

Liberty Interactive Corporation  
Q3-11 Earnings Call  
November 8, 2011



# 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, our upcoming purchase of HSN stock 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 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-Q and 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 nine month period ended September 30, 2011 to the same period(s) in 2010. Certain prior period amounts have been reclassified for comparability with the current presentation.



# Highlights

- Grew consolidated QVC revenue 6% with strength in Japan and Germany
  - Adjusted OIBDA<sup>(1)</sup> increased 1%, excluding the effects of the new agreement with GE Capital Retail Bank and QVC Italy launch, adjusted OIBDA grew 2%
  - Operating income decreased less than 1%, excluding the effects of the new agreement with GE Capital Retail Bank and QVC Italy launch, operating income grew 2%
- Agreed to purchase additional 1.5 million shares of HSN
  - Scheduled to close in Q4
  - Will increase ownership to 34%
- Repurchased \$173 million of Liberty Interactive stock from August 1<sup>st</sup> through October 31<sup>st</sup>
- Reduced interest rate on the QVC bank credit facility by 25 basis points due to improved credit rating of QVC's senior secured debt by S&P
  - Additional 25 basis point decrease will happen at the end of November due to pay down of \$160 million, decreasing leverage ratio to 1.5X

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	1,886	6%	373	1%	234	0%
eCommerce businesses	247	25%	9	-10%	(2)	NM
Corporate and other	-	NM	(5)	17%	(8)	47%
<b>Total Liberty Interactive</b>	<b>\$ 2,133</b>	<b>8%</b>	<b>\$ 377</b>	<b>1%</b>	<b>\$ 224</b>	<b>2%</b>

## QVC adjusted OIBDA growth

**2%**

*Excluding the effects of the new GE Capital Retail Bank agreement and QVC Italy launch*

	June 30, 2011	September 30, 2011
<u>Cash and Public Holdings</u>		
Expedia <sup>(2)</sup>	2,007	1,782
HSN <sup>(2)</sup>	610	613
Interval Leisure Group and Tree.com <sup>(2)</sup>	242	236
Non-strategic public holdings <sup>(3)</sup>	1,258	1,019
<b>Total</b>	<b>\$ 4,117</b>	<b>\$ 3,650</b>
Cash <sup>(4)</sup>	1,360	985
<b>Total</b>	<b>\$ 5,477</b>	<b>\$ 4,635</b>
<u>Debt (at face)</u>		
Liberty senior notes and debentures <sup>(5)</sup>	4,201	4,067
QVC senior notes	2,000	2,000
QVC bank credit facility and other	676	544
<b>Total Debt</b>	<b>\$ 6,877</b>	<b>\$ 6,611</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 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.
- 3) Represents Liberty Interactive's non-strategic public holdings which are accounted for at fair value.
- 4) Includes \$48 million and \$89 million of short-term marketable securities with an original maturity greater than 90 days as of June 30, 2011 and September 30, 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 Q3 Results

	<u>Revenue</u>	<u>Adj. OIBDA<sup>(1)</sup></u>
US	2%	- 1%
International	<u>14%</u>	<u>6%</u>
<b>Consolidated</b>	<b>6%</b>	<b>1%</b>

- US: ASP increased 13% and units sold decreased 7%
- US gross margin decreased 25 bps and adjusted OIBDA margin<sup>(1)</sup> decreased 71 bps
- US return rate increased by 110 bps
- eCommerce sales increased to 35% of US revenue from 31% in Q3-10
- Consolidated operating income for QVC was virtually flat

<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>-3%</u></b>	<b><u>-1%</u></b>	<b><u>8%</u></b>
UK	-4%	-8%	-1%	-1%
Germany	8%	-4%	5%	5%
Japan	4%	3%	-10%	16%

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 -2%.



# Priorities

- 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
- Invest liquidity

# 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 gains on 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>3Q10</u>	<u>4Q10</u>	<u>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>
<b>Liberty Interactive</b>					
Adjusted OIBDA	\$ 373	\$ 564	\$ 378	\$ 450	\$ 377
Depreciation and amortization	(141)	(150)	(149)	(148)	(151)
Stock compensation expense	(12)	(18)	(16)	(14)	(2)
<b>Operating Income</b>	<b>\$ 220</b>	<b>\$ 396</b>	<b>\$ 213</b>	<b>\$ 288</b>	<b>\$ 224</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 September 30, 2010, December 31, 2010, March 31, 2011 June 30, 2011 and September 30, 2011, respectively.





# Reconciling Schedules (Schedule 2)

(\$ millions)

<b>Liberty Interactive</b>	<b>3Q10</b>	<b>4Q10</b>	<b>1Q11</b>	<b>2Q11</b>	<b>3Q11</b>
<b>QVC</b>					
QVC US adjusted OIBDA	261	364	260	305	259
QVC UK adjusted OIBDA	25	43	21	26	24
QVC Germany adjusted OIBDA	38	71	49	41	40
QVC Japan adjusted OIBDA	54	69	43	59	61
QVC Italy adjusted OIBDA	(9)	(14)	(10)	(13)	(11)
QVC International adjusted OIBDA	\$ 108	\$ 169	\$ 103	\$ 113	\$ 114
Total QVC adjusted OIBDA	\$ 369	\$ 533	\$ 363	\$ 418	\$ 373
Depreciation and amortization	(129)	(136)	(134)	(131)	(133)
Stock compensation expense	(5)	(4)	(4)	(6)	(6)
<b>Operating Income</b>	<b>\$ 235</b>	<b>\$ 393</b>	<b>\$ 225</b>	<b>\$ 281</b>	<b>\$ 234</b>
<b>Operating Income</b>					
QVC US	159	261	159	204	159
QVC International	76	132	66	77	75
<b>eCommerce Businesses</b>					
Adjusted OIBDA	\$ 10	\$ 47	\$ 29	\$ 36	\$ 9
Depreciation and amortization	(12)	(15)	(16)	(16)	(17)
Stock compensation expense	2	(4)	(5)	(1)	6
<b>Operating Income</b>	<b>--</b>	<b>\$ 28</b>	<b>\$ 8</b>	<b>\$ 19</b>	<b>\$ (2)</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 or group's operating income calculated in accordance with GAAP for the three months ended September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011 and September 30, 2011, respectively.



# Reconciling Schedules (Schedule 3)

(amounts in millions)

## Cash and Liquid Investments:

Liberty Interactive<sup>(1)</sup>

**Less:** Short-term marketable securities

### Total Liberty Interactive Cash (GAAP)

## Debt:

Senior notes and debentures<sup>(2)</sup>

Senior exchangeable debentures<sup>(3)</sup>

QVC senior notes<sup>(2)</sup>

QVC bank credit facility

Other

### Total Liberty Interactive Debt

Unamortized discount

Fair market value adjustment

### Total Liberty Interactive (GAAP)

	<u>6/30/11</u>	<u>9/30/11</u>
\$	1,360	985
	48	89
<b>\$</b>	<b>1,312</b>	<b>\$ 896</b>
	1,115	1,100
	3,086	2,967
	2,000	2,000
	611	459
	65	85
<b>\$</b>	<b>6,877</b>	<b>\$ 6,611</b>
	(22)	(21)
	(425)	(541)
<b>\$</b>	<b>6,430</b>	<b>\$ 6,049</b>

- 1) Includes \$48 million and \$89 million of short-term marketable securities with an original maturity greater than 90 days as of June 30, 2011 and September 30, 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.

