



# Third Quarter 2013 Earnings Call

November 5, 2013

## 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, the proposed spin-off of our interest in TripAdvisor, the proposed recapitalization of the Liberty Interactive Group tracking stock into the QVC Group tracking stock and a new Liberty Digital Commerce tracking stock, future financial prospects, international expansion, new service and product offerings, the monetization of our non-core assets, the continuation of our stock repurchase program, the estimated liabilities under exchangeable debentures and the ability of invested cash flows to meet obligations under the debentures 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, changes in law and government regulations that may impact the derivative instruments that hedge certain of our financial risks, our ability to satisfy the conditions to the proposed recapitalization and spin-off 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 Forms 10-Q and 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 three month ended September 30, 2013 to the same periods in 2012. Certain prior period amounts have been reclassified for comparability with the current presentation.

# Highlights

- Attributed to Liberty Interactive Group
  - Grew QVC US revenue by 5% and adjusted OIBDA(1) by 9%
  - QVC US operating income increased by 10%
    - QVC.com revenue as a percent of total US revenue increased to 41%, a 2 point increase
      - QVC US mobile penetration was 32% of QVC.com orders
  - Repurchased \$303 million of LINTA shares from August 1 to October 31, 2013
  - Announced plan to create QVC Group and Liberty Digital Commerce Group tracking stocks out of Liberty Interactive Group
- Attributed to Liberty Ventures Group
  - Announced plan to spin-off Liberty TripAdvisor Holdings
  - Invested \$300 million in Abengoa solar project

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

# Liberty Interactive Group

	Revenue	Percent Change	Adjusted OIBDA <sup>(1)</sup>	Percent Change	Operating Income	Percent Change
QVC	1,947	2%	408	3%	259	0%
eCommerce businesses	298	7%	(5)	-225%	(46)	18%
Corporate and other	-	NM	(7)	-40%	(14)	-27%
<b>Total Liberty Interactive Group</b>	<b>\$ 2,245</b>	<b>2%</b>	<b>\$ 396</b>	<b>0%</b>	<b>\$ 199</b>	<b>3%</b>

	June 30, 2013	Sept 30, 2013
<u>Attributed Cash and Public Holdings</u>		
HSN <sup>(2)</sup>	1,075	1,073
Cash and Liquid Investments	591	455
<b>Total Cash and Public Holdings</b>	<b>\$ 1,666</b>	<b>\$ 1,528</b>
<u>Attributed Debt (at face)</u>		
Liberty senior notes and debentures <sup>(3)</sup>	792	792
Senior exchangeable debentures <sup>(4)</sup>	-	400
QVC senior notes <sup>(3)</sup>	2,819	2,819
QVC bank credit facility	990	673
Other	138	153
<b>Total Debt</b>	<b>\$ 4,739</b>	<b>\$ 4,837</b>

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

2) Represents fair value of Liberty Interactive Group's investment in HSN. In accordance with GAAP, Liberty Interactive Group accounts for this investment using the equity method of accounting and includes this investment in its attributed balance sheet at its historical carrying value which aggregated \$270 million and \$283 million at June 30, 2013 and September 30, 2013, respectively.

3) Face amount of Senior Notes and Debentures with no reduction for the unamortized discount.

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

## QVC Q3 Results

	Revenue	Adj. OIBDA <sup>(1)</sup>
US	5%	9%
International	<u>-5%</u>	<u>-13%</u>
<b>Consolidated</b>	<b>2%</b>	<b>3%</b>

- US: ASP increased 5% and units sold increased 1% compared to Q3-12
- US gross margin increased 99 bps and adjusted OIBDA margin<sup>(1)</sup> increased 86 bps
- US return rate decreased by 42 bps
- eCommerce penetration increased to 41% of US revenue from 39% in Q3-12
- Consolidated operating income was essentially flat

Local Currency	Revenue	Adj. OIBDA <sup>(1)</sup>	ASP	Units Sold
<b>International<sup>(2)</sup></b>	<u>2%</u>	<u>-4%</u>	<u>-1%</u>	<u>5%</u>
Japan	-1%	-14%	-3%	4%
Germany	0%	-3%	-3%	6%
UK	7%	25%	9%	-1%
Italy	27%	2%	-5%	31%
<b>China JV<sup>(3)</sup></b>	<b>54%</b>	<b>44%</b>		

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

2) Calculated on a constant currency basis due to the inclusion of multiple currencies. Excludes China JV.

