

Liberty Interactive Corporation  
Q4-11 Earnings Call  
February 23, 2012

# Forward Looking Statements

This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements about business strategies, market potential, future financial prospects, international expansion, new service and product offerings, the continuation of our stock repurchase program, and other matters that are not historical facts. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, possible changes in market acceptance of new products or services, competitive issues, regulatory matters affecting our businesses, continued access to capital on terms acceptable to Liberty Interactive and market conditions conducive to stock repurchases. These forward-looking statements speak only as of the date of this presentation, and Liberty Interactive expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in Liberty Interactive's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Please refer to the publicly filed documents of Liberty Interactive, including the most recent Form 10-K, for additional information about Liberty Interactive and about the risks and uncertainties related to Liberty Interactive's business which may affect the statements made in this presentation.

On today's call we will discuss certain non-GAAP financial measures including adjusted OIBDA and adjusted OIBDA margin. The required definitions and reconciliations (Preliminary Note and Schedules 1 - 3) can be found at the end of this presentation. Unless otherwise noted, this presentation compares financial information for the quarter or 12 month period ended December 31, 2011 to the same period(s) in 2010. Certain prior period amounts have been reclassified for comparability with the current presentation.

## **Additional Information**

**Nothing in this presentation shall constitute a solicitation to buy or an offer to sell shares of Liberty Interactive's proposed new tracking stock or Liberty Interactive's existing common stock. The offer and sale of shares of the proposed tracking stock will only be made pursuant to an effective registration statement. Liberty Interactive stockholders and other investors are urged to read the registration statement to be filed with the SEC, including the proxy statement/prospectus to be contained therein, because they will contain important information about the issuance of shares of the proposed tracking stock. Copies of Liberty Interactive's SEC filings are available free of charge at the SEC's website (<http://www.sec.gov>). Copies of the filings together with the materials incorporated by reference therein will also be available, without charge, by directing a request to Liberty Interactive Corporation, 12300 Liberty Boulevard, Englewood, Colorado 80112, Attention: Investor Relations, Telephone: (720) 875-5408.**

## Participants in a Solicitation

The directors and executive officers of Liberty Interactive and other persons may be deemed to be participants in the solicitation of proxies in respect of proposals relating to the approval of the issuance of the new tracking stock. Information regarding the directors and executive officers of Liberty Interactive and other participants in the proxy solicitation and a description of their respective direct and indirect interests, by security holdings or otherwise, will be available in the proxy materials to be filed with the SEC.

# Liberty Interactive Recapitalization

- Liberty Interactive will become two tracking stocks
  - Liberty Interactive
  - Liberty Ventures
- Liberty Ventures plans to issue subscription rights to acquire common stock of Liberty Ventures
  - Raise capital for investments in new business opportunities to be attributed to Liberty Ventures
- Process
  - Plan to file S-4 with SEC
  - Shareholder vote and meeting required, will not require IRS ruling
  - Anticipate closing summer 2012

# Liberty Interactive Tracking Stock

## Assets

- QVC
- eCommerce companies
- 34% interest in HSN
- Cash of ~\$0.5b<sup>(1)</sup>

## Liabilities

- QVC Debt
  - \$2b of bonds
  - \$2b bank credit facility, expected balance of \$1.3-1.5b at closing
- Senior Notes
  - \$309m 5.7% due 2013
  - \$287m 8.5% due 2029
  - \$504m 8.25% due 2030

1) Cash from various sources including cash on hand, cash from operations and proceeds from QVC bank credit facility. Expected balance of QVC bank credit facility at closing of \$1.3-1.5 billion.

