax Act, the Company has recorded a discrete net tax benefit of $516 million in the period ending December 31, 2017. This net benefit primarily consists of a net benefit for the corporate rate reduction.

For the year ended December 31, 2016 the significant reconciling items, as noted in the table above, are the result of the effect of state income taxes.

For the year ended December 31, 2015 the significant reconciling items, as noted in the table above, are the result of the impairment to non-deductible goodwill related to Skyhook's legacy U-TDOA Service.

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

	December 31, 2017	December 31, 2016
	amounts in thousands	
Deferred tax assets:		
Net operating loss and tax credit carryforwards	$ 49,555	23,017
Accrued stock-based compensation	4,275	4,812
Deferred revenue	1,805	1,721
Other	64	2,073
Total deferred tax assets	55,699	31,623
Less: valuation allowance	(8,153)	(6,945)
Net deferred tax assets	47,546	24,678
Deferred tax liabilities:		
Investments	(979,522)	(527,151)
Intangible assets	(617)	(2,170)
Other	—	(1)
Total deferred tax liabilities	(980,139)	(529,322)
Net deferred tax asset (liability)	$ (932,593)	(504,644)

The Company’s valuation allowance increased $1.2 million in 2017, which affected tax expense during the year ended December 31, 2017.

At December 31, 2017, the Company had a deferred tax liability on investments of $979.5 million due to its share of earnings in its equity investment in Charter, which were partially offset by the application of the rate change of the Tax Act and, in the prior year, the result of the Transactions, as discussed in note 5.

At December 31, 2017, Liberty Broadband had federal and state net operating losses (on a tax effected basis) and tax credit carryforwards for income tax purposes aggregating approximately $49.6 million. These losses and credit carryforwards are expected to be utilized prior to expiration, except for $8.2 million which based on current projections, may expire unused and accordingly are subject to a valuation allowance. The carryforwards that are expected to be utilized will begin to expire in 2021.

As of December 31, 2017, the Company had not recorded tax reserves related to unrecognized tax benefits for uncertain tax positions.

As of December 31, 2017, the IRS has completed its examination of Liberty Broadband’s 2015 and 2016 tax years. Liberty Broadband’s 2017 tax year is being examined as part of the IRS’s Compliance Assurance Process “CAP” program. Because Liberty Broadband’s ownership of Charter is less than the required 80%, Charter is not consolidated with Liberty Broadband for federal income tax purposes.

(8) Stockholders' Equity

In the Broadband Spin-Off, record holders of Liberty Series A, Series B and Series C common stock received one-fourth of a share of the corresponding series of Liberty Broadband common stock for each share of Liberty common stock held by them, with cash paid in lieu of fractional shares. This resulted in the issuance of an aggregate 85,761,332 shares of Series A, Series B and Series C common stock.

In addition, following the completion of the Broadband Spin-Off, on December 10, 2014, stockholders received a subscription right to acquire one share of Liberty Broadband Series C common stock for every five shares of Liberty Broadband common stock they held as of the rights record date at a per share subscription price of $40.36, which was a 20% discount to the 20-trading day volume weighted average trading price of the Series C Liberty Broadband common stock following the completion of the Broadband Spin-Off. The rights offering was fully subscribed on January 9, 2015, with 17,277,224 shares of Series C common stock issued to those rightsholders exercising basic and, as applicable, oversubscription privileges. The subscription rights were issued to raise capital for general corporate purposes of Liberty Broadband.

In connection with the Time Warner Cable Merger in May 2016, Liberty Broadband funded its purchase of shares of Charter Class A common stock using proceeds of $4.4 billion related to subscriptions for approximately 78.3 million newly issued shares of Liberty Broadband Series C common stock, par value $0.01 per share (the "Series C Shares"), at a price per share 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 certain Amended and Restated Investment Agreements were executed. The purchasers of the Series C Shares were Liberty Interactive through its Liberty Ventures Group (approximately 42.7 million shares) and certain other third party investors, which all invested on substantially similar terms. One of the third party investors also held a position in Time Warner Cable and agreed to vote its Time Warner Cable shares in favor of the Time Warner Cable Merger. Each of Legacy Charter and Liberty Broadband obtained stockholder approval during September 2015 for the issuance of the Charter shares and the Series C Shares, respectively, in accordance with the rules and requirements of the Nasdaq Stock Market. The issuance of the Series C Shares was not registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act and the rules and regulations of the Securities and Exchange Commission promulgated thereunder. As a result of the issuance of the Series C Shares in connection with the Transactions, Liberty Interactive's non-voting economic ownership in Liberty Broadband was 23.5% as of December 31, 2016.

As discussed in note 4, the Company had an outstanding zero-strike call option on 704,908 Series C Shares at December 31, 2016, which expired in March 2017. The Company prepaid a premium of $47.9 million in December 2016. Liberty Broadband exercised its option to settle the contract in cash in March 2017 for cash proceeds of $50.0 million. The Company entered into another zero-strike call option on 527,156 shares of Liberty Broadband Series C common stock and prepaid a premium of $47.7 million in October 2017. Upon expiration of the contract in December 2017, the Company physically settled the contract by purchasing 527,156 shares of Liberty Broadband Series C common stock at a price of $90.54 per share. As of December 31, 2017, the Company had no zero-strike call options outstanding. The Company accounted for the zero-strike call option as a financial instrument asset due to its settlement provisions. Accordingly, changes in the fair value of the asset are included in realized and unrealized gains (losses) on financial instruments in the accompanying statement of operations.

Preferred Stock

Liberty Broadband'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 Broadband's board of directors. As of December 31, 2017, no shares of preferred stock were issued.

Common Stock

Liberty Broadband's Series A common stock has one vote per share, Liberty Broadband's Series B common stock has ten votes per share and Liberty Broadband's Series C common stock has no votes per share (except as otherwise required by applicable law). Each share of the Series B common stock is exchangeable at the option of the holder for one share of Series A common stock. All series of our common stock participate on an equal basis with respect to dividends and distributions.

As of December 31, 2017, there were 404 thousand shares of Series A and 2.4 million shares of Series C common stock reserved for issuance under exercise privileges of outstanding stock options.

(9) Stock-Based Compensation

Included in the accompanying consolidated statements of operations are the following amounts of stock-based compensation for the years ended December 31, 2017, 2016 and 2015 (amounts in thousands).

	December 31, 2017	2016	2015
Operating expense	$ (2)	—	7
Selling, general and administrative	5,114	5,555	5,978
Research and development	180	158	395
	$ 5,292	5,713	6,380

Liberty Broadband - Incentive Plans

Pursuant to the Liberty Broadband 2014 Omnibus Incentive Plan, as amended, the Company may grant Awards to be made in respect of a maximum of 8.4 million shares of Liberty Broadband common stock. Awards generally vest over 1-5 years and have a term of 7-10 years. Liberty Broadband issues new shares upon exercise of equity awards.

Liberty Broadband – Grants of Stock Options

During the years ended December 31, 2017, 2016 and 2015, Liberty Broadband granted 16 thousand, 17 thousand and 21 thousand options, respectively, to purchase shares of Series C common stock to its non-employee directors with a weighted average grant-date fair value ("GDFV") of $22.68, $18.64 and $13.51 per share, respectively, which mainly cliff vest over a one year vesting period. There were no options to purchase shares of Series A common stock granted during the period.

The Company has calculated the GDFV for all of its equity classified awards and any subsequent remeasurement of its liability classified awards using the Black-Scholes Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2017, 2016 and 2015, the range of expected terms was 4.6 to 5.3 years. The volatility used in the calculation for Awards is based on the historical volatility of Liberty Broadband common stock and the implied volatility of publicly traded Liberty Broadband options. For grants made in 2017, 2016 and 2015, the range of volatilities was 24.4% to 28.2%. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject option.

Liberty Broadband – Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase Liberty Broadband 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.

	Series A (in thousands)	WAEP	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2017	454	$ 32.47		
Granted	—	$ —		
Exercised	(50)	$ 26.85		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2017	404	$ 33.16	2.0	$ 21
Exercisable at December 31, 2017	402	$ 33.08	2.0	$ 21

	Series C (in thousands)	WAEP	Weighted average remaining contractual life (in years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2017	2,467	$ 42.45		
Granted	16	$ 85.34		
Exercised	(95)	$ 27.08		
Forfeited/Cancelled	—	$ —		
Outstanding at December 31, 2017	2,388	$ 43.35	5.2	$ 100
Exercisable at December 31, 2017	866	$ 34.34	2.1	$ 44

The Company had no outstanding Series B options during 2017.

As of December 31, 2017, the total unrecognized compensation cost related to unvested Liberty Broadband Awards was approximately $10.0 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.5 years.

As of December 31, 2017, Liberty Broadband reserved 2.8 million shares of Series A and Series C common stock for issuance under exercise privileges of outstanding stock Awards.

Liberty Broadband – Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2017, 2016 and 2015 was $8.1 million, $14.4 million and $11.2 million, respectively.