3) This joint venture is being accounted for as an equity method investment.

# Liberty Ventures Group

(\$ in millions)

	June 30, 2013	Sept 30, 2013
<u>Attributed Cash and Public Holdings</u>		
Expedia <sup>(1)</sup>	1,388	1,196
Interval Leisure Group and Tree.com <sup>(2)</sup>	379	466
Other public holdings <sup>(3)</sup>	917	947
<b>Total</b>	<b>\$ 2,684</b>	<b>\$ 2,609</b>
Cash and liquid investments <sup>(4)(5)(6)</sup>	1,809	1,470
<b>Total Cash and Public Holdings</b>	<b>\$ 4,493</b>	<b>\$ 4,079</b>
<u>Attributed Debt (at face)</u>		
Senior exchangeable debentures <sup>(7)</sup>	2,146	2,091
TripAdvisor debt facilities	385	376
<b>Total Debt</b>	<b>\$ 2,531</b>	<b>\$ 2,467</b>

- 1) Represents fair value of Liberty Ventures Group's investment in Expedia. In accordance with GAAP, Liberty Ventures Group accounts for this investment using the equity method of accounting and includes this investment in its attributed balance sheet at its historical carrying value which aggregated \$438 million and \$465 million at June 30, 2013 and September 30, 2013, respectively.
- 2) Represents fair value of Liberty Ventures Group's investments. In accordance with GAAP, Liberty Ventures Group accounts for these investments using the equity method of accounting and includes these investments in its attributed balance sheet at their historical carrying values which aggregated \$95 million and \$98 million at June 30, 2013 and September 30, 2013, respectively.
- 3) Represents Liberty Ventures Group's other public holdings which are accounted for at fair value.
- 4) Includes \$508 million and \$552 million of short-term marketable securities with an original maturity greater than 90 days as of June 30, 2013 and September 30, 2013, respectively.
- 5) Includes \$444 million and \$392 million of marketable securities with an original maturity greater than one year as of June 30, 2013 and September 30, 2013, respectively, which are reflected in investments in available-for-sale securities in Liberty Ventures Group's condensed attributed balance sheet.
- 6) Includes \$616 million and \$596 million of cash and liquid investments held at TripAdvisor as of June 30, 2013 and September 30, 2013, respectively.
- 7) Face amount of Senior Exchangeable Debentures with no reduction for the fair market value adjustment.

# 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)

(\$ in millions)

	3Q-12	4Q-12	1Q-13	2Q-13	3Q-13
<b>Liberty Interactive Group<sup>(1)</sup></b>					
Adjusted OIBDA	397	626	437	455	396
Depreciation and amortization	(147)	(159)	(153)	(158)	(156)
Stock compensation	(18)	(32)	(24)	(29)	(22)
Impairment of intangible assets	(39)	(53)	-	-	(19)
<b>Operating Income</b>	<b>\$ 193</b>	<b>\$ 382</b>	<b>\$ 260</b>	<b>\$ 268</b>	<b>\$ 199</b>

1) A reconciliation for the Liberty Interactive Group of adjusted OIBDA to operating income calculated in accordance with GAAP for the three months ended September 30, 2012, December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively.



## Reconciling Schedules (Schedule 2)

(\$ in millions)