# Liberty Ventures Tracking Stock

## Assets

- Non-consolidated assets consisting of interests in<sup>(1)</sup>:
  - AOL – \$36m
  - Expedia – \$1.1b
  - Interval – \$220m
  - Time Warner – \$808m
  - Time Warner Cable – \$417m
  - Tree – \$20m
  - TripAdvisor – \$1.0b
  - Green investments
- Cash of ~\$1.25b<sup>(2)</sup>

## Debt

- Exchangeable debentures
  - \$1,138m 3.125% due 2023 – TWX, TWC, AOL<sup>(3)</sup>
  - \$469m 4% due 2029 – S/CTL
  - \$460m 3.75% due 2030 – S/CTL
  - \$486m 3.5% due 2031 – MMI/MSI
  - \$414m 3.25% due 2031 – V/CBS

1) Market values based on 2/22/2012 closing prices

2) Cash from various sources including cash on hand, cash from operations and proceeds from QVC bank credit facility. Expected balance of QVC bank credit facility at closing of \$1.3-1.5 billion.

3) Put exercisable 3/30/2013

# Rationale

- Increases transparency and investor choice
  - Liberty Interactive
    - Increases focus/clarity on Liberty Interactive as video and eCommerce operating business
    - Highlights operations and financial strength of these businesses
    - Further simplifies story
    - Better aligns Liberty Interactive with retail, eCommerce comp universe
    - Isolates complexity discount to Liberty Ventures
  - Liberty Ventures
    - Better highlights investments at Liberty Ventures that were previously overlooked because of the size of QVC
    - Liberty Ventures is similar to Liberty Capital, bet on management's ability to
      - Tax efficiently monetize investments
      - Make attractive investments
- Better capital raising prospects at both tracking stock groups
- Tracking stock structure maintains tax efficiency

# Highlights

- Grew consolidated QVC revenue 5% in Q4 and 6% in 2011
  - Adjusted OIBDA<sup>(1)</sup> increased 9% in Q4 and 4% in 2011, excluding the effects of the new agreement with GE Capital Retail Bank and QVC Italy launch, adjusted OIBDA grew 6% in 2011
  - Operating income increased 1% in Q4 and 2011, excluding the effects of the new agreement with GE Capital Retail Bank and QVC Italy launch, operating income grew 4% in 2011
- eCommerce group grew revenue and adjusted OIBDA 20% and 19% in 2011
  - Operating income increased 38% in 2011
- Repurchased \$257 million of Liberty Interactive stock from November 1<sup>st</sup> through January 31<sup>st</sup>
- Announcing plan to recapitalize Liberty Interactive into two tracking stocks – Liberty Interactive and Liberty Ventures

1) See reconciling schedules (Preliminary Note, Schedule 1, Schedule 2 and Schedule 3) at the end of this presentation.

# Income Statement Items

## Full Year – 2011<sup>(1)</sup>

(\$ millions)	Revenue	Percent Change	Adjusted OIBDA(1)	Percent Change	Operating Income	Percent Change
QVC	8,268	6%	1,733	4%	1,137	1%
eCommerce businesses	1,348	20%	123	19%	55	38%
Corporate and other	-	NM	(33)	-18%	(59)	5%
<b>Total Liberty Interactive</b>	<b>\$ 9,616</b>	<b>8%</b>	<b>\$ 1,823</b>	<b>4%</b>	<b>\$ 1,133</b>	<b>2%</b>

## 4<sup>th</sup> Quarter – 2011<sup>(2)</sup>

(\$ millions)	Revenue	Percent Change	Adjusted OIBDA(1)	Percent Change	Operating Income	Percent Change
QVC	2,649	5%	579	9%	397	1%
eCommerce businesses	430	18%	49	4%	30	7%
Corporate and other	-	NM	(10)	38%	(19)	24%
<b>Total Liberty Interactive</b>	<b>\$ 3,079</b>	<b>7%</b>	<b>\$ 618</b>	<b>10%</b>	<b>\$ 408</b>	<b>3%</b>

1) Represents the percentage change from the year ended December 31, 2010.

2) Represents the percentage change from the quarter ended December 31, 2010.

3) See reconciling schedules (Preliminary Note, Schedule 1, Schedule 2 and Schedule 3) at the end of this presentation.