Liberty Broadband – Restricted Shares

The aggregate fair value of all Series A and Series C restricted shares of Liberty Broadband common stock that vested during the years ended December 31, 2017, 2016 and 2015 was $116 thousand, $674 thousand and $5.8 million, respectively.

As of December 31, 2017, the Company had approximately 24,000 unvested restricted shares of Series A and Series C Liberty Broadband common stock held by certain directors, officers and employees of the Company with a weighted average GDFV of $13.43 per share.

Skyhook equity incentive plans

Long-Term Incentive Plans

Skyhook has a long-term incentive plan which provides for the granting of PARs and PSUs to employees, directors, and consultants of Skyhook that is not significant to Liberty Broadband. As of December 31, 2017 and 2016, $1.2 million and $1.7 million, respectively, are included in other liabilities for the fair value (Level 2) of the Company's LTIP obligations.

(10) Employee Benefit Plans

Prior to January 1, 2015, Skyhook participated in Liberty's defined-contribution plan (the "Liberty 401(k) Plan").

Employees of Skyhook participate in a separate defined-contribution plan administered by Skyhook (the "Skyhook 401(k) Plan"). The Skyhook 401(k) Plan provides for employees to make contributions by salary reductions for investment in several mutual funds and/or a self-directed brokerage account pursuant to Section 401(k) of the Internal Revenue Code.

Pursuant to the existing Skyhook 401(k) Plan, Skyhook employees are eligible for 100% matching contributions for each dollar contributed up to 10%, subject to certain limitations. For the years ended December 31, 2017, 2016 and 2015, Skyhook contributed approximately $1.0 million, $0.8 million and $1.1 million respectively.

(11) Commitments and Contingencies

Leases

Skyhook leases various properties under operating leases expiring at various times through 2021. The aggregate minimum annual lease payments under the noncancelable operating leases as of December 31, 2017 are as follows (amounts in thousands):

2018	$ 445
2019	497
2020	548
2021	11
	$ 1,501

Skyhook's two principal facilities are under lease through December 2019 and January 2021, respectively. Total rental expense for the years ended December 31, 2017, 2016 and 2015 was $1.1 million, $2.4 million and $3.7 million, respectively.

Litigation

On May 23, 2012, Skyhook (then known as TruePosition) filed a patent infringement lawsuit in the U.S. District Court for the District of Delaware against Polaris Wireless, Inc. ("Polaris"), related to the sale by Polaris of systems used to locate mobile devices. In parallel with the lawsuit, at Polaris's request, the U.S. Patent and Trademark Office initiated an Inter Partes Review. Both the District Court and the Patent Trial and Appeal Board ruled adversely to Skyhook and those rulings were upheld on appeal. No further appeal was taken. During the pendency of the appeal, Polaris filed a motion in the District Court for an award of approximately $3 million in attorneys' fees and expenses incurred in defending the lawsuit. The matter was heard by the Court on October 16, 2015, wherein the court denied the Polaris motion.

On September 10, 2010, Skyhook filed a patent infringement lawsuit in the U.S. District Court for the District of Massachusetts against Google, Inc. ("Google"). In March 2013, Skyhook amended its lawsuit to add additional claims. In total, at the time the case was to be tried, Skyhook alleged that Google infringed on eight Skyhook patents involving location technology and sought an injunction and/or award of damages in an amount to be determined at trial. The case had been scheduled to be tried before a jury commencing March 9, 2015. However, on March 5, 2015, the parties advised the District Court that the case has been settled and thereby dismissed the action without costs and without prejudice to the right person, upon good cause shown within 45 days, to reopen the action if settlement is not consummated. On March 27, 2015, the parties consummated a final settlement agreement and on April 24, 2015, Google paid Skyhook settlement consideration of $90 million. In return for payment of the settlement consideration, Google received dismissal of the action with prejudice, a license to the existing Skyhook patents and patent applications (and their continuations, divisionals, continuations-in-part), a three-year covenant not to sue (subject to limited exceptions) and a mutual release of claims. The settlement amount of $90 million is recorded net of approximately $29.5 million for legal fees in the statement of operations for the year ended December 31, 2015.

General Litigation

In the ordinary course of business, the Company and its consolidated subsidiaries are parties to legal proceedings and claims involving alleged infringement of third-party intellectual property rights, defamation, and other claims. Although it is reasonably possible that the Company 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.

Off-Balance Sheet Arrangements

Liberty Broadband did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, results of operations, liquidity, capital expenditures or capital resources.

(12) Segment Information

Liberty Broadband identifies its reportable segments as (A) those consolidated companies 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 or losses represent 10% or more of Liberty Broadband's annual pre-tax earnings (losses).

Liberty Broadband evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA. In addition, Liberty Broadband reviews nonfinancial measures such as subscriber growth.

Liberty Broadband defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). Liberty Broadband believes this measure is an important indicator of the operational strength and performance of its businesses, including each business's ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock based compensation, separately reported litigation settlements and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net earnings, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Liberty Broadband 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, 2017, Liberty Broadband has identified the following consolidated company and equity method investment as its reportable segments:

- Skyhook— a wholly owned subsidiary of the Company that provides the Precision Location Solution (a location determination service) and Geospatial Insights product (a location intelligence and data insights service).
- Charter—an equity method investment that is 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.

Liberty Broadband'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 companies are the same as those described in the Company's summary of significant accounting policies in the Company's annual financial statements. For periods in which Liberty Broadband owned Charter shares and warrants, we have included amounts attributable to Charter in the tables below. Although Liberty Broadband owns less than 100% of the outstanding shares of Charter, 100% of the Charter amounts are included in the schedule below and subsequently eliminated in order to reconcile the account totals to the Liberty Broadband consolidated financial statements.

Performance Measures

	Years ended December 31,					
	2017		2016		2015	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in thousands					
Skyhook	$ 13,092	(9,496)	30,586	(2,681)	91,182	43,600
Charter	41,581,000	14,955,000	29,003,000	9,607,000	9,754,000	3,317,000
Corporate and other	—	(6,920)	—	(8,761)	—	(11,958)
	41,594,092	14,938,584	29,033,586	9,595,558	9,845,182	3,348,642
Eliminate equity method affiliate	(41,581,000)	(14,955,000)	(29,003,000)	(9,607,000)	(9,754,000)	(3,317,000)
Consolidated Liberty Broadband	$ 13,092	(16,416)	30,586	(11,442)	91,182	31,642

Other Information

	December 31, 2017			December 31, 2016		
	Total assets	Investments in affiliates	Capital expenditures	Total assets	Investments in affiliates	Capital expenditures
	amounts in thousands					
Skyhook	$ 24,481	—	70	30,463	—	267
Charter	146,623,000	—	8,681,000	149,067,000	—	5,325,000
Corporate and other	11,907,308	11,835,613	—	9,560,497	9,315,253	—
	158,554,789	11,835,613	8,681,070	158,657,960	9,315,253	5,325,267
Eliminate equity method affiliate	(146,623,000)	—	(8,681,000)	(149,067,000)	—	(5,325,000)
Consolidated Liberty Broadband	$ 11,931,789	11,835,613	70	9,590,960	9,315,253	267

Revenue by Geographic Area

	Years ended December 31,		
	2017	2016	2015
	amounts in thousands		
United States	$ 10,315	27,806	87,739
Other countries	2,777	2,780	3,443
	$ 13,092	30,586	91,182

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

	Years ended December 31, 2017	2016	2015
	amounts in thousands		
Consolidated segment Adjusted OIBDA	$ (16,416)	(11,442)	31,642
Stock-based compensation	(5,292)	(5,713)	(6,380)
Depreciation and amortization	(3,770)	(4,005)	(6,088)
Gain on legal settlement	—	—	60,450
Impairment of intangible assets	—	—	(20,669)
Operating income (loss)	(25,478)	(21,160)	58,955
Interest expense	(19,570)	(14,956)	(7,424)
Dividend and interest income	1,449	5,020	3,797
Share of earnings (loss) of affiliates, net	2,508,991	641,544	(120,962)
Realized and unrealized gains (losses) on financial instruments, net	3,098	94,122	2,619
Gain (loss) on dilution of investment in affiliate	(17,872)	770,766	(7,198)
Other, net	(18)	336	158
Earnings (loss) from continuing operations before income taxes	$ 2,450,600	1,475,672	(70,055)

(13) Quarterly Financial Information (Unaudited)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in thousands			
2017:				
Revenue	$ 3,140	3,073	3,430	3,449
Operating income (loss)	$ (6,362)	(7,333)	(5,787)	(5,996)
Net earnings (loss) attributable to Liberty Broadband Corporation Series A, Series B and Series C stockholders	$ (14,445)	(2,977)	(9,864)	2,060,953
Basic earnings (loss) attributable to Liberty Broadband Corporation Series A, Series B and Series C stockholders per common share	$ (0.08)	(0.02)	(0.05)	11.37
Diluted earnings (loss) attributable to Liberty Broadband Corporation Series A, Series B and Series C stockholders per common share	$ (0.08)	(0.02)	(0.05)	11.28

