

Liberty Interactive Corporation  
Q2-12 Earnings Call  
August 08, 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 creation of the Liberty Ventures tracking stock, 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, our ability to satisfy the conditions to the creation of the Liberty Ventures tracking stock 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 quarter ended June 30, 2012 to the same period in 2011. 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 Liberty Interactive's effective registration statement. Liberty Interactive stockholders and other investors are urged to read the registration statement filed with the SEC, including the definitive proxy statement/prospectus contained therein, because they 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 are also 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, is available in the definitive proxy materials filed with the SEC.

# Highlights

- Grew consolidated QVC revenue 4% and adjusted OIBDA<sup>(1)</sup> 5% in Q2
  - Operating income increased 7%
  - QVC.com revenue as a percent of total US revenue increased to 39%
- QVC raised \$500 million in 10-year senior secured notes at 5.125%
- Recent international transactions in the video shopping space indicate favorable multiples for LINTA
- Repurchased \$257 million of Liberty Interactive stock from May 1, 2012 through June 29, 2012, after which we mailed our proxy statement
- Holding stockholder meeting today, will vote on Liberty Ventures creation
  - Anticipate first day of trading on August 10

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

# Liberty Interactive

(\$ millions)	Revenue	Percent Change	Adjusted OIBDA(1)	Percent Change	Operating Income	Percent Change
QVC	1,974	4%	438	5%	301	7%
eCommerce businesses	391	13%	23	-36%	(1)	-105%
Corporate and other	-	NM	(6)	-50%	(10)	17%
<b>Total Liberty Interactive</b>	<b>\$ 2,365</b>	<b>5%</b>	<b>\$ 455</b>	<b>1%</b>	<b>\$ 290</b>	<b>1%</b>

	March 31, 2012	June 30, 2012
Cash and Public Holdings		
Expedia <sup>(2)</sup>	1,157	1,664
TripAdvisor <sup>(2)</sup>	1,235	1,169
HSN <sup>(2)</sup>	761	808
Interval Leisure Group and Tree.com <sup>(2)</sup>	311	348
Non-strategic public holdings <sup>(3)</sup>	1,339	1,380
<b>Total</b>	<b>\$ 4,803</b>	<b>\$ 5,369</b>
Cash and Liquid Investments <sup>(4)</sup>	802	790
<b>Total</b>	<b>\$ 5,605</b>	<b>\$ 6,159</b>
Debt (at face)		
Liberty senior notes and debentures <sup>(5)</sup>	4,065	3,954
QVC senior notes <sup>(5)</sup>	2,000	2,000
QVC bank credit facility and other	479	420
<b>Total Debt</b>	<b>\$ 6,544</b>	<b>\$ 6,374</b>

- 1) See reconciling schedules (Preliminary Note, Schedule 1, Schedule 2, and Schedule 3) at the end of this presentation.
- 2) Represents fair value of Liberty Interactive's investments. 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 which aggregated \$1,137 million and \$1,160 million at March 31, 2012 and June 30, 2012, respectively.
- 3) Represents Liberty Interactive's non-strategic public holdings which are accounted for at fair value.
- 4) Includes \$8 million of short-term marketable securities with an original maturity greater than 90 days as of March 31, 2012, which are included as 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 Q2 Results

	<u>Revenue</u>	<u>Adj. OIBDA<sup>(1)</sup></u>
US	4%	3%
International	<u>4%</u>	<u>9%</u>
<b>Consolidated</b>	<b>4%</b>	<b>5%</b>

- US: ASP increased 5% and units sold remained flat compared to Q2-11
- US gross margin decreased 31 bps and adjusted OIBDA margin<sup>(1)</sup> decreased 15 bps
- US return rate increased by 117 bps
- eCommerce sales increased to 39% of US revenue from 35% in Q2-11
- Consolidated operating income increased 7%