# Balance Sheet Items

	September 30, 2011	December 31, 2011
<u>Cash and Public Holdings</u>		
Expedia <sup>(1)</sup>	1,782	1,004
TripAdvisor <sup>(1)(2)</sup>	-	873
HSN <sup>(1)</sup>	613	726
Interval Leisure Group and Tree.com <sup>(1)</sup>	236	242
Non-strategic public holdings <sup>(3)</sup>	1,019	1,165
<b>Total</b>	<b>\$ 3,650</b>	<b>\$ 4,010</b>
Cash <sup>(4)</sup>	985	893
<b>Total</b>	<b>\$ 4,635</b>	<b>\$ 4,903</b>
<u>Debt (at face)</u>		
Liberty senior notes and debentures <sup>(5)</sup>	4,067	4,067
QVC senior notes <sup>(4)</sup>	2,000	2,000
QVC bank credit facility and other	544	516
<b>Total Debt</b>	<b>\$ 6,611</b>	<b>\$ 6,583</b>

1) Represents fair value of Liberty Interactive's investment. In accordance with GAAP, Liberty Interactive accounts for these investments using the equity method of accounting and includes these investments in its consolidated balance sheet at their historical carrying values.

2) During the fourth quarter of 2011, Expedia completed the pro-rata split-off of TripAdvisor, Inc.,

3) Represents Liberty Interactive's non-strategic public holdings which are accounted for at fair value.

4) Includes \$89 million and \$46 million of short-term marketable securities with an original maturity greater than 90 days as of September 30, 2011 and December 31, 2011, respectively, which are included in other current assets on Liberty Interactive's balance sheet.

5) Face amount of Senior Notes and Debentures with no reduction for the unamortized discount or fair market value adjustment.

# QVC Q4 Results

	<u>Revenue</u>	<u>Adj. OIBDA<sup>(1)</sup></u>
US	4%	10%
International	<u>7%</u>	<u>5%</u>
<b>Consolidated</b>	<b>5%</b>	<b>9%</b>

- US: ASP increased 8% and units sold decreased 3%
- US gross margin increased 151 bps and adjusted OIBDA margin<sup>(1)</sup> increased 120 bps
- US return rate increased by 31 bps
- eCommerce sales increased to 40% of US revenue from 36% in Q4-10
- Consolidated operating income increased 1%

<u>Local Currency</u>	<u>Revenue</u>	<u>Adjusted OIBDA<sup>(1)</sup></u>	<u>ASP</u>	<u>Units Sold</u>
<b>International<sup>(2)</sup></b>	<b><u>5%</u></b>	<b><u>2%</u></b>	<b><u>3%</u></b>	<b><u>2%</u></b>
UK	-1%	-6%	-3%	2%
Germany	2%	-2%	9%	-7%
Japan	6%	5%	-3%	11%
Italy	NM	35%	-6%	NM

1) See reconciling schedules (Preliminary Note, Schedule 1, Schedule 2 and Schedule 3) at the end of this presentation.

2) Inclusive of adjusted OIBDA losses related to start up operations for QVC Italy. Excluding the costs associated with the QVC Italy start up, the change in adjusted OIBDA would have been -1%.

# QVC 2011 Results

	<u>Revenue</u>	<u>Adj. OIBDA<sup>(1)</sup></u>
US	3%	3%
International	<u>11%</u>	<u>5%</u>
<b>Consolidated</b>	<b>6%</b>	<b>4%</b>

- US: ASP increased 9% and units sold decreased 4%
- US gross margin increased 36 bps and adjusted OIBDA margin<sup>(1)</sup> decreased 8 bps
- US return rate increased by 28 bps
- eCommerce sales increased to 37% of US revenue from 33% in 2010
- Consolidated operating income for QVC increased 1%

<u>Local Currency</u>	<u>Revenue</u>	<u>Adjusted OIBDA<sup>(1)</sup></u>	<u>ASP</u>	<u>Units Sold</u>
<b>International<sup>(2)</sup></b>	<b>5%</b>	<b>-1%</b>	<b>-1%</b>	<b>7%</b>
UK	1%	-1%	-1%	3%
Germany	7%	6%	5%	4%
Japan	1%	-2%	-7%	10%
Italy	NM	-28%	-9%	NM

1) See reconciling schedules (Preliminary Note, Schedule 1, Schedule 2 and Schedule 3) at the end of this presentation.

