

Liberty Interactive Corporation
Q1-12 Earnings Call
May 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 March 31, 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 an effective registration statement. Liberty Interactive stockholders and other investors are urged to read the registration statement filed with the SEC, including the preliminary 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 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 (a preliminary filing of which has been made with the SEC).

Highlights

- Grew consolidated QVC revenue 5% and adjusted OIBDA⁽¹⁾ 7% in Q1
 - Operating income increased 15%
 - QVC.com revenue as a percent of total US revenue increased to 39%
- eCommerce group grew revenue and adjusted OIBDA 18% and 17% in Q1
 - Operating income increased 88%
- Repurchased \$325 million of Liberty Interactive stock from February 1 through April 30
- Filed S-4 with the SEC to create new Liberty Ventures tracking stock

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

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(\$ millions)	Revenue	Percent Change	Adjusted OIBDA(1)	Percent Change	Operating Income	Percent Change
QVC	1,932	5%	390	7%	258	15%
eCommerce businesses	382	18%	34	17%	15	88%
Corporate and other	-	NM	(6)	57%	(15)	25%
Total Liberty Interactive	\$ 2,314	7%	\$ 418	11%	\$ 258	21%

	December 31, 2011	March 31, 2012
Cash and Public Holdings		
Expedia ⁽²⁾	1,004	1,157
TripAdvisor ⁽²⁾	873	1,235
HSN ⁽²⁾	726	761
Interval Leisure Group and Tree.com ⁽²⁾	242	311
Non-strategic public holdings ⁽³⁾	1,165	1,339
Total	\$ 4,010	\$ 4,803
Cash and Liquid Investments ⁽⁴⁾	893	802
Total	\$ 4,903	\$ 5,605
Debt (at face)		
Liberty senior notes and debentures ⁽⁵⁾	4,067	4,065
QVC senior notes ⁽⁵⁾	2,000	2,000
QVC bank credit facility and other	516	479
Total Debt	\$ 6,583	\$ 6,544

- 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 \$46 million and \$8 million of short-term marketable securities with an original maturity greater than 90 days as of December 31, 2011 and March 31, 2012, respectively, which are included in other current assets on Liberty Interactive's balance sheet.
- 5) Face amount of Senior Notes and Senior Exchangeable Debentures with no reduction for the unamortized discount or fair market value adjustment.

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QVC Q1 Results

	<u>Revenue</u>	<u>Adj. OIBDA⁽¹⁾</u>
US	4%	4%
International	<u>8%</u>	<u>17%</u>
Consolidated	5%	7%

- US: ASP increased 4% and units sold increased 1%
- US gross margin increased 49 bps and adjusted OIBDA margin⁽¹⁾ decreased 4 bps
- US return rate increased by 127 bps
- eCommerce sales increased to 39% of US revenue from 36% in Q1-11
- Consolidated operating income increased 15%

<u>Local Currency</u>	<u>Revenue</u>	<u>Adjusted OIBDA⁽¹⁾</u>	<u>ASP</u>	<u>Units Sold</u>
International	<u>8%</u>	<u>17%</u>	<u>2%</u>	<u>5%</u>
Japan	19%	40%	-3%	25%
Germany	-4%	-3%	1%	-8%
UK	4%	-3%	1%	4%
Italy	NM	14%	-2%	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>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>1Q12</u>
Liberty Interactive⁽¹⁾					
Adjusted OIBDA	\$ 378	\$ 450	\$ 377	\$ 618	\$ 418
Depreciation and amortization	(149)	(148)	(151)	(193)	(143)
Stock compensation	(16)	(14)	(2)	(17)	(17)
Operating Income	\$ 213	\$ 288	\$ 224	\$ 408	\$ 258

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 March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012, respectively.

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Reconciling Schedules (Schedule 2)

(\$ millions)

Liberty Interactive	1Q11	2Q11	3Q11	4Q11	1Q12
QVC Adjusted OIBDA					
QVC US	260	305	259	401	270
QVC Japan	43	59	61	78	63
QVC Germany	49	41	40	69	46
QVC UK	21	26	24	40	20
QVC Italy	(10)	(13)	(11)	(9)	(9)
QVC International adjusted OIBDA	\$ 103	\$ 113	\$ 114	\$ 178	\$ 120
Consolidated QVC adjusted OIBDA	\$ 363	\$ 418	\$ 373	\$ 579	\$ 390
Depreciation and amortization	(134)	(131)	(133)	(176)	(127)
Stock compensation	(4)	(6)	(6)	(6)	(5)
Operating Income	\$ 225	\$ 281	\$ 234	\$ 397	\$ 258
QVC Operating Income					
QVC US	159	204	159	254	171
QVC International	66	77	75	143	87
Total QVC Operating Income	\$ 225	\$ 281	\$ 234	\$ 397	\$ 258
eCommerce Businesses					
Adjusted OIBDA	\$ 29	\$ 36	\$ 9	\$ 49	\$ 34
Depreciation and amortization	(16)	(16)	(17)	(17)	(17)
Stock compensation	(5)	(1)	6	(2)	(2)
Operating Income	\$ 8	\$ 19	\$ (2)	\$ 30	\$ 15

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 March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012, respectively.

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Reconciling Schedules (Schedule 3)

(amounts in millions)

	<u>12/31/11</u>	<u>3/31/12</u>
Cash and liquid investments ⁽¹⁾	893	802
Less: Short-term marketable securities	46	8
Total Liberty Interactive Cash (GAAP)	\$ 847	\$ 794
Debt:		
Senior notes and debentures ⁽²⁾	1,100	1,100
Senior exchangeable debentures ⁽³⁾	2,967	2,965
QVC senior notes ⁽²⁾	2,000	2,000
QVC bank credit facility	434	382
Other	82	97
Total Liberty Interactive Debt	\$ 6,583	\$ 6,544
Unamortized discount	(20)	(19)
Fair market value adjustment	(524)	(342)
Total Liberty Interactive (GAAP)	\$ 6,039	\$ 6,183

- 1) Includes \$46 million and \$8 million of short-term marketable securities with an original maturity greater than 90 days as of December 31, 2011 and March 31, 2012, 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.