

qurate
RETAIL GROUP℠

CURATED EXPERIENCES.
INFINITE POSSIBILITIES.℠

Liberty Investor Day

November 14, 2018

Forward-Looking Statements and Non-GAAP Measures

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 (including future business investments and capital allocation), stock repurchases, market potential, future financial performance, the impact of purchase accounting relating to acquisitions, market conditions, sales demand, customer growth, trends in digital video consumption, new services and product offerings and launches, the successful integration of HSN, Inc., including related costs and the realization of estimated and expected synergies, benefits and efficiencies, the impact of recent tax reform (including matters relating to tax rates and benefits and interest deductions), estimated cost savings, expected interest payment on exchangeable debentures, leverage expectations and targets, organizational structure 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 business, market conditions conducive to stock repurchases, and continued access to capital on terms acceptable to Qurate Retail, Inc. (“Qurate Retail”), and QVC, Inc. (“QVC”). These forward-looking statements speak only as of the date of this presentation, and Qurate Retail and QVC expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in their respective 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 Qurate Retail and QVC, including the most recent Forms 10-K and 10-Q, for additional information about Qurate Retail and QVC and about the risks and uncertainties related to the business of each of Qurate Retail and QVC which may affect the statements made in this presentation.

Non-GAAP Measures

This presentation includes certain non-GAAP financial measures including Adj. OIBDA and Adj. OIBDA margin. The required definitions and reconciliations can be found at the end of this presentation.

Agenda

12:45pm – 1:00pm	Welcome	Courtnee Chun
1:00pm – 1:40pm	Qurate Retail	Mike George & Mark Carleton
1:40pm – 1:55pm	Liberty Broadband, GCI Liberty	Greg Maffei
1:55pm – 2:10pm	Charter	Tom Rutledge
2:10pm – 2:25pm	GCI	Pete Pounds
2:25pm – 2:35pm	LendingTree	Doug Lebda
2:35pm – 3:15pm	Q&A	John Malone & Greg Maffei

Wifi

TAG

#LibertyInvestorDay

WIFI NETWORK

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WIFI PASSWORD

orange21



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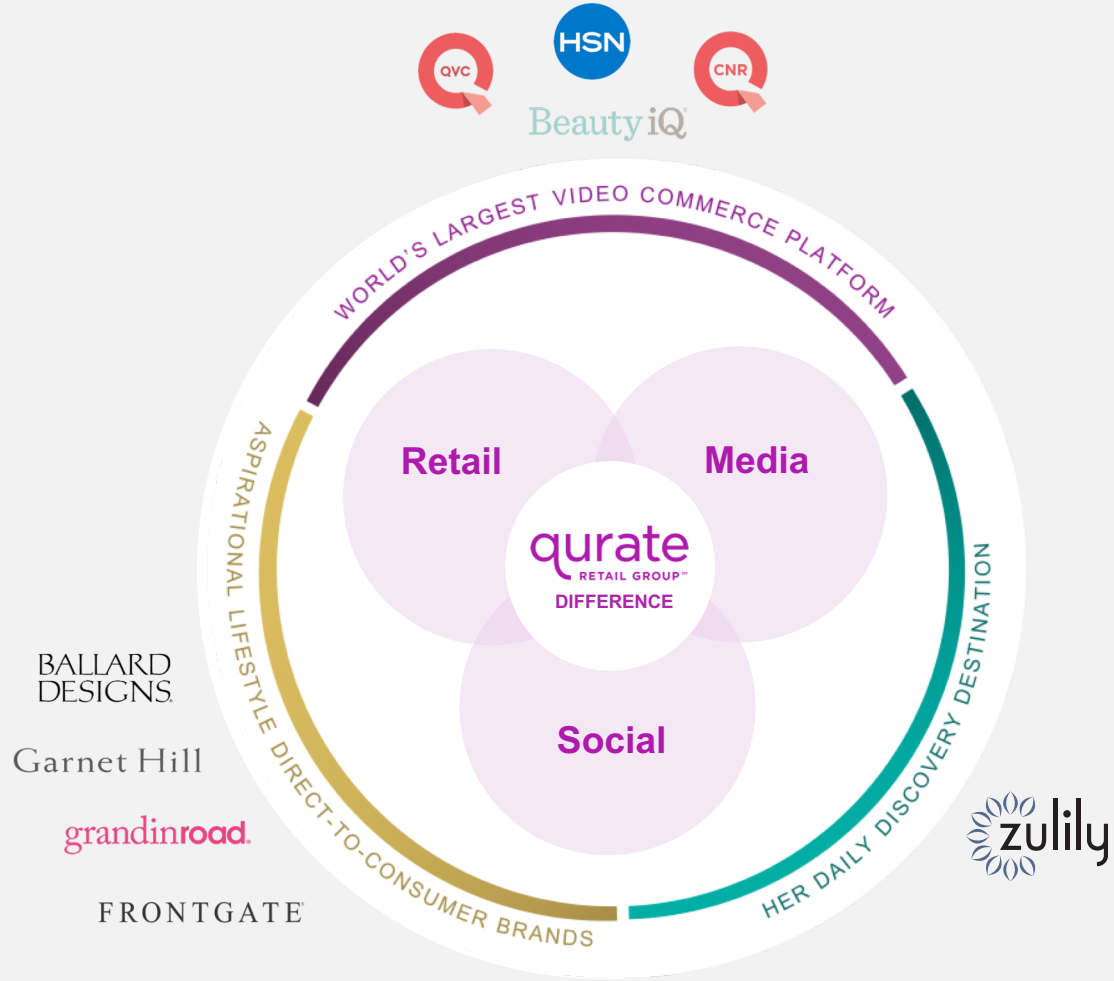
Our Vision

We create the world's most engaging shopping experiences, combining the best of retail, media, and social.

We Believe In A Third Way To Shop℠

Beyond traditional brick & mortar or transactional eCommerce – for consumers who crave engaging shopping experiences over impersonal transactions.

We bring joy, inspiration, and humanity to the shopping experience with every facet of our business in service to her.



Significant Direct-To-Consumer Scale

1st
VIDEO COMMERCE





16
TELEVISION NETWORKS[1]

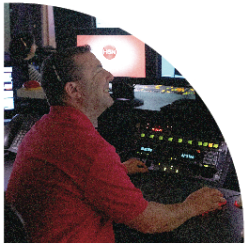
370M
HOMES REACHED[1]

13
WEBSITES

2.2B
ANNUAL WEB VISITS



3rd
ECOMMERCE & MOBILE COMMERCE[2]



23M
CUSTOMERS[3]



$14B
REVENUE

336M
UNITS SHIPPED

24K
BRANDS[4]





All data as of FY 2017. [1]Includes QVC's JV in China. [2]Source: Internet Retailer. [3]Removes estimated customer overlap. Does not include China JV. [4]Includes some amount of QVC and HSN brand overlap.

Powerful Multibrand Global Video Commerce Platform

QVC Q2 Beauty iQ HSN HSN2

Net Rev **$8.5B**

Operating Income Margin **12.9%**

Adj. OIBDA margin **19.7%**

101M homes

10.9M[1] customers

1B web visits

53% eCommerce

61% mobile[2]

QVC **INTERNATIONAL**[3]