2) Inclusive of adjusted OIBDA losses related to start up operations for QVC Italy. Excluding the costs associated with the QVC Italy start up, the change in adjusted OIBDA would have been 1%.

# Priorities

- Liberty Interactive
  - Complete recapitalization of Liberty Interactive into two tracking stocks
- QVC
  - Differentiated product offering with compelling marketing and programming
  - Expand the business – new customers and markets
- Continue to grow eCommerce businesses
- Rationalize non-core investments

# Reconciling Schedules

## Preliminary Note

This presentation includes references to adjusted OIBDA, which is a non-GAAP financial measure, for each of Liberty Interactive, QVC (and certain of its subsidiaries), and the eCommerce businesses. Liberty Interactive defines adjusted OIBDA as revenue less cost of sales, operating expenses and selling, general and administrative expenses (excluding stock and other equity-based compensation) and excludes from that definition depreciation and amortization, restructuring and impairment charges and legal settlements that are included in the measurement of operating income pursuant to GAAP. Further, this presentation includes adjusted OIBDA margin, which is also a non-GAAP financial measure. Liberty Interactive defines adjusted OIBDA margin as adjusted OIBDA divided by revenue.

Liberty Interactive believes adjusted OIBDA is an important indicator of the operational strength and performance of its businesses, including the 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. Because adjusted OIBDA is used as a measure of operating performance, Liberty Interactive views operating income as the most directly comparable GAAP measure. Adjusted OIBDA is not meant to replace or supersede operating income or any other GAAP measure, but rather to supplement such GAAP measures in order to present investors with the same information that Liberty Interactive's management considers in assessing the results of operations and performance of its assets. Please see the attached schedules for a reconciliation of adjusted OIBDA to operating income (loss) calculated in accordance with GAAP for Liberty Interactive (Schedule 1) and for QVC (and certain of its subsidiaries) and the eCommerce businesses (Schedule 2).

# Reconciling Schedules (Schedule 1)

(\$ millions)	<u>4Q10</u>	<u>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>
<b>Liberty Interactive<sup>(1)</sup></b>					
Adjusted OIBDA	\$ 564	\$ 378	\$ 450	\$ 377	\$ 618
Depreciation and amortization	(150)	(149)	(148)	(151)	(193)
Stock compensation	(18)	(16)	(14)	(2)	(17)
<b>Operating Income</b>	<b>\$ 396</b>	<b>\$ 213</b>	<b>\$ 288</b>	<b>\$ 224</b>	<b>\$ 408</b>

(\$ millions)	<u>2010</u>	<u>2011</u>
<b>Liberty Interactive<sup>(2)</sup></b>		
Adjusted OIBDA	\$ 1,746	\$ 1,823
Depreciation and amortization	(571)	(641)
Stock compensation	(67)	(49)
<b>Operating Income</b>	<b>\$ 1,108</b>	<b>\$ 1,133</b>

- 1) A reconciliation for Liberty Interactive of adjusted OIBDA to operating income calculated in accordance with GAAP for the three months ended December 31, 2010, March 31, 2011 June 30, 2011, September 30, 2011 and December 31, 2011, respectively.
- 2) A reconciliation for Liberty Interactive of adjusted OIBDA to operating income calculated in accordance with GAAP for years ended December 31, 2010, and 2011, respectively.

# Reconciling Schedules (Schedule 2)

(\$ millions)