Liberty Interactive Group	3Q-12	4Q-12	1Q-13	2Q-13	3Q-13
<b>QVC Adjusted OIBDA</b>					
QVC US	\$ 278	\$ 429	\$ 291	\$ 320	\$ 304
QVC Japan	67	79	54	57	46
QVC Germany	36	58	43	35	37
QVC UK	21	42	19	26	26
QVC Italy	(5)	(5)	(3)	(4)	(5)
QVC International adjusted OIBDA	\$ 119	\$ 174	\$ 113	\$ 114	\$ 104
Consolidated QVC adjusted OIBDA	\$ 397	\$ 603	\$ 404	\$ 434	\$ 408
Depreciation and amortization	(129)	(141)	(134)	(140)	(139)
Stock compensation	(8)	(13)	(10)	(9)	(10)
<b>Operating Income</b>	<b>\$ 260</b>	<b>\$ 449</b>	<b>\$ 260</b>	<b>\$ 285</b>	<b>\$ 259</b>
<b>QVC Operating Income</b>					
QVC US	173	312	180	207	191
QVC International	87	137	80	78	68
Total QVC Operating Income	\$ 260	\$ 449	\$ 260	\$ 285	\$ 259
<b>eCommerce Businesses</b>					
Adjusted OIBDA	\$ 4	\$ 35	\$ 39	\$ 26	\$ (5)
Depreciation and amortization	(18)	(19)	(18)	(18)	(19)
Stock compensation	(3)	(2)	(2)	(10)	(3)
Impairment of intangible assets	(39)	(53)	-	-	(19)
<b>Operating Income (Loss)</b>	<b>\$ (56)</b>	<b>\$ (39)</b>	<b>\$ 19</b>	<b>\$ (2)</b>	<b>\$ (46)</b>

The information shown above provides a reconciliation for the Liberty Interactive Group of adjusted OIBDA to operating income calculated in accordance with GAAP for the three months ended September 30, 2012, December 31, 2012, March 31, 2013, June 30, 2013 and September 30, 2013, respectively.

## Reconciling Schedules (Schedule 3)

(\$ in millions)

	6/30/13	9/30/13
<b>Cash and Liquid Investments Attributable to:</b>		
Liberty Interactive Group	\$ 591	\$ 455
Liberty Ventures Group <sup>(1)(2)(3)</sup>	1,809	1,470
<b>Total Liberty Consolidated Cash and Liquid Investments</b>	<b>\$ 2,400</b>	<b>\$ 1,925</b>
<b>Less:</b>		
Short-term marketable securities - Liberty Ventures	\$ 508	\$ 552
Long-term marketable securities - Liberty Ventures	444	392
<b>Total Liberty Consolidated Cash (GAAP)</b>	<b>\$ 1,448</b>	<b>\$ 981</b>
<b>Debt:</b>		
Senior Notes & Debentures <sup>(4)</sup>	\$ 792	\$ 792
Senior exchangeable debentures <sup>(5)</sup>	\$ -	\$ 400
QVC Senior Notes <sup>(4)</sup>	2,819	2,819
QVC Bank Credit Facility	990	673
Other	138	153
<b>Total Attributed Liberty Interactive Group Debt</b>	<b>\$ 4,739</b>	<b>\$ 4,837</b>
Unamortized Discount and Fair Market Value Adjustment	(15)	(2)
<b>Total Attributed Liberty Interactive Group Debt (GAAP)</b>	<b>\$ 4,724</b>	<b>\$ 4,835</b>
Senior Exchangeable Debentures <sup>(5)</sup>	\$ 2,146	\$ 2,091
TripAdvisor Debt Facilities	385	376
<b>Total Attributed Liberty Ventures Group Debt</b>	<b>\$ 2,531</b>	<b>\$ 2,467</b>
less: Fair Market Value Adjustment	(267)	(268)
<b>Total Attributed Liberty Ventures Group Debt (GAAP)</b>	<b>\$ 2,264</b>	<b>\$ 2,199</b>
<b>Total Liberty Interactive Corporation Debt (GAAP)</b>	<b>\$ 6,988</b>	<b>\$ 7,034</b>

- 1) Includes \$508 million and \$552 million of short-term marketable securities with an original maturity greater than 90 days as of June 30, 2013 and September 30, 2013, respectively.
- 2) Includes \$444 million and \$392 million of marketable securities with an original maturity greater than one year as of June 30, 2013 and September 30, 2013, respectively which are reflected in investments in available-for-sale securities in Liberty Ventures Group's condensed attributed balance sheet.
- 3) Includes \$616 million and \$596 million of cash and liquid investments held at TripAdvisor as of June 30, 2013 and September 30, 2013, respectively.
- 4) Face amount of Senior Notes and Debentures with no reduction for the unamortized discount.
- 5) Face amount of Senior Exchangeable Debentures with no reduction for the fair market value adjustment.