QVC UK QVC BEAUTY QVC STYLE QVC +1	QVC ITALY	QVC GERMANY QVC STYLE QVC2	QVC JAPAN	QVC FRANCE	QVC / CNR MALL

Net Rev **$2.6B**

Operating Income Margin **13.4%**

Adj. OIBDA margin **17.1%**

273M homes

4.6M customers

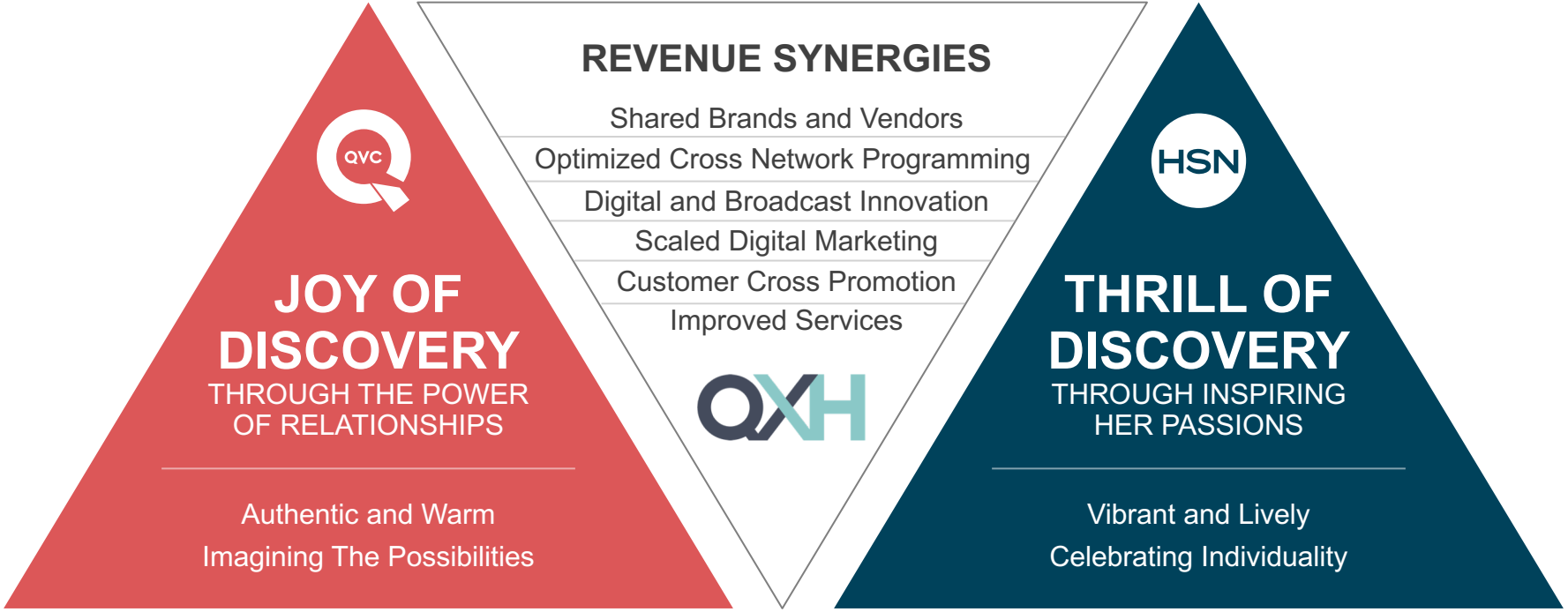
360M web visits

36% eCommerce

68% mobile[2]

FY 2017 Data. [1]Excludes overlap between QVC & HSN. [2]Percent of eCommerce orders. [3]All data excludes China JV except number of homes.

Best Of Both & Best Of Each



Introducing Our Customers



Liz
Age 36

Smart Choices
On-Trend
Seeks Approval
Enthusiastic Shopper

Value and Quality
Stylish and Youthful
Comfortable with Herself
Confident Shopper

Elizabeth
Age 60





Nicole
Age 45

Special Finds
Unique Style
Seeks to Stand Out
Blackbelt Shopper

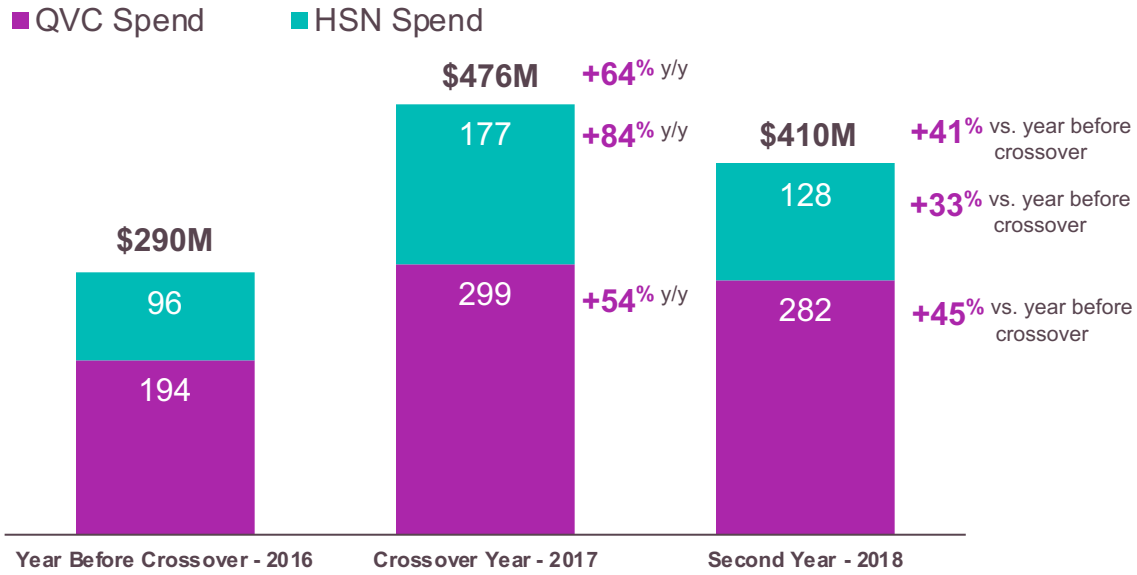
Love to Shop | Discovery & Inspiration | Relationship Focused | Deal Hunters

Customers Who Cross Over Increase Their Spend

Spend Of 2017 New Crossover Customers

12 Months Ending September

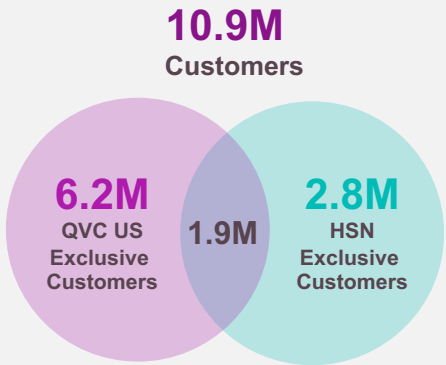
QVC US & HSN



Customer Overlap

FY 2017

QVC US & HSN



Exclusive to HSN or QVC 12 months ending September 2016. Crossover to either HSN or QVC 12 months ending September 2017

Funding Future Growth Through Expanded Efficiencies

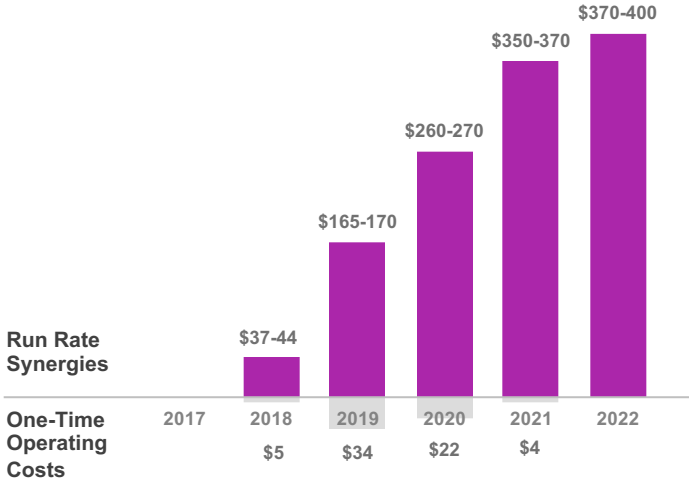
$370-400M estimated cost efficiencies identified

- Does not include revenue synergies
- Anticipate deploying some savings into business to drive growth

		Nov 2017 Integration Synergies	Newly Identified Efficiencies	Total
Procurement	• Freight and other indirect savings • Direct sourcing / strategic vendor management • Payment options	$75-80M	$50- 55M	$125-135M
Duplicate Functions	• Headcount • Public company costs (listing and filing fees)	$40-45M	$40-43M	$80-88M
Business Process Integration	• Supply chain network optimization • Contact centers optimization	$65-70M	$80-82M	$145-152M
MSO Distribution Fees / Marketing	• MSOs, channel placement and HD availability equally important • Marketing spend optimization	$20-25M		$20-25M
Total		$200-220M	$170-180M	$370-400M

Additional One Time Costs Below OIBDA				Ongoing Incremental Lease Costs
Severance Expense	$90M	Capital Investment	$305M	$10M in 2019 ramping to
Majority in 2017-2018		Sale of Assets	-$60M	$20M by 2022
Total	$90M	Net Capital	$245M	

Time Phasing of Synergies ($M)



Estimated Capex As % of NR	1.8%	1.9%	3.0%- 3.2%	1.8%- 2.2%

zulily

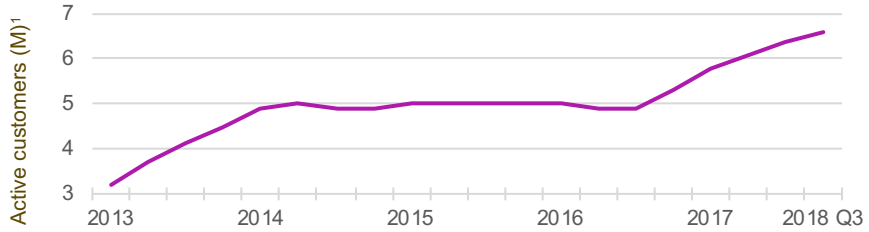
Our Promise To Her

Every single day, you will discover the unexpected on zulily. Something new, something unique, something special at a price you'll love. For yourself. For your family. For your home.