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	amounts in thousands			
2016:				
Revenue	$ 3,831	2,966	20,616	3,173
Operating income (loss)	$ (9,340)	(10,737)	6,624	(7,707)
Net earnings (loss) attributable to Liberty Broadband Corporation Series A, Series B and Series C stockholders	$ (22,241)	890,154	3,789	45,601
Basic earnings (loss) attributable to Liberty Broadband Corporation Series A, Series B and Series C stockholders per common share	$ (0.22)	6.31	0.02	0.25
Diluted earnings (loss) attributable to Liberty Broadband Corporation Series A, Series B and Series C stockholders per common share	$ (0.22)	6.28	0.02	0.25

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY INTERACTIVE CORPORATION

Date: March 1, 2018

By /s/Gregory B. Maffei
Gregory B. Maffei
Chief Executive Officer and President

Date: March 1, 2018

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/John C. Malone John C. Malone	Chairman of the Board and Director	March 1, 2018
/s/Gregory B. Maffei Gregory B. Maffei	Director, Chief Executive Officer and President	March 1, 2018
/s/Mark D. Carleton Mark D. Carleton	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2018
/s/Richard N. Barton Richard N. Barton	Director	March 1, 2018
/s/Michael A. George Michael A. George	Director	March 1, 2018
/s/M. Ian G. Gilchrist M. Ian G. Gilchrist	Director	March 1, 2018
/s/Evan D. Malone Evan D. Malone	Director	March 1, 2018
/s/David E. Rapley David E. Rapley	Director	March 1, 2018
/s/M. LaVoy Robison M. LaVoy Robison	Director	March 1, 2018
/s/Larry E. Romrell Larry E. Romrell	Director	March 1, 2018

/s/Andrea L. Wong Andrea L. Wong	Director	March 1, 2018
/s/Mark Vadon Mark Vadon	Director	March 1, 2018
Fiona P. Dias	Director	

LIBERTY INTERACTIVE CORPORATION

Settlement Agreement
with respect to
Option Exchange Proposal

Dated: December 20, 2017

Reference is made to the proposal (the "Proposal") separately presented to you, [●], and incorporated herein by reference by Liberty Interactive Corporation (the "Company") with respect to the outstanding options, whether vested or unvested, to purchase shares of Series A QVC Group common stock, par value $0.01 per share ("QVCA")[,][and] shares of Series A Liberty Ventures common stock, par value $0.01 per share ("LVNTA")[, and shares of Series B Liberty Ventures common stock, par value $0.01 per share ("LVNTB")] held by you and granted under one or more of the Liberty Interactive Corporation 2010 Incentive Plan (as Amended and Restated Effective November 7, 2011 and as further amended Effective August 5, 2013, the "2010 Plan")[,][or] the Liberty Interactive Corporation 2012 Incentive Plan (as Amended and Restated as of March 31, 2015, the "2012[Plan") or the Liberty Interactive Corporation 2016 Omnibus Incentive Plan (the "2016] Plan" and together with the 2010 Plan[and the 2012 Plan], the "Plans") (each such option, an "Eligible Option"). For purposes of the Proposal, Eligible Options do not include[, in the case of QVCA options or LVNTA options,] any options with an exercise price that is greater than the closing price per QVCA or LVNTA share, as applicable, on The Nasdaq Global Select Market on the New Option Grant Date (as defined below)[, or in the case of LVNTB options, any options with an exercise price that is greater than the LVNTB Fair Market Value (as defined below)]. For your convenience, attached is a schedule showing, as of December 26, 2017, all of your outstanding Eligible Options, including the exercise price, vesting schedule and expiration date thereof.

By executing this agreement, you accept the Proposal recognizing that you must do so with respect to all of your Eligible Options. Notwithstanding any acceptance by you of the Proposal as contemplated hereby, you or the Company may elect not to complete the transactions contemplated by the Proposal for any reason at any time prior to the New Option Grant Date (as defined below) by delivering written notice (including by electronic mail) to the other.

By accepting the Proposal and executing this agreement, we agree that:

- you will exercise, effective as of December 26, 2017 (the "New Option Grant Date"), each outstanding vested LVNTA [and LVNTB] Eligible Option and receive a number of LVNTA [or LVNTB] shares[, as applicable,] equal to (x) an amount (less any applicable withholding taxes) determined by the product of (1) the number of LVNTA [or LVNTB] shares subject to such vested Eligible Option, *multiplied by* (2) the difference between[, in the case of a LVNTA Eligible Option, the closing price per share of LVNTA on the Nasdaq Global Select Market on the New Option Grant Date, or, in the case of a LVNTB Eligible Option, (A) if there is sufficient trading volume in shares of LVNTB (which shall mean 500 or more shares) on the Nasdaq Global Select Market on the New Option Grant Date , the closing price per share of LVNTB on the Nasdaq Global Select Market on the New Option Grant Date or (B) if there is insufficient trading volume in shares of LVNTB (which shall mean fewer than 500 shares) on the Nasdaq Global Select Market on the New Option Grant Date,] the closing price per share of LVNTA on the Nasdaq Global Select Market on the New Option Grant Date [*multiplied by* 1.0075 (such value per LVNTB share, the "LVNTB Fair Market Value") **,]** and the exercise

In addition, this document and any offer by the Company to exchange outstanding options constitute a private transaction between you and the Company and are not part of, or subject to, any other offer the Company may make to any officer, director or employee with respect to outstanding incentive awards. You should consult your personal outside advisor(s) if you have questions about your financial or tax situation as it relates to the Proposal.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

price of the vested Eligible Option, *divided by* (y) [in the case of a LVNTA Eligible Option,] the closing price per share of LVNTA on the Nasdaq Global Select Market on the New Option Grant Date[, or, in the case of a LVNTB Eligible Option, the LVNTB Fair Market Value];

- you will exercise, effective as of the New Option Grant Date, each outstanding vested QVCA Eligible Option and receive a number of shares of QVCA equal to (x) an amount (less any applicable withholding taxes) determined by the product of (1) the number of QVCA shares subject to such vested Eligible Option, *multiplied by* (2) the difference between the closing price per share of QVCA on the Nasdaq Global Select Market on the New Option Grant Date and the exercise price of the vested Eligible Option, *divided by* (y) the closing price per share of QVCA on the Nasdaq Global Select Market on the New Option Grant Date;

- for each vested Eligible Option so exercised, the Company will grant you a new option (the "Vested New Option") on the New Option Grant Date that will be fully vested when granted with substantially the same terms and conditions (including, without limitation, the same number of shares and same series of common stock subject thereto and the same expiration date thereof) as the vested Eligible Option exercised as contemplated above, except that the exercise price for the new option will be[, in the case of a QVCA option or LVNTA option,] the closing price per share of QVCA or LVNTA, as applicable, on the Nasdaq Global Select Market on the New Option Grant Date [or, in the case of a LVNTB option, the LVNTB Fair Market Value];

- for each unvested Eligible Option, the Company will accelerate the vesting of such Eligible Option and:

  - you will exercise, effective as of the New Option Grant Date, each outstanding unvested Eligible Option and receive from the Company a number of restricted LVNTA [or LVNTB] shares (the "Restricted Shares"), which will have a vesting schedule identical to that of the unvested Eligible Option so exercised, equal to (x) an amount (less any applicable withholding taxes including any withholding taxes arising as a result of the filing by you of an election under Internal Revenue Code section 83(b) with respect to such Restricted Shares) determined by the product of (1) the number of LVNTA [or LVNTB] shares[, as applicable,] subject to such unvested Eligible Option *multiplied by* (2) the difference between[, in the case of a LVNTA Eligible Option,] the closing price per share of LVNTA on the Nasdaq Global Select Market on the New Option Grant Date[, or, in the case of a LVNTB Eligible Option, the LVNTB Fair Market Value,] and the exercise price of the unvested Eligible Option, *divided by* (y) [in the case of a LVNTA Eligible Option,] the closing price per share of LVNTA on the Nasdaq Global Select Market on the New Option Grant Date[, or, in the case of a LVNTB Eligible Option, the LVNTB Fair Market Value] and <u>further</u> you will file an election under Internal Revenue Code section 83(b) to include the value (as determined herein) of such Restricted Shares in your taxable income on the date of receipt of such Restricted Shares; and

  - the Company will grant to you on the New Option Grant Date a new option (the "Unvested New Option" and, together with the Vested New Option, the "New Options") to acquire the same series of common stock, and with substantially the same terms and conditions, including, without limitation, to the same vesting and expiration date, as the unvested Eligible Option exercised as contemplated above, except that the number of LVNTA [or LVNTB] shares subject to such Unvested New Option will be equal to the number of shares subject to the unvested Eligible Option exercised as contemplated above minus the number of Restricted Shares received upon exercise of such unvested Eligible Option, and the exercise price of such new option will be[, in the case of a LVNTA option,] the closing price per share of LVNTA on the Nasdaq Global Select Market on the New Option Grant Date[, or, in the case of a LVNTB option, the LVNTB Fair Market Value].