<b>Liberty Interactive</b>	<b>4Q10</b>	<b>1Q11</b>	<b>2Q11</b>	<b>3Q11</b>	<b>4Q11</b>
<b>QVC Adjusted OIBDA</b>					
QVC US	364	260	305	259	401
QVC UK	43	21	26	24	40
QVC Germany	71	49	41	40	69
QVC Japan	69	43	59	61	78
QVC Italy	(14)	(10)	(13)	(11)	(9)
QVC International adjusted OIBDA	\$ 169	\$ 103	\$ 113	\$ 114	\$ 178
Consolidated QVC adjusted OIBDA	\$ 533	\$ 363	\$ 418	\$ 373	\$ 579
Depreciation and amortization	(136)	(134)	(131)	(133)	(176)
Stock compensation	(4)	(4)	(6)	(6)	(6)
<b>Operating Income</b>	<b>\$ 393</b>	<b>\$ 225</b>	<b>\$ 281</b>	<b>\$ 234</b>	<b>\$ 397</b>
<b>QVC Operating Income</b>					
QVC US	261	159	204	159	254
QVC International	132	66	77	75	143
Total QVC Operating Income	<b>\$ 393</b>	<b>\$ 225</b>	<b>\$ 281</b>	<b>\$ 234</b>	<b>\$ 397</b>
<b>eCommerce Businesses</b>					
Adjusted OIBDA	\$ 47	\$ 29	\$ 36	\$ 9	\$ 49
Depreciation and amortization	(15)	(16)	(16)	(17)	(17)
Stock compensation	(4)	(5)	(1)	6	(2)
<b>Operating Income</b>	<b>\$ 28</b>	<b>\$ 8</b>	<b>\$ 19</b>	<b>\$ (2)</b>	<b>\$ 30</b>

The information shown above provides a reconciliation for QVC (and certain of its subsidiaries) and the eCommerce businesses of adjusted OIBDA to that entity's operating income calculated in accordance with GAAP for the three months ended December 31, 2010, March 31, 2011, June 30, 2011, September 30, 2011 and December 31, 2011, respectively.

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# Reconciling Schedules (Schedule 2)

(\$ millions)

<b><u>Liberty Interactive</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
<b>QVC Adjusted OIBDA</b>		
QVC US	1,189	1,225
QVC UK	109	111
QVC Germany	181	199
QVC Japan	224	241
QVC Italy	(32)	(43)
QVC International adjusted OIBDA	\$ 482	\$ 508
Consolidated QVC adjusted OIBDA	\$ 1,671	\$ 1,733
Depreciation and amortization	(523)	(574)
Stock compensation	(18)	(22)
<b>Operating Income</b>	<b>\$ 1,130</b>	<b>\$ 1,137</b>
<b>QVC Operating Income</b>		
QVC US	782	776
QVC International	348	361
Total QVC Operating Income	<b>\$ 1,130</b>	<b>\$ 1,137</b>
<b>eCommerce Businesses</b>		
Adjusted OIBDA	\$ 103	\$ 123
Depreciation and amortization	(48)	(66)
Stock compensation	(15)	(2)
<b>Operating Income</b>	<b>\$ 40</b>	<b>\$ 55</b>

The information shown above provides a reconciliation for QVC (and certain of its subsidiaries) and the eCommerce businesses of adjusted OIBDA to that entity's operating income calculated in accordance with GAAP for years ended December 31, 2010, and 2011, respectively.

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# Reconciling Schedules (Schedule 3)

(amounts in millions)

	<u>9/30/11</u>	<u>12/31/11</u>
Cash and liquid investments <sup>(1)</sup>	985	893
<b>Less:</b> Short-term marketable securities	89	46
<b>Total Liberty Interactive Cash (GAAP)</b>	<b>\$ 896</b>	<b>\$ 847</b>
<b>Debt:</b>		
Senior notes and debentures <sup>(2)</sup>	1,100	1,100
Senior exchangeable debentures <sup>(3)</sup>	2,967	2,967
QVC senior notes <sup>(2)</sup>	2,000	2,000
QVC bank credit facility	459	434
Other	85	82
<b>Total Liberty Interactive Debt</b>	<b>\$ 6,611</b>	<b>\$ 6,583</b>
Unamortized discount	(21)	(20)
Fair market value adjustment	(541)	(524)
<b>Total Liberty Interactive (GAAP)</b>	<b>\$ 6,049</b>	<b>\$ 6,039</b>

1) Includes \$89 million and \$46 million of short-term marketable securities with an original maturity greater than 90 days as of September 30, 2011 and December 31, 2011, respectively, which are included in other current assets on Liberty Interactive's balance sheet.

2) Face amount of Senior Notes and Debentures with no reduction for the unamortized discount or fair market value adjustment.

3) Face amount of Senior Exchangeable Debentures with no reduction for the fair market value adjustment.