Strong YTD Growth

↑25%	↑17%	↑40%	↑16%
Total Customers	Operating Income	Adjusted OIBDA	Revenue

Customer Growth



Data as of Sept. 30, 2018

[1]Active customer: 1+ purchases in last 12 months



Key Initiatives For Growth

- Double down on tech
  - Focus on machine learning, big data, marketing tech, store and supply chain
- Engage her where she is
  - Connect with customers through email, social and Facebook Messenger
- Invest in cross-border business
  - Leverage ability to ship worldwide to customers from fulfillment centers



Cornerstone Brands

BALLARD DESIGNS | FRONTGATE | Garnet Hill | grandinroad

Aspirational, lifestyle brands that deliver unique, distinctive proprietary products directly to a loyal and valuable customer base.

Key Initiatives For Growth

- Consistent, relevant brand expression
- Gross margin expansion – Initial markup management, sourcing, assortment rationalization
- White space brand and product extensions
- Marketing mix evolution to digital / social







Five-Year Financial Framework

IF

Revenue

1.5-3%	12-16%	2-4%
QVC/HSN	zulily	Cornerstone

- **60%-65%** of cost synergies flow through OIBDA
- Remainder of synergies reinvested to drive growth

THEN

3-5%
Revenue CAGR

5-7%
Adj. OIBDA CAGR

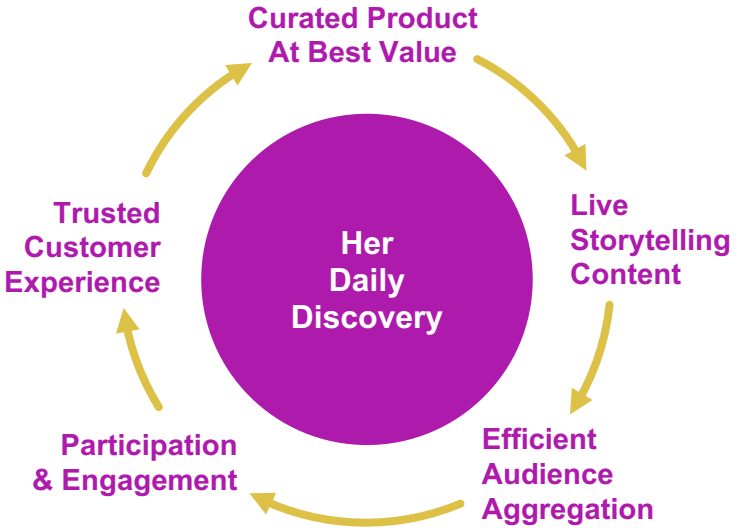
52-56%
Levered FCF Conversion

The Future Of Video Commerce





Driving Growth: Understanding Our Strengths



The Power Of Daily Discovery

QVC US

Existing Customers

86% Of Shipped Sales

52% Of All Customers

Monthly Engagement[1]

7 **Web Visits** Per Month

8 Days Per Month Tuning Into **QVC TV[2]**

Annual Purchases[4]

26 Items Purchased

89% Retention

$1.4K Spend

Existing Customer Definition:
Customer who made a purchase in two consecutive 12 month periods

Her Daily Discovery

Best Customers

71% Of Shipped Sales

17% Of All Customers

Monthly Engagement[1]

27 **Web Visits** Per Month

16 Days Per Month Tuning Into **QVC TV[2,3]**

Annual Purchases[4]

70 Items Purchased

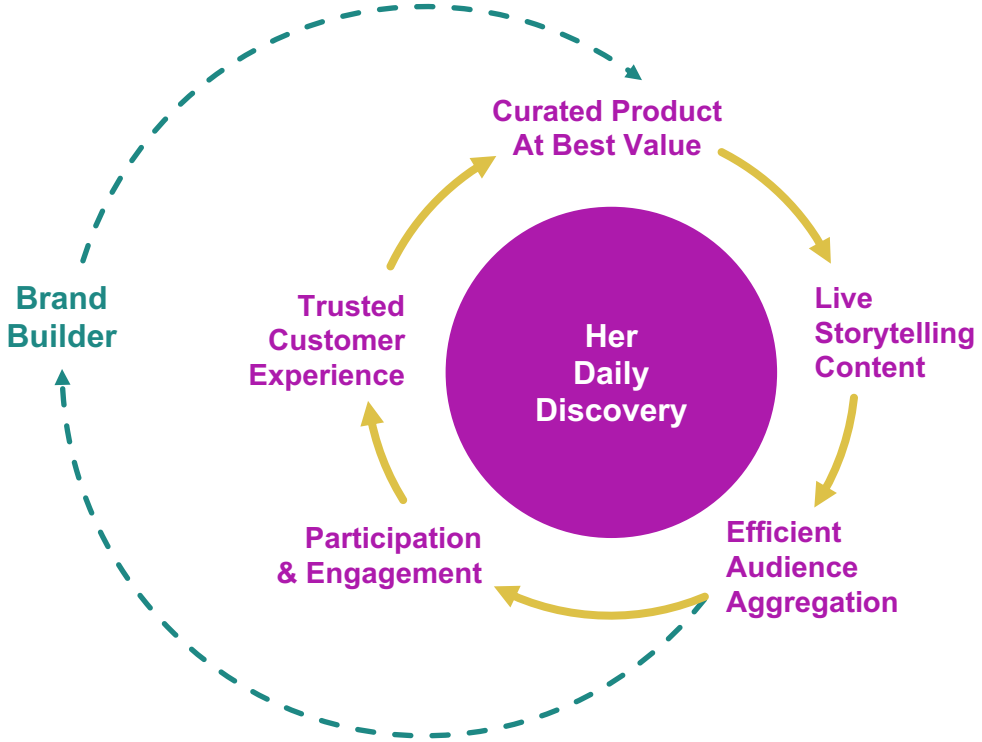
99.7% Retention

$3.5K Spend

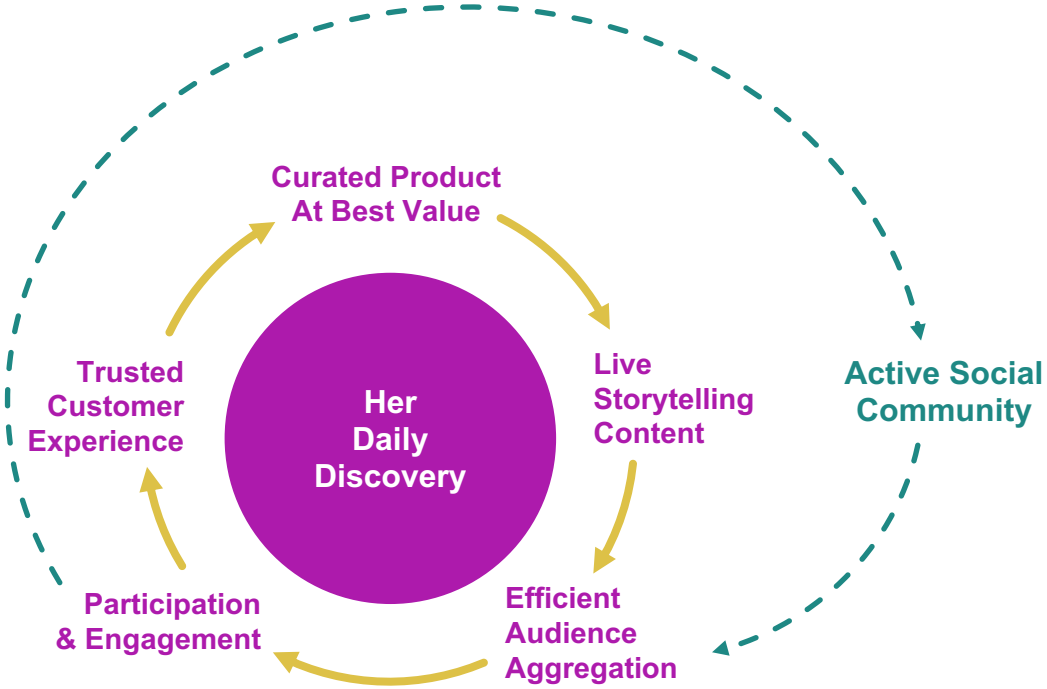
Best Customer Definition:
20+ purchases in the last 12 months

All QVC US data. [1]September 2018 data. [2]Source: Comscore data as of Q2 2018. [3]Viewership defined as top 20% of viewers in Q2 2018 based on viewing length. [4]Last 12 months ending September 2018