- The Company shall indemnify and hold you harmless from and against any and all losses, liabilities (including tax liabilities other than taxes imposed on ordinary compensation income), costs, damages or expenses (including, without duplication, reasonable fees and expenses of counsel, accountants, consultants and other experts) ("Losses") incurred by, imposed on, or attributed to you in connection with, arising out of or resulting from any __claims, demands, actions, proceedings, audits or investigations, in each case, relating to the transactions contemplated herein and initiated by a third party ("Indemnifiable Claims"), other than any such Losses arising out of or resulting from your gross negligence or willful misconduct. Upon your request, the Company shall advance to you any and all reasonable fees, costs and expenses incurred by you in connection with investigating, defending, responding to or participating in (including any appeal), or preparing to defend or participate in, any Indemnifiable Claim, subject to and contingent upon the receipt of an undertaking by you to repay any amounts advanced by the Company to you hereunder if it is ultimately determined in a final judgment not subject to appeal by a court of competent jurisdiction that you are not entitled to be indemnified pursuant hereto. The indemnification and advancement of expenses provided herein is in addition to, and not in derogation of, any other rights you may have under applicable law, the Company's certificate of incorporation or bylaws, or pursuant to any contract, agreement or arrangement; provided, however, that Losses will not be duplicated.

On the New Option Grant Date assuming that neither party has elected as provided herein not to complete the transactions described in the Proposal and this agreement, the Eligible Options will be accelerated and exercised, the Restricted Shares issuable on the exercise of unvested Eligible Options will be issued, and the New Options will be granted, in each case, at 5:00 p.m., New York City time, on the New Option Grant Date. Each of the New Options to be granted as described above will be granted under the [2016 Plan][Liberty Interactive Corporation 2016 Omnibus Incentive Plan (the "2016 Plan")], and will be subject to the terms and conditions of that plan and a new stock option agreement. The new stock option agreement will contain terms and conditions substantially similar to the stock option agreement governing the Eligible Options, except as otherwise described herein. The Restricted Shares issued in settlement of the exercised unvested Eligible Options will be subject to a restricted stock agreement and will be granted under and governed by the applicable plan under which the Eligible Options were granted. A copy of the 2010 Plan has been filed by the Company with the Securities and Exchange Commission as Exhibit 10.7 the Company's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2011 filed on November 8, 2011 (File No. 001-33982), and a copy of the Amendment to the 2010 Plan has been filed by the Company with the Securities and Exchange Commission as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending September 30, 2013 filed on November 5, 2013. A copy of the 2012 Plan has been filed by the Company with the Securities and Exchange Commission as Exhibit 10.4 the Company's Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2015 filed on May 8, 2015 (File No. 001-33982). A copy of the 2016 Plan has been filed by the Company with the Securities and Exchange Commission as Annex A to the Company's Proxy Statement on Schedule 14A filed on July 8, 2016 (File No. 001-33982). In addition, a summary of the material terms of the Plans can be obtained by contacting the Company or from the Liberty Interactive Corporation Legal Department.

Additionally, the Company will provide you with a supplemental QVCA option grant and supplemental LVNTA option grant, each of which will have a Black-Scholes value equal to the estimated amount of certain incremental tax liabilities that you will incur as a result of your participation in the transactions contemplated herein with respect to your QVCA awards and your LVNTA [and LVNTB] awards, respectively, due to the expected reduction under proposed tax reform legislation of the maximum individual tax rate for the 2018 tax year for U.S. federal income tax purposes, as compared to such rate in effect for 2017.

To execute this agreement, you must check the box and sign below, and return this agreement to Kelly King, Assistant Vice President, Compensation [separately provided], (by emailing a scanned or PDF copy or hand delivery) **prior to 5:00 p.m. MTN, December 21, 2017**. In addition, completed and executed copies of the required 83(b) Elections must be sent to the Internal Revenue Service as indicated on the form within 30 days of the New Option Grant Date. The Company will send you completed 83(b) Elections for signature by you [and your spouse]. Please return the signed 83(b) Elections to Ms. King within five (5) days of receipt. The Company will send a copy to the Internal Revenue Service.

Accepting the offer from the Company with respect to your Eligible Options involves a number of potential risks and uncertainties, including, the potential risks and uncertainties set forth under the heading entitled “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 and the Company’s Quarterly Reports on Form 10-Q for 2017, each of which has been filed with the SEC and highlights the material risks of investing in the Company and the QVCA[,][and] LVNTA [and LVNTB] shares. You should carefully consider these risks and we encourage you to speak with your financial, legal and/or tax advisors as necessary before deciding whether to accept the Proposal. You acknowledge that you (x) have received all the information you consider necessary or appropriate for deciding whether to accept the Proposal, (y) have had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the Proposal and (z) can bear the economic risk of your investment and have such knowledge and experience in financial or business matters that you are capable of evaluating the merits and risks of such investment.

- By entering into this agreement with respect to your Eligible Options, you are not waiving any rights you have or may have under any agreement with the Company or any affiliate thereof or otherwise, except that, effective as of the exercise of the Eligible Options, you release all of your rights under such Eligible Options other than those rights provided for herein, including, without limitation, your right to receive the net proceeds of such exercise, as well as the grants of New Options and supplemental options (as described above), and your rights of indemnification described herein.

- Further, by entering into this agreement with respect to your Eligible Options, you are authorizing the Company to deduct the applicable withholding taxes related to the transactions contemplated hereby.

* * *

In addition, this document and any offer by the Company to exchange outstanding options constitute a private transaction between you and the Company and are not part of, or subject to, any other offer the Company may make to any officer, director or employee with respect to outstanding incentive awards. You should consult your personal outside advisor(s) if you have questions about your financial or tax situation as it relates to the Proposal.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

☐ Yes, I wish to accept the Proposal as to ALL, but not less than all, of my Eligible Options as more fully-described above and in discussions with the Company, and I agree to file the 83(b) Elections as described above.

Intending to be legally bound hereby and in consideration of the promises hereunder, the parties agree to the foregoing terms.

Employee Signature	Date
Employee Name (please print)	E-mail Address
Legal Name, if different (please print)	

Liberty Interactive Corporation

By:
Its:

In addition, this document and any offer by the Company to exchange outstanding options constitute a private transaction between you and the Company and are not part of, or subject to, any other offer the Company may make to any officer, director or employee with respect to outstanding incentive awards. You should consult your personal outside advisor(s) if you have questions about your financial or tax situation as it relates to the Proposal.

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Schedule of Eligible Options

Name	Series of Stock	Grant Date	Expiration Date	Plan ID	Grant Price	Eligible Options Outstanding	Eligible Options Vested	Eligible Options Unvested	Vesting Schedule

SECTION 83(B) ELECTION FORM

_______________, 2017

Via Certified Mail, Return Receipt Requested
Internal Revenue Service
____
____

Re: Election to Include in Taxable Income in Year of Transfer Pursuant to Section 83(b) of the Internal Revenue Code

The name, address and taxpayer identification number of the undersigned (the "Taxpayer") are:

Name: ____________________
Address: ____________________
____
SSN: ____________________

Description of the property with respect to which the election is being made (the "Property"): _____ shares of Series A Liberty Ventures and ______ shares of Series B Liberty Ventures common stock of Liberty Interactive Corporation (the "Company").

The date on which the Property was transferred is ____________, 2017 (the "Effective Date"). The taxable year to which this election relates is calendar year 2017.

Nature of the restrictions to which the Property is subject: The Property is subject to transfer restrictions and forfeiture restrictions and vests based on continued service over a period beginning on the Effective Date.

The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) of the Property with respect to which this election is being made is $__________.

The amount paid by the Taxpayer for the Property is $_____________.

A copy of this statement has been furnished to other persons as provided in Treasury Regulation section 1.83- 2(d).

This statement is executed on __________________, 2017.

TAXPAYER:

____
[Name]
SSN: ____________________

____
[Name] (Spouse)
SSN: ____________________

This statement must be filed with the Internal Revenue Service Center with which you filed your last U.S. federal income tax return within 30 days after the Effective Date. This filing should be made by registered or certified mail, return receipt requested. You are also required to deliver a copy of this statement to the Company. You should also retain a copy of this statement for your records.