<u>Local Currency</u>	<u>Revenue</u>	<u>Adjusted OIBDA<sup>(1)</sup></u>	<u>ASP</u>	<u>Units Sold</u>
<b>International</b>	<b><u>8%</u></b>	<b><u>11%</u></b>	<b><u>1%</u></b>	<b><u>6%</u></b>
Japan	13%	16%	3%	12%
Germany	-1%	7%	-3%	-1%
UK	4%	-16%	3%	1%
Italy	NM	33%	0%	NM

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

# 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>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>1Q12</u>	<u>2Q12</u>
<b>Liberty Interactive<sup>(1)</sup></b>					
Adjusted OIBDA	\$ 450	\$ 377	\$ 618	\$ 418	\$ 455
Depreciation and amortization	(148)	(151)	(193)	(143)	(147)
Stock compensation	(14)	(2)	(17)	(17)	(18)
<b>Operating Income</b>	<b>\$ 288</b>	<b>\$ 224</b>	<b>\$ 408</b>	<b>\$ 258</b>	<b>\$ 290</b>

The information shown above provides a reconciliation for Liberty Interactive of adjusted OIBDA to operating income calculated in accordance with GAAP for the three months ended June 30, 2011, September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012, respectively.

# Reconciling Schedules (Schedule 2)

(\$ millions)

<b>Liberty Interactive</b>	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>1Q12</u>	<u>2Q12</u>
<b>QVC Adjusted OIBDA</b>					
QVC US	305	259	401	270	315
QVC Japan	59	61	78	63	70
QVC Germany	41	40	69	46	39
QVC UK	26	24	40	20	21
QVC Italy	(13)	(11)	(9)	(9)	(7)
QVC International adjusted OIBDA	\$ 113	\$ 114	\$ 178	\$ 120	\$ 123
Consolidated QVC adjusted OIBDA	\$ 418	\$ 373	\$ 579	\$ 390	\$ 438
Depreciation and amortization	(131)	(133)	(176)	(127)	(129)
Stock compensation	(6)	(6)	(6)	(5)	(8)
<b>Operating Income</b>	<b>\$ 281</b>	<b>\$ 234</b>	<b>\$ 397</b>	<b>\$ 258</b>	<b>\$ 301</b>
<b>QVC Operating Income</b>					
QVC US	204	159	254	171	214
QVC International	77	75	143	87	87
Total QVC Operating Income	<b>\$ 281</b>	<b>\$ 234</b>	<b>\$ 397</b>	<b>\$ 258</b>	<b>\$ 301</b>
<b>eCommerce Businesses</b>					
Adjusted OIBDA	\$ 36	\$ 9	\$ 49	\$ 34	\$ 23
Depreciation and amortization	(16)	(17)	(17)	(17)	(16)
Stock compensation	(1)	6	(2)	(2)	(8)
<b>Operating Income</b>	<b>\$ 19</b>	<b>\$ (2)</b>	<b>\$ 30</b>	<b>\$ 15</b>	<b>\$ (1)</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 June 30, 2011, September 30, 2011, December 31, 2011, March 31, 2012 and June 30, 2012, respectively.



# Reconciling Schedules (Schedule 3)

*(amounts in millions)*

	<u>3/31/12</u>	<u>6/30/12</u>
Cash and liquid investments <sup>(1)</sup>	802	790
<b>Less:</b> Short-term marketable securities	8	-
<b>Total Liberty Interactive Cash (GAAP)</b>	<b>\$ 794</b>	<b>\$ 790</b>
<b>Debt:</b>		
Senior notes and debentures <sup>(2)</sup>	1,100	1,100
Senior exchangeable debentures <sup>(3)</sup>	2,965	2,854
QVC senior notes <sup>(2)</sup>	2,000	2,000
QVC bank credit facility	382	302
Other	97	118
<b>Total Liberty Interactive Debt</b>	<b>\$ 6,544</b>	<b>\$ 6,374</b>
Unamortized discount	(19)	(19)
Fair market value adjustment	(342)	(306)
<b>Total Liberty Interactive (GAAP)</b>	<b>\$ 6,183</b>	<b>\$ 6,049</b>

1) Includes \$8 million of short-term marketable securities with an original maturity greater than 90 days as of March 31, 2012 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.