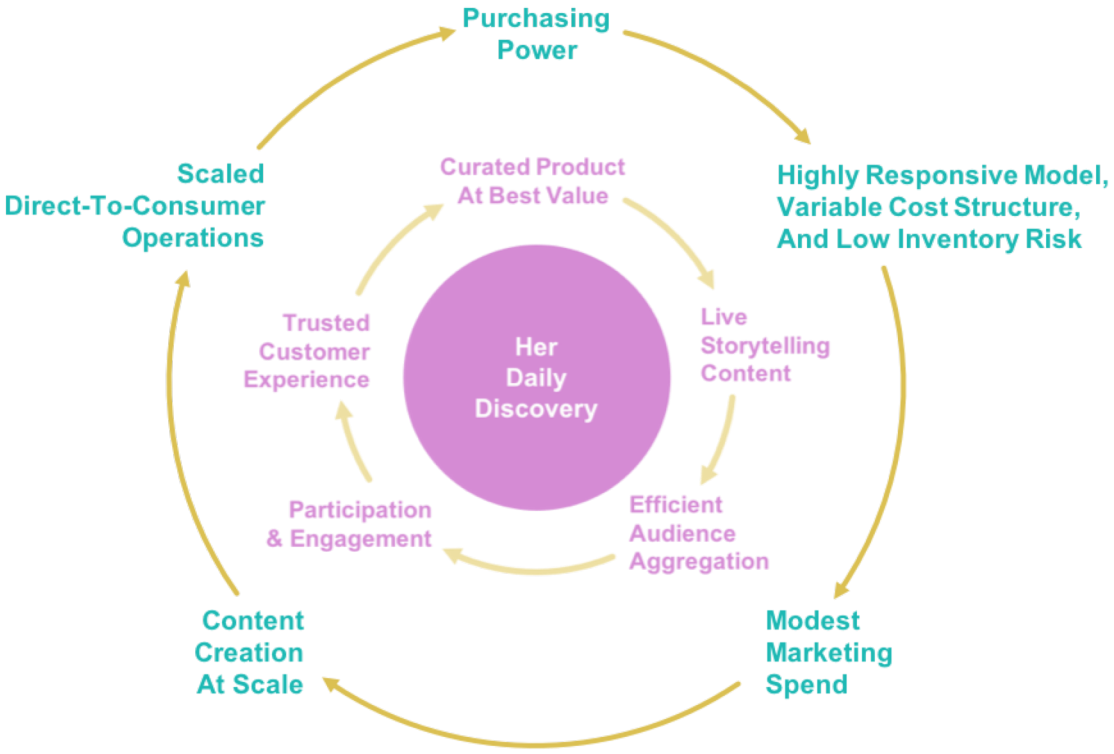
Driving Growth: Understanding Our Strengths



Driving Growth: Understanding Our Strengths



Highly Efficient Business Model

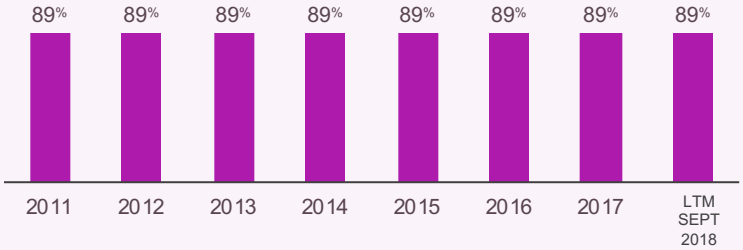


Model Drives Strong Business Outcomes

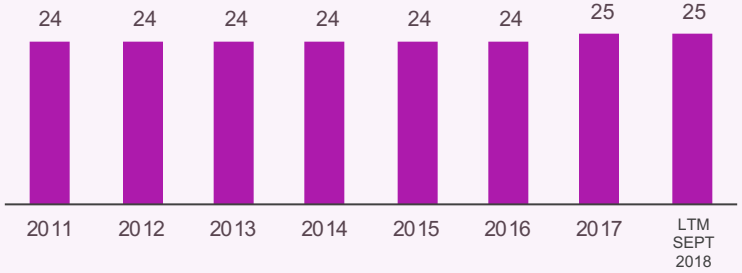
QVC Consolidated

Loyal Customers With High Purchase Frequency

Existing Customer Retention

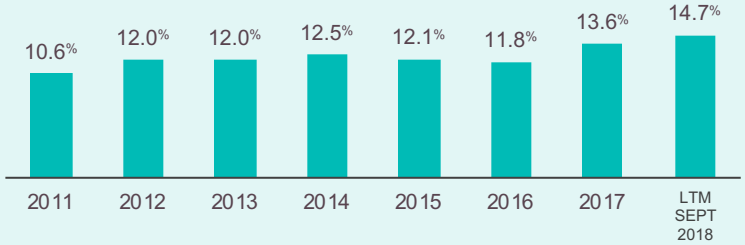


Items Per Existing Customers

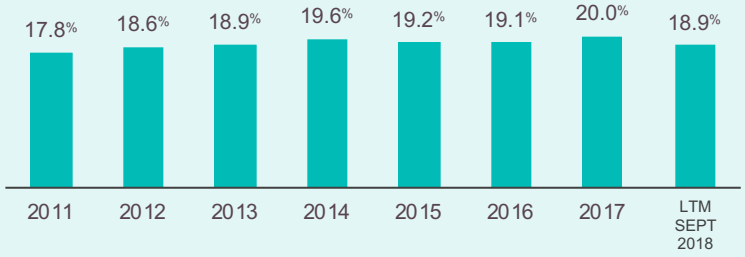


High And Sustainable Profit Margins

Operating Income Less Capex Margin

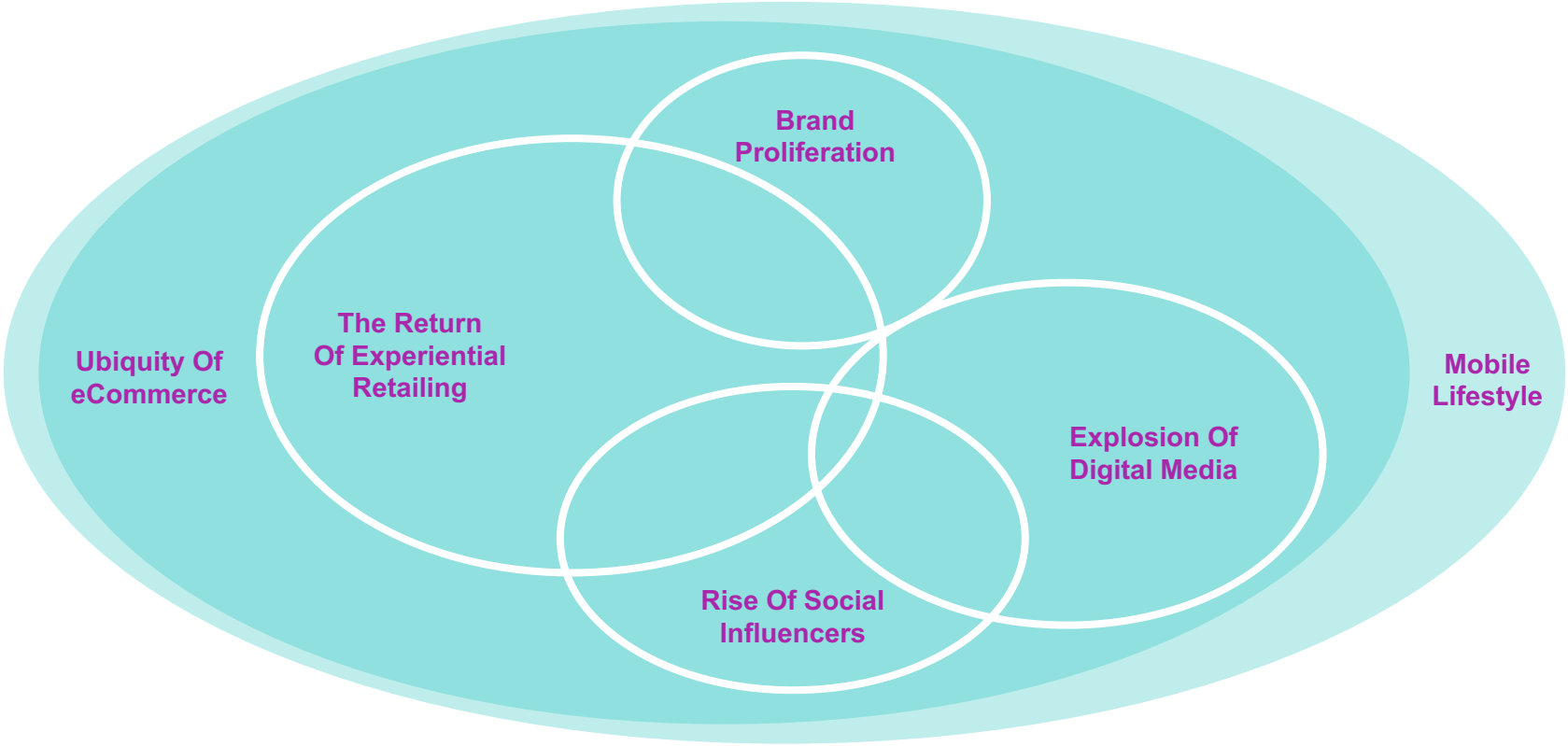


Adj. OIBDA Less Capex Margin



Existing Customers: Customer who made a purchase in two consecutive 12 month periods