Exhibit 21

As of December 31, 2017

A table of subsidiaries of Liberty Interactive Corporation is set forth below, indicating as to each the state or jurisdiction of organization and the names under which such subsidiaries do business. Subsidiaries not included in the table are inactive or, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Entity Name	Domicile
1227844 Ontario Ltd.	Ontario
Affiliate Distribution & Mktg., Inc.	DE
Affiliate Investment, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
AMI 2, Inc.	DE
AST Sub, Inc.	DE
Ballard Designs, Inc.	GA
Broadband Holdco, LLC	DE
California Voices, LLC (fka QVC Voices, LLC)	DE
CDirect Mexico I, Inc.	DE
CDirect Mexico II, Inc.	DE
Celebrate Interactive LLC	DE
CFF Operations, LLC	DE
Cinmar, LLC	DE
Contract Décor, Inc.	DE
Cornerstone Brands, Inc.	DE
Cornerstone Services, Inc.	DE
Diamonique Canada Holdings, Inc.	DE
DMS DE, Inc.	DE

ER Development International, Inc. (dba QVC International Development)	PA
ER Marks, Inc.	DE
Evite, Inc.	DE
Frontgate Marketing, Inc.	DE
Garnet Hill, Inc.	NH
GC Marks, Inc. (fka TATV, Inc.)	DE
H.O.T. Home Order Television Belgium S.A.	Belgium
H.O.T. Networks Holdings (Delaware) LLC	DE
Home Shopping Espanol Servicios S. de R.L. de C.V.	Mexico
Home Shopping Espanol (Mexico) S. de R.L. de C.V.	Mexico
Home Shopping Network En Espanol, L.L.C.	DE
Home Shopping Network En Espanol, L.P.	DE
HSN Catalog Services, Inc.	DE
HSN Catalog Services, Inc.	DE
HSN Improvements, LLC	DE
HSN Interactive LLC	DE
HSN of Nevada LLC	DE
HSN, Inc.	DE
HSNI, LLC	DE
IC Marks, Inc.	DE
IM Experience, Inc.	PA
Influence Marketing Corp (dba QVC @ theMall) [Unlimited Liability Corp.]	Nova Scotia
Influence Marketing Services, Inc.	Ontario
Ingenious Designs LLC	DE

Innovative Retailing, Inc.	DE
Liberty Interactive LLC	DE
Liberty QVC Holding, LLC	DE
Liberty USA Holdings, LLC	DE
LIC Ventures Marginco	DE
LV Bridge, LLC	DE
NLG Merger Corp.	DE
NSTBC, Inc.	DE
QC Marks, Inc.	DE
QDirect Ventures, Inc. (fka Qdirect, Inc.)	DE
QExhibits, Inc.	DE
QHealth, Inc.	DE
QLocal, Inc. (fka QVC Local, Inc.)[dba QVC Productions; QVC Remote Productions]	DE
QVC (Barbados) International Finance SRL LLC	Barbados
QVC Britain [English Unlimited Liability Company]	UK
QVC Britain I Limited [English limited liability company]	UK
QVC Britain III, Inc.	DE
QVC Call Center GmbH & Co. KG	Germany
QVC Call Center Vërwaltungs-GmbH	Germany
QVC Cayman Holdings LLC	DE
QVC Cayman, Ltd.	Cayman
QVC Chesapeake, Inc.	VA
QVC China Holdings Limited	Hong Kong
QVC China Licensing, Inc.(fka AI 2, Inc.)	DE

QVC China, Inc.	DE
QVC Delaware LLC	DE
QVC Deutschland GP, Inc.	DE
QVC eDistribution LLC & Co. KG (fka QVC eDistribution Inc. & Co. KG)	Germany
QVC eService LLC & Co. KG (fka QVC eService Inc. & Co. KG)	Germany
QVC France Holdings, S.à.r.l.	Luxembourg
QVC France SAS	France
QVC Germany I S.à r.l. (fka QVC Germany I, LLC)	Luxembourg
QVC Germany II S.à r.l. (fka QVC Germany II, LLC)	Luxembourg
QVC Global DDGS, Inc.	DE
QVC Global Holdings I, Inc.	DE
QVC Global Holdings II, Inc.	DE
QVC Grundstücksverwaltungs GmbH	Germany
QVC Handel S.à r.l. & Co. KG (fka QVC Handel LLC & Co. KG)	Germany
QVC HK Holdings, LLC	DE
QVC Iberia, S.L.	Spain
QVC India, Ltd.	DE
QVC Information and Technologies (Shenzhen) Co., Ltd	China
QVC International SCS (fka QVC International Ltd.)	Luxembourg
QVC International Management GP LLC	DE
QVC Italia S.r.l. [Italian limited liability company]	Italy
QVC Italy Holdings, LLC	DE
QVC Japan Services, LLC (fka QVC Japan Services, Inc.)	DE
QVC Japan, Inc.	Japan

QVC Mexico II, Inc.	DE
QVC Mexico III, Inc.	DE
QVC Mexico, Inc.	DE
QVC of Thailand, Inc.	DE
QVC Ontario Holdings, LLC	DE
QVC Ontario, LLC	DE
QVC Pension Trustee Limited	UK
QVC Poland Global Services sp. z.o.o.	Poland
QVC Properties, Ltd.	UK
QVC Realty LLC (fka QVC Realty, Inc.)	PA
QVC Rocky Mount, Inc.	NC
QVC RS Naples, Inc.	FL
QVC San Antonio, LLC (fka QVC San Antonio, Inc.)	TX
QVC Satellite, Inc.	Japan
QVC (Shanghai) Management Co., Ltd.	China
QVC Shop International, Inc. (fka EZShop International, Inc.)	DE
QVC St. Lucie, Inc.	FL
QVC STT Holdings, LLC	DE
QVC Suffolk, LLC (fka QVC Suffolk, Inc.) (fka CVN Distribution Co., Inc.; C.O.M.B. Distribution Co.)	VA
QVC Suisse Finance GmbH	Switzerland
QVC Suisse Holdings GmbH	Switzerland
QVC Trading (Shanghai) Co., Ltd.	China
QVC Trading (Shenzhen) Co., Ltd.	China
QVC UK (formerly QVC)	England-Wales

QVC UK Holdings Limited	England-Wales
QVC Vendor Development, Inc.	DE
QVC, Inc.	DE
QVC-QRT, Inc.	DE
RQ Holdings Corp.	Canada
RCM6, LLC	Colorado
RS Marks, Inc.	DE
RS Mebane, Inc.	NC
RS Myrtle Beach, Inc.	SC
Savor North Carolina, Inc.	NC
Send the Trend, Inc.	DE
The Cornerstone Brands Group, Inc.	DE
The Cornerstone Holdings Group, Inc.	DE
TOBH, Inc.	DE
TSO Operations, Inc.	DE
TTA Operations, Inc.	DE
Triple Z Logistics, Inc.	DE
Ventana Television Holdings, Inc.	DE
Ventana Television, Inc.	DE
Ventures Holdco, LLC	DE
zulily Australia Pty, Ltd.	Australia
zulily Canada, inc.	Britsh Columbia
zulily Hong Kong Limited	Hong Kong
zulily (Shenzhen) Commercial Consulting Co., Ltd.	China
zulily Ireland Limited	Ireland

zulily UK Ltd.	UK
zulily, llc (f/k/a zulily, Inc.)	DE
1227844 Ontario Ltd.	Ontario
Affiliate Distribution & Mktg., Inc.	DE
Affiliate Investment, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
Alta Wind CL II, LLC	DE
Alta Wind CL IV, LLC	DE
AMI 2, Inc.	DE
ASO Holdings Company LLC	DE
BCY Holdings Inc.	DE
Big Horn Alternative Energy, LLC	DE
California Voices, LLC (fka QVC Voices, LLC)	DE
CDirect Mexico I, Inc.	DE
CDirect Mexico II, Inc.	DE
Celebrate Interactive LLC	DE
Centennial Rural Development, inc.	DE
Cool Kicks Media, LLC	DE
Diamonique Canada Holdings, Inc.	DE
DMS DE, Inc.	DE
ER Development International, Inc. (dba QVC International Development)	PA
ER Marks, Inc.	DE
Evite, Inc.	DE
GC Marks, Inc. (fka TATV, Inc.)	DE
IC Marks, Inc.	DE
IM Experience, Inc.	PA

Influence Marketing Corp (dba QVC @ theMall) [Unlimited Liability Corp.]	Nova Scotia
Influence Marketing Services, Inc.	Ontario
Innovative Retailing, Inc.	DE
iQVC GmbH	Germany
Liberty Acorns, LLC	DE
Liberty Alta IV, Inc.	DE
Liberty Alta, Inc.	DE
Liberty Alternative Energy, LLC	DE
Liberty CDE Investments, Inc.	DE
Liberty Clean Fuels 2, LLC	DE
Liberty Clean Fuels, Inc.	DE
Liberty Digital Commerce, LLC	DE
Liberty Interactive Advertising, LLC (dba Liberty Advertising)	DE
Liberty Interactive LLC	DE
Liberty Israel Venture Fund II, LLC	DE
Liberty Quid, LLC	DE
Liberty QVC Holding, LLC	DE
Liberty Solar Energy, LLC	DE
Liberty USA Holdings, LLC	DE
Liberty USVI Energy, Inc.	DE
LIC Britco, LLC	DE
LIC Israel Investment, LLC	DE
LIC Sound, LLC	DE
LIC Tree 2, LLC	DE
LIC Tree, LLC	DE
LIC Ventures Marginco	DE