Our Context: Much Is Changing…



Our Context: Much Is Staying The Same



Authentic stories and storytellers



Joyful and inspired shopping



Great products at great values

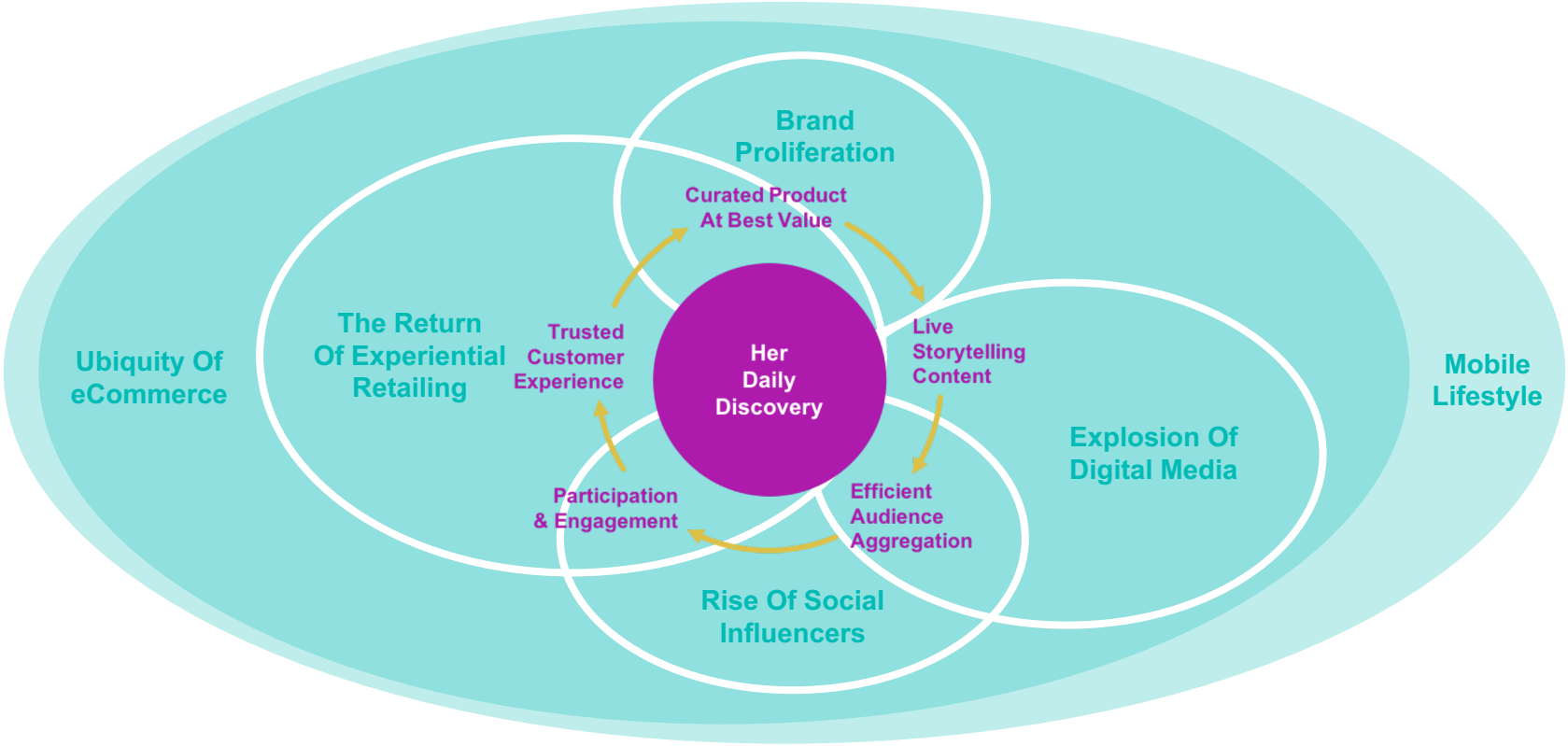


Recommendation of a friend

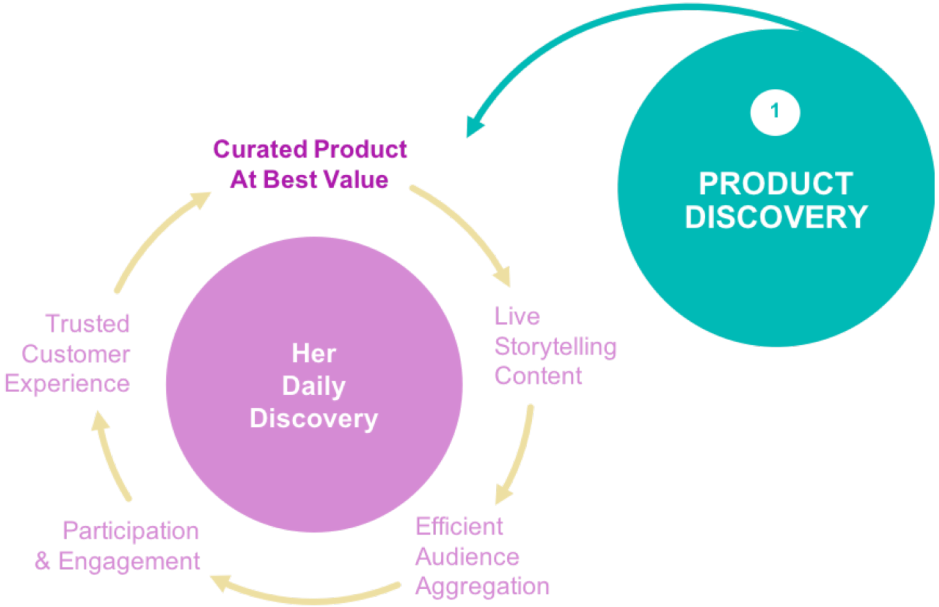


Integrity and trust

Macro Trends Align With Our Strengths



Be The Destination For Product Discovery



GOALS

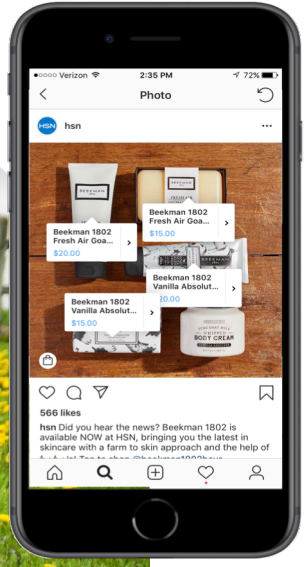
- Engage and inspire shoppers, across generations, with more and more compelling discoveries
- Increase product differentiation, drive value, and reduce time to market

INITIATIVES

- Organize for category leadership
- Extend and grow share on our biggest items and ideas
- Build an amazing digital store
- Launch Qurate D^3, our expanded discovery, design, and development team

Extend And Grow Share On Our Biggest Items And Ideas







BEEKMAN 1802

Record-breaking beauty launch
in both sales dollars and units sold

Build An Amazing Digital Store

- Investment in people and expertise – 25+ hires YTD
- Expanding assortment – 180+ new brands and growing
- Category expansion – including Baby, Outdoor, and Tabletop
- Targeted merchandising – building assortment to match market demand
- Digital first brand launches

URBAN DECAY

Digital first launch, garnering 20 sold-out items



Product Differentiation

Qurate D³ – our expanded discovery, development, and design organization

Existing Proprietary And Exclusive Brands

d&co. denim + company

peace love world

G.I.L.I.

AnyBody

G BY GIULIANA

Du Jour

ISAAC MIZRAHI LIVE

New Brands Pipeline

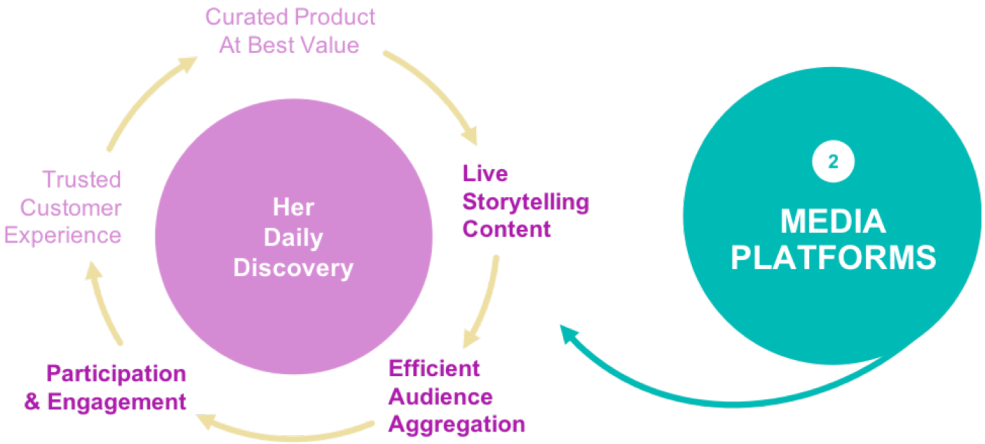
HOLLIS CO.

LEMON WAY

KITCHEN HQ



Inspire Shopping Journeys Over All Media Platforms She Engages With



GOALS

- Engage and inspire shoppers, across generations, on their video platforms of choice, with content that's relevant to their journeys

INITIATIVES

- **Mobile.** Drive viewership and conversion; lead on app innovation
- **TV.** Expand and enhance carriage, grow OTA and vMVPD, and optimize programming across networks
- **OTT.** Expand choice through interactive and OTT experiences
- **Digital Media.** Win across social and digital video platforms
- **Content.** Create compelling digital-first content that inspires new journeys of discovery

Driving Viewership On Owned Digital Platforms

Ubiquitous Video Content Across Apps, Product Pages And Websites

- Video on mobile app and product pages drives conversion
- Testing live video placements on web homepage
- Creating video presentations for digital-only items

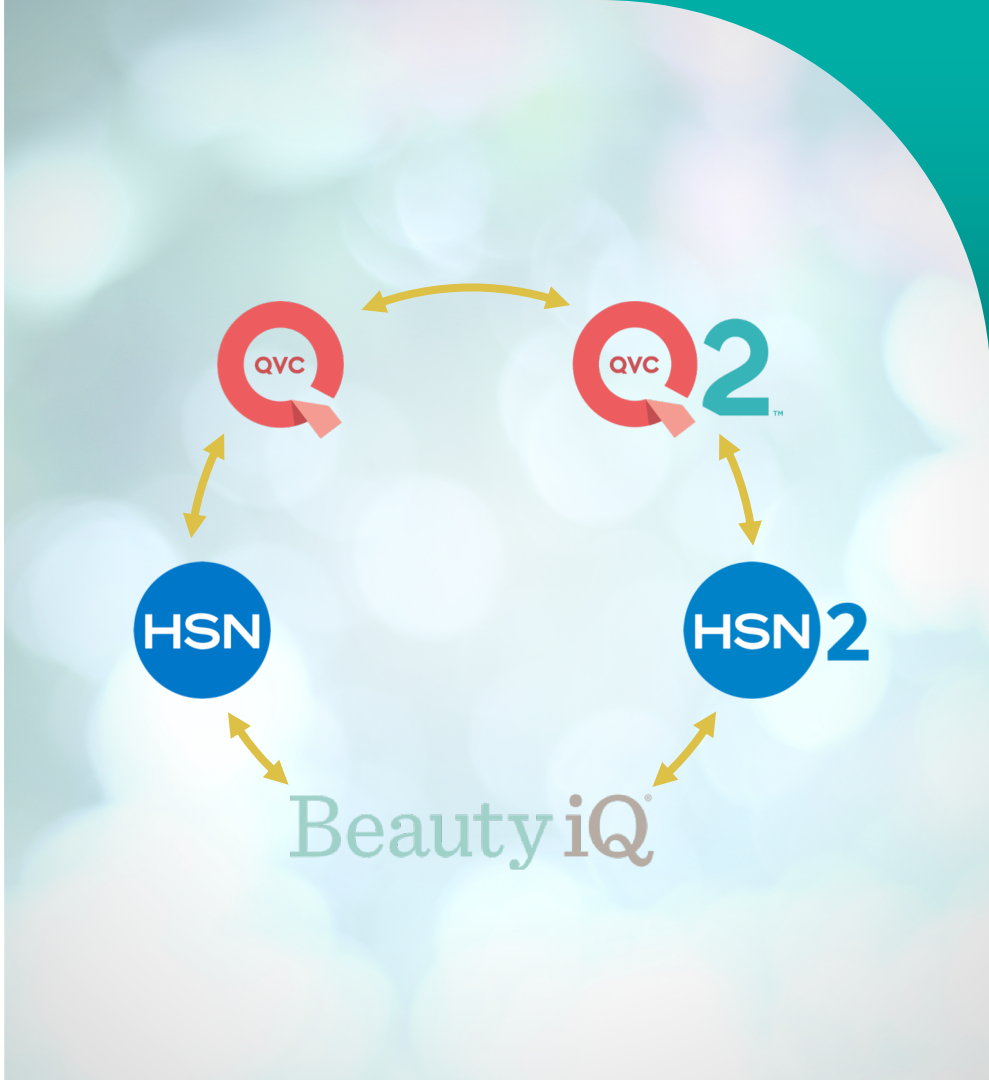
Watch App in development, Q1 launch

- Daily discovery destination
- Video playlists
- Click to commerce



Increase TV Presence And Optimize Programming

- Better channel positioning and HD for HSN
- Expanded distribution for secondary networks
- Expanded distribution for over-the-air
- In discussion for distribution on digital skinny bundles
- Programming optimization across networks



Expand Interactive And OTT Experiences



Roku

1.5M
QVC App Installs[1]