LMC Lockerz, LLC	DE
LMC Social, LLC	DE
LV Basket Marginco, LLC	DE
LV Bridge, LLC	DE
Monroe Fuels Company, LLC	DE
NSTBC, Inc.	DE
Provide Gifts, Inc.	DE
QC Marks, Inc.	DE
QDirect Ventures, Inc. (fka Qdirect, Inc.)	DE
QExhibits, Inc.	DE
QHealth, Inc.	DE
QLocal, Inc. (fka QVC Local, Inc.)[dba QVC Productions; QVC Remote Productions]	DE
QVC Brazil Holdings II, S.à.r.l.	Luxembourg
QVC Britain [English Unlimited Liability Company]	UK
QVC Britain I Limited [English limited liability company]	UK
QVC Britain I, LLC (fka QVC Britain I, Inc.)	DE
QVC Britain II, LLC (fka QVC Britain II, Inc.)	DE
QVC Britain III, Inc.	DE
QVC Call Center GmbH & Co. KG	Germany
QVC Call Center Vërwaltungs-GmbH	Germany
QVC Cayman Holdings LLC	DE
QVC Cayman, Ltd.	Cayman
QVC Chesapeake, Inc.	VA
QVC China Holdings Limited	Hong Kong
QVC China Licensing, Inc.(fka AI 2, Inc.)	DE
QVC China, Inc.	DE

QVC Delaware, Inc.	DE
QVC Deutschland GP, Inc.	DE
QVC Deutschland Holdings LLC	DE
QVC eDistribution Inc. & Co. KG	Germany
QVC eProperty Management GmbH & Co. KG	Germany
QVC eService Inc. & Co. KG	Germany
QVC France Holdings, S.à.r.l.	Luxembourg
QVC France SAS	France
QVC Germany I LLC (fka QVC Germany I, Inc.)	DE
QVC Germany II LLC (fka QVC Germany II, Inc.)	DE
QVC Global DDGS, Inc.	DE
QVC Global Holdings I, Inc.	DE
QVC Global Holdings II, Inc.	DE
QVC Grundstücksverwaltungs GmbH	Germany
QVC GV Real Estate GmbH & Co. KG	Germany
QVC Handel LLC & Co. KG	Germany
QVC HK Holdings, LLC	DE
QVC Iberia, S.L.	Spain
QVC India, Ltd.	DE
QVC Information and Technologies (Shenzhen) Co., Ltd	China
QVC International Finance SRL LLC	Barbados
QVC International Ltd. (fka QVC International LLC) (fka QVC International, Inc.)	Bermuda
QVC International Management GP LLC	DE
QVC Italia S.r.l. [Italian limited liability company]	Italy
QVC Italy Holdings, LLC	DE
QVC Japan Services, LLC (fka QVC Japan Services, Inc.)	DE

QVC Japan, Inc.	Japan
QVC Lux Holdings, LLC	DE
QVC Mexico II, Inc.	DE
QVC Mexico III, Inc.	DE
QVC Mexico, Inc.	DE
QVC of Thailand, Inc.	DE
QVC Ontario Holdings, LLC	DE
QVC Ontario, LLC	DE
QVC Pension Trustee Limited	UK
QVC Poland Global Services sp. z.o.o.	Poland
QVC Properties, Ltd.	UK
QVC Realty, Inc.	PA
QVC Rocky Mount, Inc.	NC
QVC RS Naples, Inc.	FL
QVC San Antonio, LLC (fka QVC San Antonio, Inc.)	TX
QVC Satellite, Inc.	Japan
QVC Shop International, Inc. (fka EZShop International, Inc.)	DE
QVC St. Lucie, Inc.	FL
QVC STT Holdings, LLC	DE
QVC Studio GmbH	Germany
QVC Suffolk, LLC (fka QVC Suffolk, Inc.) (fka CVN Distribution Co., Inc.; C.O.M.B. Distribution Co.)	VA
QVC UK (formerly QVC)	England-Wales
QVC UK Holdings Limited	England-Wales
QVC Vendor Development, Inc.	DE
QVC, Inc.	DE
QVC-QRT, Inc.	DE

RCM6, LLC	Colorado
RS Marks, Inc.	DE
RS Mebane, Inc.	NC
RS Myrtle Beach, Inc.	SC
Savor North Carolina, Inc.	NC
Send the Trend, Inc.	DE
TOBH, Inc.	DE
Triple Z Logistics, Inc.	DE
zulily Canada, inc.	Britsh Columbia
zulily Hong Kong Limited	Hong Kong
zulily Ireland Limited	Ireland
zulily UK Ltd.	UK
zulily, llc (f/k/a zulily, Inc.)	DE

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Interactive Corporation:

We consent to the incorporation by reference in the following registration statements of Liberty Interactive Corporation of our reports dated March 1, 2018, with respect to the consolidated balance sheets of Liberty Interactive Corporation as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10‑K of Liberty Interactive Corporation.

Our report dated March 1, 2018, on the effectiveness of internal control over financial reporting as of December 31, 2017, contains an explanatory paragraph that states that Liberty Interactive Corporation acquired HSN, Inc. during 2017, and management excluded from its assessment of the effectiveness of Liberty Interactive Corporation's internal control over financial reporting as of December 31, 2017, HSN, Inc.'s internal control over financial reporting associated with total assets of $3,011 million and total revenues of zero included in the consolidated financial statements of Liberty Interactive Corporation and subsidiaries as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of Liberty Interactive Corporation also excluded an evaluation of the internal control over financial reporting of HSN, Inc.

Description	Registration Statement No.	Description
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-134115	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-142626	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171192	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171193	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-172512	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-176989	Liberty Media 401(k) Savings Plan
S-8	333-177840	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-177841	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-177842	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-184901	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)

S-8	333-184905	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-184904	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-184902	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-184903	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183434	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183433	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183432	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183253	Liberty Media 401(k) Savings Plan
S-8	333-201010	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-202436	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-204879	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-207326	zulily, inc. 2009 Equity Incentive Plan and zulily, inc. 2013 Equity Plan
S-8	333-209872	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-210662	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-214681	Liberty Interactive Corporation 2016 Omnibus Incentive Plan
S-8	333-222062	Liberty Interactive Corporation 2016 Omnibus Incentive Plan
S-8	333-222344	HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan and HSN, Inc. 2017 Omnibus Incentive Plan

/s/ KPMG LLP

Denver, Colorado
March 1, 2018

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Liberty Broadband Corporation:

We consent to the incorporation by reference in the following registration statements of Liberty Interactive Corporation of our report dated February 9, 2018, with respect to the consolidated balance sheets of Liberty Broadband Corporation as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the "consolidated financial statements"), which report appears in the December 31, 2017 annual report on Form 10-K of Liberty Interactive Corporation.

Description	Registration Statement No.	Description
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-134115	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-142626	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171192	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171193	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-172512	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-176989	Liberty Media 401(k) Savings Plan
S-8	333-177840	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-177841	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-177842	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-184901	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-184905	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-184904	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)

S-8	333-184902	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-184903	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183434	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-222062	Liberty Interactive Corporation 2016 Omnibus Incentive Plan
S-8	333-222344	HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan and HSN, Inc. 2017 Omnibus Incentive Plan

/s/ KPMG LLP

Denver, Colorado
March 1, 2018

Exhibit 23.3

Consent of Independent Registered Certified Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

Registration Statement	Registration Statement No.	Description
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-134115	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-142626	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171192	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171193	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-172512	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-176989	Liberty Media 401(k) Savings Plan
S-8	333-177840	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-177841	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-177842	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-184901	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-184905	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-184904	Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan (amended and restated as of December 17, 2015)
S-8	333-184902	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended

S-8	333-184903	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183434	Liberty Interactive Corporation 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183433	Liberty Interactive Corporation 2002 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183432	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-183253	Liberty Media 401(k) Savings Plan
S-8	333-201010	Liberty Interactive Corporation 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-202436	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-204879	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-207326	Zulily, Inc. 2009 Equity Incentive Plan and Zulily, Inc. 2013 Equity Plan
S-8	333-209872	Liberty Interactive Corporation 2012 Incentive Plan (Amended and Restated as of March 31, 2015)
S-8	333-214681	Liberty Interactive Corporation 2016 Omnibus Incentive Plan
S-8	333-222062	Liberty Incentive Corporation 2016 Omnibus Incentive Plan
S-8	333-222344	HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan and HSN, Inc. 2017 Omnibus Incentive Plan

of our report dated March 1, 2018, with respect to the consolidated balance sheet and related notes of HSN, Inc., included in this Annual Report (Form 10-K) of Liberty Interactive Corporation for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Tampa, Florida
March 1, 2018

Exhibit 31.1

CERTIFICATION

I, Gregory B. Maffei, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Interactive Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

/s/ GREGORY B. MAFFEI

Gregory B. Maffei
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Mark D. Carleton, certify that:

1. I have reviewed this annual report on Form 10-K of Liberty Interactive Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

/s/ MARK D. CARLETON

Mark D. Carleton
Chief Financial Officer

Exhibit 32

Certification

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

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

The Annual Report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2018	/s/ GREGORY B. MAFFEI
	Gregory B. Maffei
	President and Chief Executive Officer
Date: March 1, 2018	/s/ MARK D. CARLETON
	Mark D. Carleton
	Chief Financial Officer
	(Principal Financial Officer and Principal Accounting Officer)

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

Unaudited Attributed Financial Information for Tracking Stock Groups

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

The following tables present our assets and liabilities as of December 31, 2017 and 2016 and revenue, expenses and cash flows for the three years ended December 31, 2017, 2016 and 2015. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the QVC Group and the Ventures Group, respectively. The financial information in this Exhibit should be read in conjunction with our consolidated financial statements for the year ended December 31, 2017 included in this Annual Report on Form 10-K.