↑ 622%
Growth Since 2016 Launch

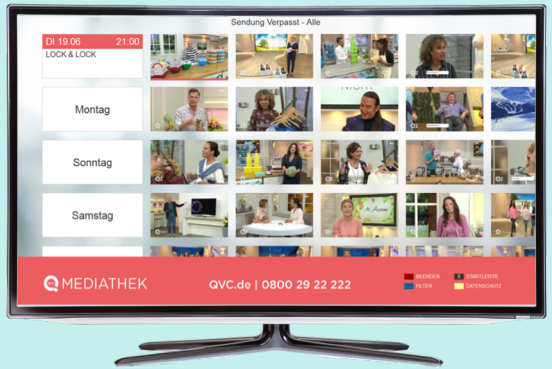
50%
QVC App Users Ages 19-48

↑ 350%
Y/Y Live Stream Plays

[1]As of November 9, 2018

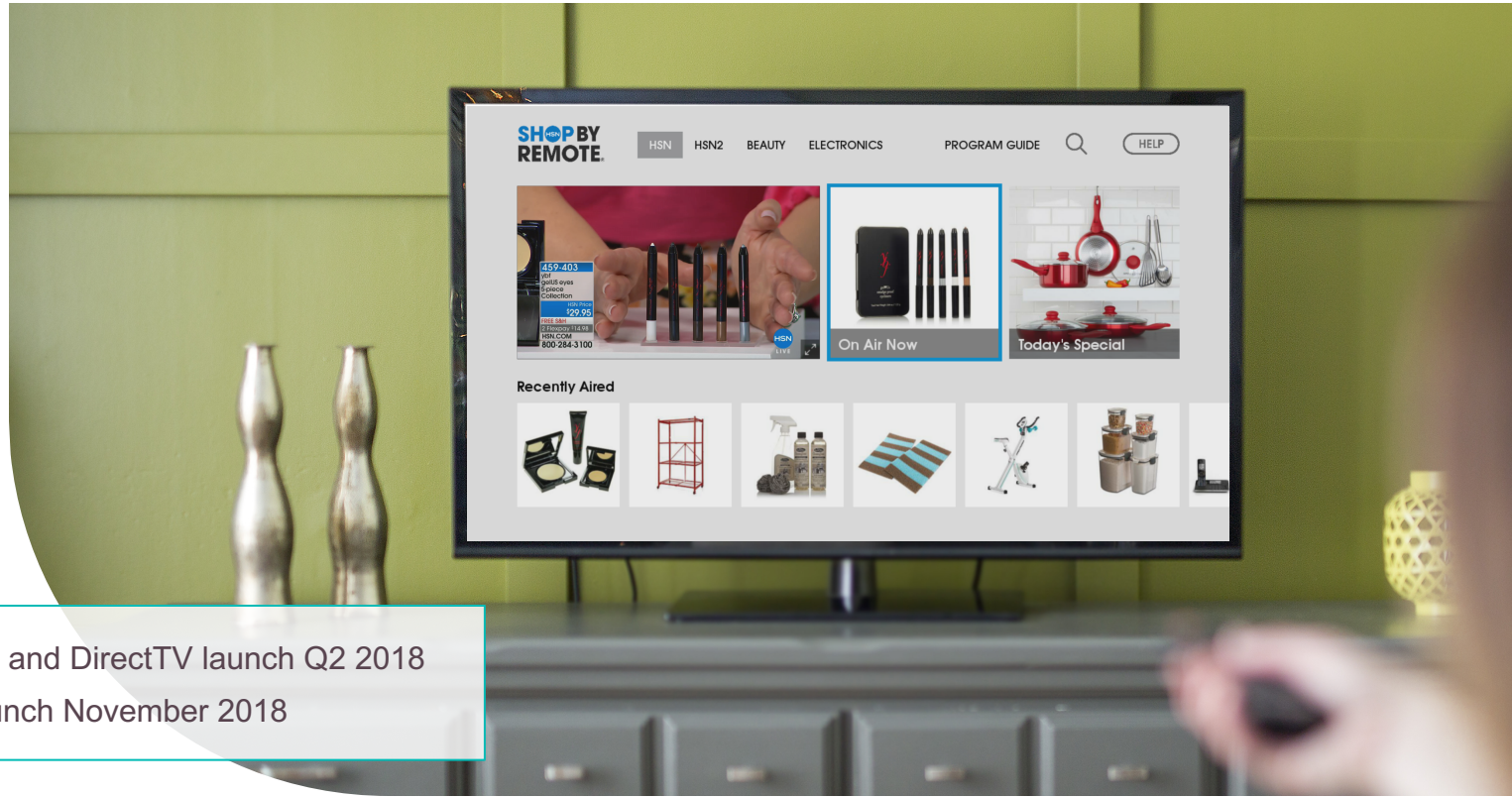


US Fire TV – Launched October 2018
10K+ App Installs In 1st Month



Germany OTT – Launched June 2018

Integrate Shopping And Viewing



Shop By Remote

HSN. Comcast X1 and DirectTV launch Q2 2018

QVC. DirectTV launch November 2018

Compelling Digital First Content – Inspiring New Joys Of Discovery

Facebook Live	
Podcasts	 
Serialized Content	 



Win On YouTube



Cook's Essentials Air Fryer Advertising

740K+
Views

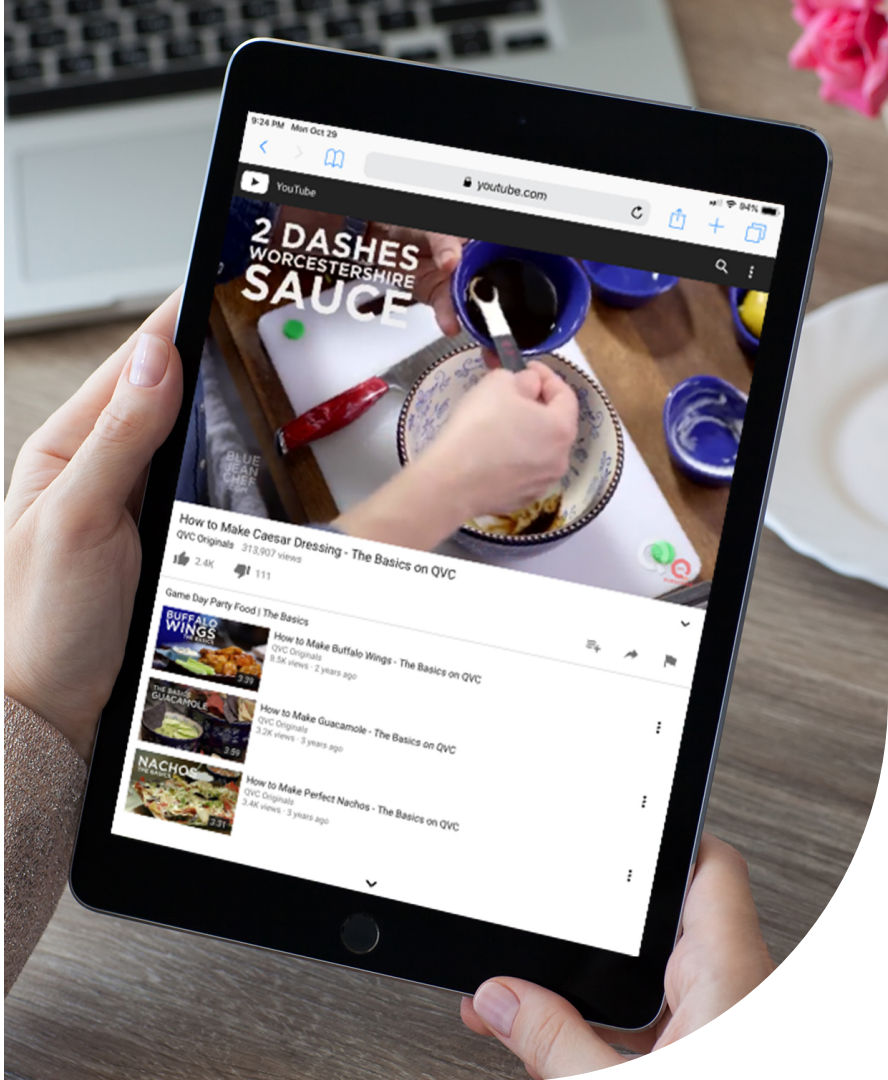
Increased Website Traffic

60%
New Customers

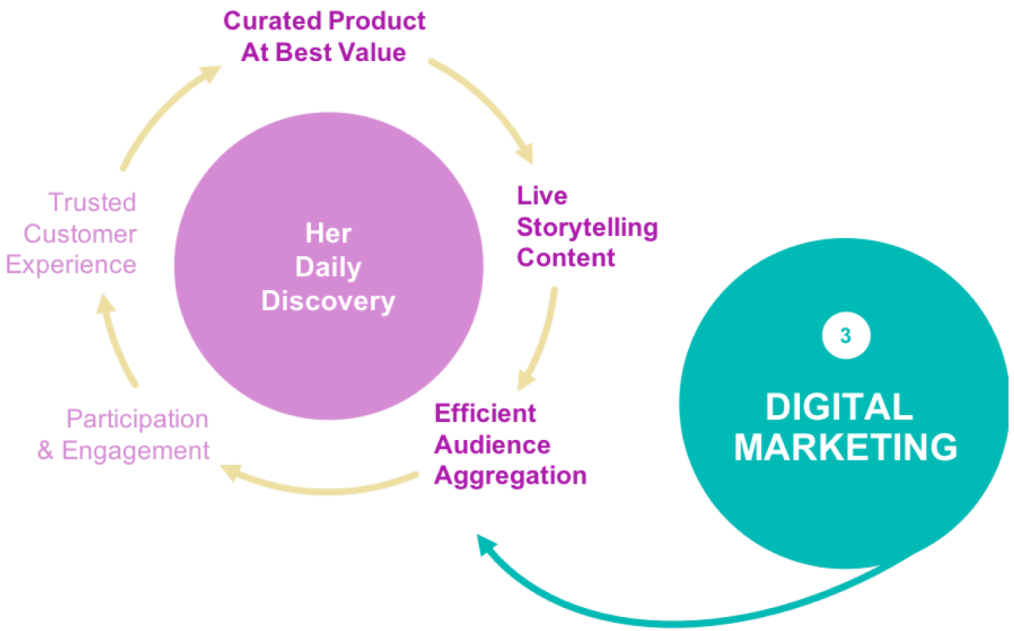
Low Cost Per Acquisition

↑73%
Product Interest

Elevated Brand And Product Impact



Make Digital Marketing A Powerhouse Demand Driver



GOALS

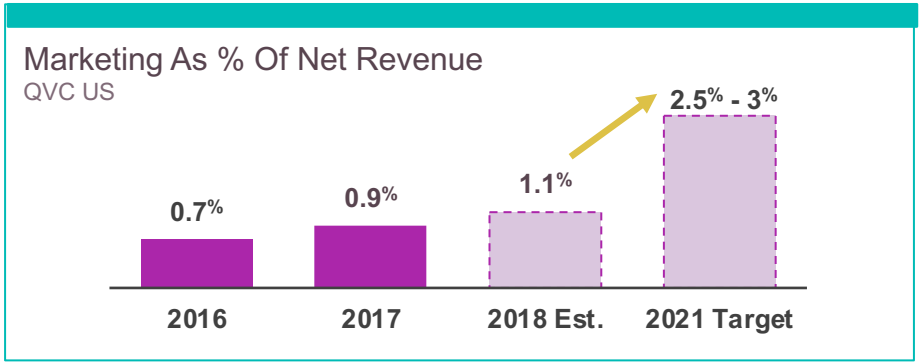
- Accelerate new customer growth and attract next generation
- Increase retention and spend of occasional customers
- Drive consumers to new media platforms