Our QVC Group common stock is intended to reflect the separate performance of our QVC Group, which, subsequent to the reattribution described in the following paragraph, is comprised of our consolidated subsidiaries, QVC, Inc. ("QVC"), zulily (defined below) (as of October 1, 2015), and HSN, Inc. ("HSNi") (as of December 29, 2017). 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"), and Backcountry.com, Inc. ("Backcountry") (through June 30, 2015) (collectively, the "Digital Commerce" businesses). The Ventures Group also holds ownership interests in FTD Companies, Inc. ("FTD") and LendingTree, Inc. ("LendingTree"), which we account for as equity method investments; an interest in Liberty Broadband Corporation ("Liberty Broadband"), which we account for at fair value; and investments and related financial instruments in public companies such as Charter Communications, Inc. ("Charter"), ILG, Inc. ("ILG") and Time Warner Inc. ("Time Warner"), which are accounted for at their respective fair market values.

As discussed in note 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.

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 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 represented a strategic shift that had a major effect on Liberty's operations, primarily due to one-time gains on transactions recognized as part of the Expedia Holdings Split-Off by Expedia in 2015. 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.

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 5 of the accompanying consolidated financial statements, on December 29, 2017, Liberty acquired the approximate remaining 62% of HSNi it did not already own in an all-stock transaction, making HSNi a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. HSNi has two operating segments: its televised shopping business ("HSN"), and its catalog retail business ("Cornerstone"). HSNi is an interactive multi-channel retailer that markets and sells a wide range of third party and proprietary merchandise directly to consumers through various platforms including (i) television home shopping programming broadcast on the HSN television networks; (ii) catalogs, consisting primarily of the Cornerstone portfolio of leading print catalogs which includes Ballard Designs, Frontgate, Garnet Hill, Grandin Road and Improvements; (iii) websites, which consist primarily of HSN.com, the five branded websites operated by Cornerstone and joymangano.com; (iv) mobile applications; (v) retail and outlet stores; and (vi) wholesale distribution of certain proprietary products to other retailers.

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

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

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

Liberty will complete the Reattribution using similar valuation methodologies to those used in connection with its previous reattributions, including taking into account the advice of its financial advisor. The Transactions are expected to be consummated on March 9, 2018, subject to the satisfaction of customary closing conditions. Simultaneous with that closing, QVC Group common stock will become the only outstanding common stock of Liberty, and thus QVC Group common stock will cease to function as a tracking stock and will effectively become regular common stock, and Liberty will be renamed Qurate Retail Group, Inc., with QVC, HSNi and zulily as wholly-owned subsidiaries.

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, 2017	December 31, 2016
		amounts in millions	
Summary balance sheet data:			
Current assets	$	3,582	2,642
Investments in affiliates, accounted for using the equity method	$	40	224
Intangible assets not subject to amortization, net	$	10,982	9,325
Total assets	$	17,237	14,357
Long-term debt, including current portion	$	6,703	6,375
Deferred tax liabilities	$	994	1,116
Attributed net assets	$	6,819	4,860

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Summary operations data:			
Revenue	$ 10,381	10,219	9,169
Cost of sales	(6,789)	(6,642)	(5,847)
Operating expenses	(648)	(653)	(620)
Selling, general and administrative expenses (1)	(1,088)	(1,063)	(875)
Acquisition and restructuring charges	(35)	—	—
Depreciation and amortization	(721)	(850)	(657)
Operating income (loss)	1,100	1,011	1,170
Interest expense	(293)	(289)	(283)
Share of earnings (losses) of affiliates, net	38	42	55
Realized and unrealized gains (losses) on financial instruments, net	—	2	42
Gains (losses) on transactions, net	409	—	—
Other income (expense), net	(3)	42	(6)
Income tax benefit (expense)	3	(297)	(304)
Net earnings (loss)	1,254	511	674
Less net earnings (loss) attributable to noncontrolling interests	46	38	34
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 1,208	473	640

(1) Includes stock-based compensation of $97 million, $75 million and $60 million for the years ended December 31, 2017, 2016 and 2015, respectively.

SUMMARY ATTRIBUTED FINANCIAL DATA (Continued)

Ventures Group

		December 31, 2017	December 31, 2016
		amounts in millions	
Summary balance sheet data:			
Cash and cash equivalents	$	573	487
Investments in available-for-sale securities and other cost investments	$	2,360	1,918
Investments in affiliates, accounted for using the equity method	$	269	357
Investment in Liberty Broadband measured at fair value	$	3,635	—
Intangible assets not subject to amortization, net	$	29	29
Long-term debt, including current portion	$	1,846	1,667
Deferred tax liabilities	$	1,809	2,520
Attributed net assets (liabilities)	$	3,165	1,912

Years ended December 31,		
2017	2016	2015
amounts in millions		

Summary operations data:			
Revenue	$ 23	428	820
Cost of sales	—	(266)	(546)
Operating expenses	(11)	(54)	(79)
Selling, general and administrative expenses (1)	(65)	(127)	(203)
Depreciation and amortization	(4)	(24)	(46)
Operating income (loss)	(57)	(43)	(54)
Interest expense	(62)	(74)	(77)
Share of earnings (losses) of affiliates, net	(238)	(110)	(233)
Realized and unrealized gains (losses) on financial instruments, net	618	1,173	72
Gains (losses) on transactions, net	1	9	110
Other, net	10	89	20
Income tax benefit (expense)	961	(301)	119
Earnings (loss) from continuing operations	1,233	743	(43)
Earnings (loss) from discontinued operations, net of taxes	—	20	280
Net earnings (loss)	1,233	763	237
Less net earnings (loss) attributable to noncontrolling interests	—	1	8
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 1,233	762	229

(1) Includes stock-based compensation of $26 million, $22 million and $67 million for the years ended December 31, 2017, 2016 and 2015, respectively.

BALANCE SHEET INFORMATION

December 31, 2017

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Assets			
Current assets:			
Cash and cash equivalents	$ 330	573	903
Trade and other receivables, net	1,719	7	1,726
Inventory, net	1,411	—	1,411
Other current assets	122	3	125
Total current assets	3,582	583	4,165
Investments in available-for-sale securities and other cost investments (note 1)	3	2,360	2,363
Investments in affiliates, accounted for using the equity method (note 1)	40	269	309
Investment in Liberty Broadband measured at fair value (note 1)	—	3,635	3,635
Property and equipment, net	1,340	1	1,341
Intangible assets not subject to amortization	10,982	29	11,011
Intangible assets subject to amortization, net	1,244	4	1,248
Other assets, at cost, net of accumulated amortization	46	4	50
Total assets	$ 17,237	6,885	24,122
Liabilities and Equity			
Current liabilities:			
Intergroup payable (receivable)	$ 51	(51)	—
Accounts payable	1,150	1	1,151
Accrued liabilities	1,097	28	1,125
Current portion of debt (note 1)	17	979	996
Other current liabilities	167	2	169
Total current liabilities	2,482	959	3,441
Long-term debt (note 1)	6,686	867	7,553
Deferred income tax liabilities (note 3)	994	1,809	2,803
Other liabilities	147	95	242
Total liabilities	10,309	3,730	14,039
Equity/Attributed net assets (liabilities)	6,819	3,165	9,984
Noncontrolling interests in equity of subsidiaries	109	(10)	99
Total liabilities and equity	$ 17,237	6,885	24,122

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 1)	4	1,918	1,922
Investments in affiliates, accounted for using the equity method (note 1)	224	357	581
Investment in Liberty Broadband measured at fair value (note 1)	—	3,161	3,161
Property and equipment, net	1,131	—	1,131
Intangible assets not subject to amortization	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 1)	14	862	876
Other current liabilities	160	2	162
Total current liabilities	1,760	774	2,534
Long-term debt (note 1)	6,361	805	7,166
Deferred income tax liabilities (note 3)	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

STATEMENT OF OPERATIONS INFORMATION

Year ended December 31, 2017

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Total revenue, net	$ 10,381	23	10,404
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	6,789	—	6,789
Operating expense	648	11	659
Selling, general and administrative, including stock-based compensation (note 2)	1,088	65	1,153
Acquisition and restructuring charges	35	—	35
Depreciation and amortization	721	4	725
	9,281	80	9,361
Operating income (loss)	1,100	(57)	1,043
Other income (expense):			
Interest expense	(293)	(62)	(355)
Share of earnings (losses) of affiliates, net	38	(238)	(200)
Realized and unrealized gains (losses) on financial instruments, net	—	618	618
Gains (losses) on transactions, net	409	1	410
Other, net	(3)	10	7
	151	329	480
Earnings (loss) from continuing operations before income taxes	1,251	272	1,523
Income tax benefit (expense) (note 3)	3	961	964
Net earnings (loss)	1,254	1,233	2,487
Less net earnings (loss) attributable to noncontrolling interests	46	—	46
Net earnings (loss) attributable to Liberty Interactive Corporation shareholders	$ 1,208	1,233	2,441

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 expense	653	54	707
Selling, general and administrative, including stock-based compensation (note 2)	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	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) (note 3)	(297)	(301)	(598)
Earnings (loss) from continuing operations	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 expense	620	79	699
Selling, general and administrative, including stock-based compensation (note 2)	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	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) before income taxes	978	(162)	816
Income tax benefit (expense) (note 3)	(304)	119	(185)
Earnings (loss) from continuing operations	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 CASH FLOWS INFORMATION

Year ended December 31, 2017

(unaudited)

	Attributed (note 1)		
	QVC Group	Ventures Group	Consolidated Liberty
	amounts in millions		
Cash flows from operating activities:			
Net earnings (loss)	$ 1,254	1,233	2,487
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	721	4	725
Stock-based compensation	97	26	123
Share of (earnings) losses of affiliates, net	(38)	238	200
Cash receipts from returns on equity investments	28	1	29
Realized and unrealized (gains) losses on financial instruments, net	—	(618)	(618)
(Gains) losses on transactions, net	(409)	(1)	(410)
Deferred income tax expense (benefit)	(421)	(715)	(1,136)
Intergroup tax allocation	266	(266)	—
Intergroup tax payments	(288)	288	—
Other noncash charges (credits), net	7	3	10
Changes in operating assets and liabilities			
Current and other assets	(177)	34	(143)
Payables and other liabilities	182	43	225
Net cash provided (used) by operating activities	1,222	270	1,492
Cash flows from investing activities:			
Cash paid for acquisitions, net of cash acquired	22	—	22
Cash proceeds from dispositions of investments	2	1	3
Investment in and loans to cost and equity investees	—	(159)	(159)
Capital expended for property and equipment	(201)	(3)	(204)
Other investing activities, net	(52)	(1)	(53)
Net cash provided (used) by investing activities	(229)	(162)	(391)
Cash flows from financing activities:			
Borrowings of debt	2,469	—	2,469
Repayments of debt	(2,618)	(13)	(2,631)
Repurchases of QVC Group common stock	(765)	—	(765)
Withholding taxes on net share settlements of stock-based compensation	(43)	(27)	(70)
Other financing activities, net	(57)	18	(39)

Net cash provided (used) by financing activities	(1,014)	(22)	(1,036)
Effect of foreign currency exchange rates on cash	13	—	13
Net increase (decrease) in cash and cash equivalents	(8)	86	78
Cash and cash equivalents at beginning of period	338	487	825
Cash and cash equivalents at end of period	$ 330	573	903

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	—	(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)
Other financing activities, net	(4)	(50)	(54)
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

Notes to Attributed Financial Information

(unaudited)

(1) The QVC Group is comprised of our consolidated subsidiaries, QVC and zulily (as of October 1, 2015), and HSNi (as of December 29, 2017). As discussed in note 5 of the accompanying consolidated financial statements, on December 29, 2017, Liberty acquired the approximate remaining 62% of HSNi it did not already own in an all-stock transaction making HSNi a wholly-owned subsidiary, attributed to the QVC Group tracking stock group. Accordingly, the accompanying attributed financial information for the QVC Group includes the assets, liabilities, revenue, expenses and cash flows of QVC, HSNi 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. In addition, we have allocated certain corporate general and administrative expenses between the QVC Group and the Ventures Group as described in note 2 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.

The Ventures Group consists of all of our businesses not included in the QVC Group including Evite and interests in Liberty Broadband, LendingTree and FTD and available-for-sale securities Charter and ILG. 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).

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

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

For information relating to investments in available for sale securities and other cost investments, investments in affiliates accounted for using the equity method and debt, see notes 8, 9 and 11, respectively, of the accompanying consolidated financial statements.

(2) 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 $27 million, $38 million and $20 million for the years ended December 31, 2017, 2016 and 2015, 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.

(3) 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.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code. See note 12 to the accompanying consolidated financial statements for more information regarding the impact of the Tax Act.

QVC Group

Income tax benefit (expense) consists of:

	Years ended December 31,		
	2017	2016	2015
	amounts in millions		
Current:			
Federal	$ (312)	(403)	(331)
State and local	(18)	(20)	(20)
Foreign	(88)	(73)	(75)
	$ (418)	(496)	(426)
Deferred:			
Federal	$ 428	185	101
State and local	(7)	10	14
Foreign	—	4	7
	421	199	122
Income tax benefit (expense)	$ 3	(297)	(304)

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,		
	2017	2016	2015
	amounts in millions		
Computed expected tax benefit (expense)	$ (438)	(283)	(343)
State and local income taxes, net of federal income taxes	(13)	(4)	(12)
Foreign taxes, net of foreign tax credits	(32)	(9)	(5)
Change in valuation allowance affecting tax expense	(105)	(15)	2
Dividends received deductions	8	7	49
Change in tax rate due to tax reform	442	—	—
Other change in tax rate	(10)	1	(4)
Consolidation of equity investment	138	—	—
Other, net	13	6	9
Income tax benefit (expense)	$ 3	(297)	(304)

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,	
	2017	2016
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 81	58
Foreign tax credit carryforwards	98	134
Accrued stock compensation	44	45
Other accrued liabilities	19	117
Other future deductible amounts	184	131
Deferred tax assets	426	485
Valuation allowance	(164)	(59)
Net deferred tax assets	262	426
Deferred tax liabilities:		
Intangible assets	1,186	1,537
Other deferred tax liabilities	70	5
Deferred tax liabilities	1,256	1,542
Net deferred tax liabilities	$ 994	1,116

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,		
	2017	2016	2015
	amounts in millions		
Current:			
Federal	$ 251	363	143
State and local	(5)	8	(6)
Foreign	—	—	1
	$ 246	371	138
Deferred:			
Federal	$ 838	(629)	(27)
State and local	(123)	(43)	7
Foreign	—	—	1
	715	(672)	(19)
Income tax benefit (expense)	$ 961	(301)	119

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,

	2017	2016	2015
	amounts in millions		
Computed expected tax benefit (expense)	$ (95)	(366)	57
State and local income taxes, net of federal income taxes	(13)	(22)	(3)
Change in valuation allowance affecting tax expense	4	(1)	4
Dividends received deductions	2	2	2
Alternative energy tax credits and incentives	85	94	61
Change in tax rate due to tax reform	1,043	—	—
Other change in tax rate	(74)	—	(3)
Other, net	9	(8)	1
Income tax benefit (expense)	$ 961	(301)	119

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,	
	2017	2016
	amounts in millions	
Deferred tax assets:		
Net operating and capital loss carryforwards	$ 79	65
Accrued stock compensation	7	11
Other future deductible amounts	6	14
Deferred tax assets	92	90
Valuation allowance	(1)	(5)
Net deferred tax assets	91	85
Deferred tax liabilities:		
Investments	874	1,069
Intangible assets	2	3
Discount on exchangeable debentures	981	1,404
Deferred gain on debt retirements	43	129
Other deferred tax liabilities	—	—
Deferred tax liabilities	1,900	2,605
Net deferred tax liabilities	$ 1,809	2,520

Intergroup payable (receivable)

The intergroup balances, at December 31, 2017 and 2016, are primarily a result of timing of tax benefits.

(4) 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.

Exhibit 99.2

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

December 31, 2017

(unaudited)

amounts in millions

LINT Net Assets	$	10,083
Reconciling items:		
zulily net assets		(1,474)
HSNi net assets (1)		(1,928)
Equity investment in HSNi held by LINT LLC (1)		197
LINT LLC Net Assets	$	6,878
LINT Net Earnings	$	2,487
Reconciling items:		
zulily net (earnings) loss		(65)
HSNi net (earnings) loss (1)		29
Gain on HSNi transaction		(410)
LINT net (earnings) loss		2
Equity investment in HSNi held by LINT LLC (1)		(15)
LINT LLC Net Earnings	$	2,028

(1) On December 29, 2017, LINT acquired the approximate remaining 62% of HSNi it did not already own. LINT LLC continues to hold 38% of HSNi and accounts for its ownership in HSNi as an equity method investment.