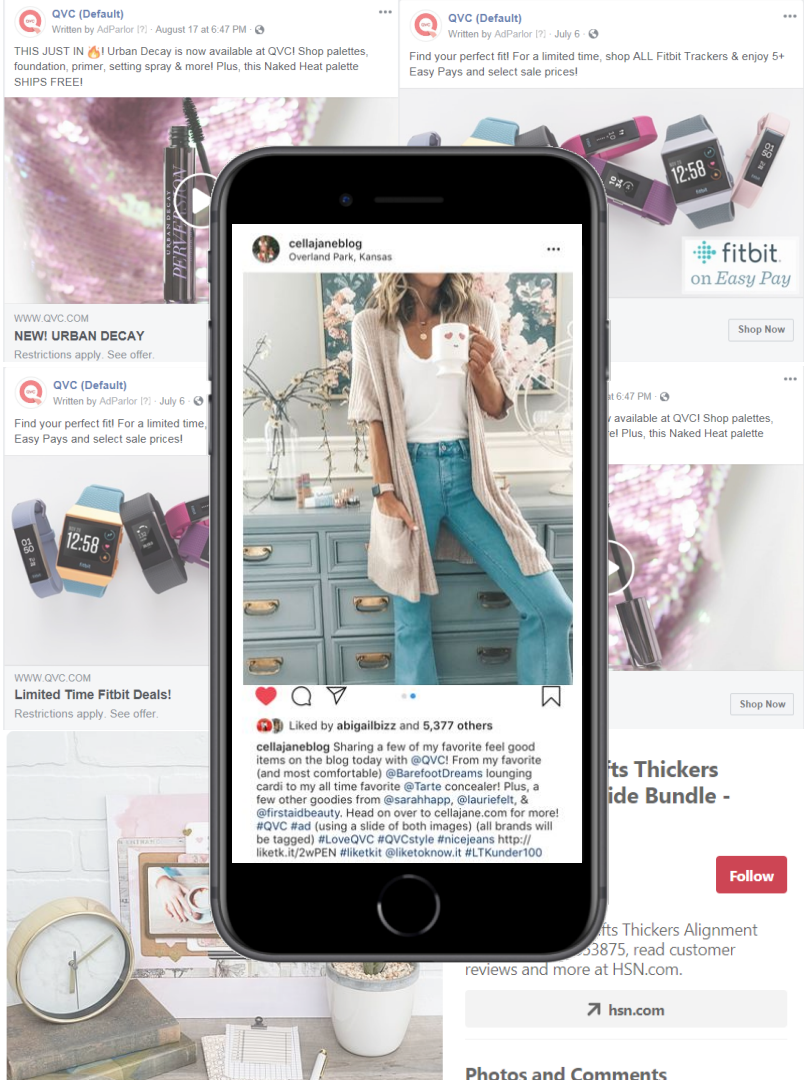
INITIATIVES

- Build internal marketing agency with top talent
- Profitability deploy significant marketing spend increase
- Drive innovation in video-based marketing programs tied to our unique model

Driving Digital Marketing Innovation

- Create in-house QXH marketing agency
- Rapidly ramp NPV positive marketing spend
- Increase scale and efficiency through machine learning
- Leverage paid social and influencer marketing
- Focus on storytelling on social, tailored content, influencers, video rich experiences



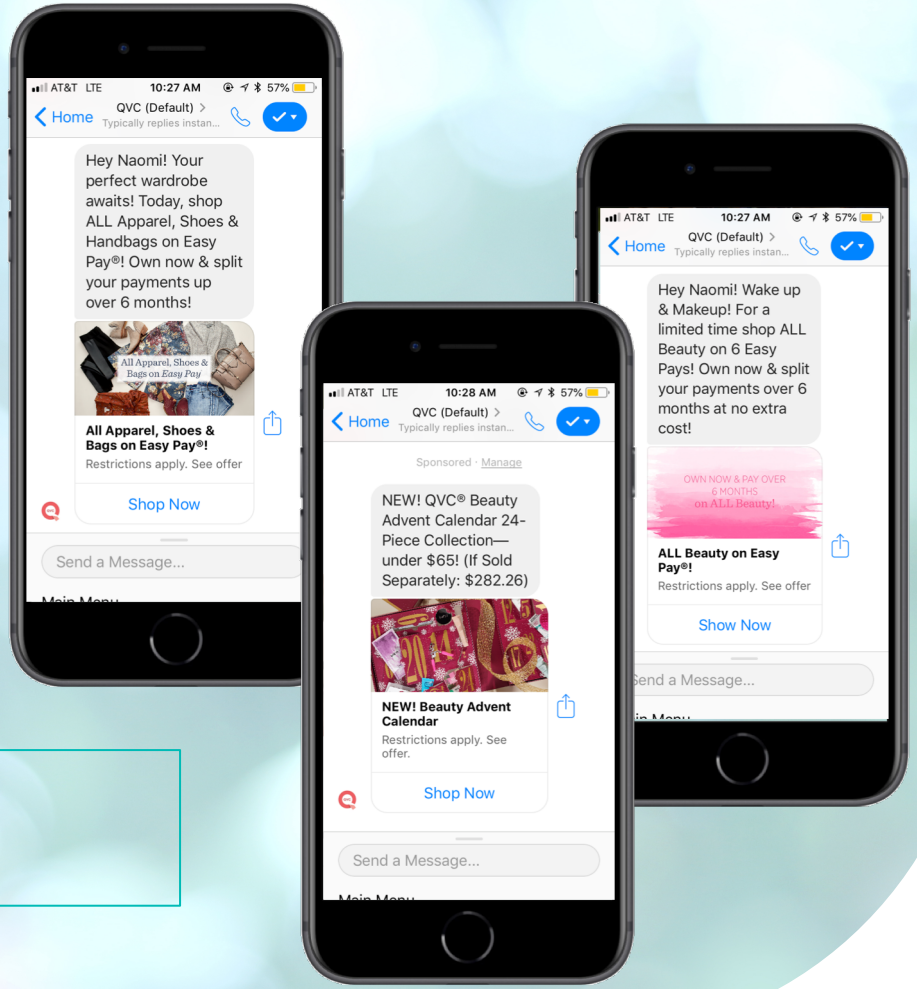


Facebook Messenger

Increase customer engagement through personalized content

- Leverage zulily's first-to-market expertise
- Drive custom promotions to QVC's registered customers
- Build on ad efficiencies for greater returns

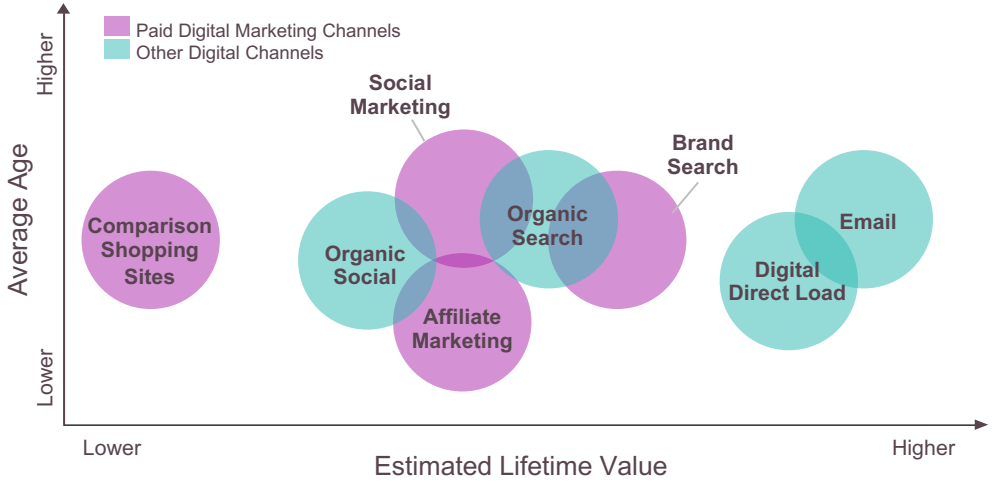
QVC Facebook Messenger ads have 3.4X return on ad spend than traditional Facebook ads



Wide Range Of Digital Channels To Attract New Customers

New Customer Age And Value By Channel

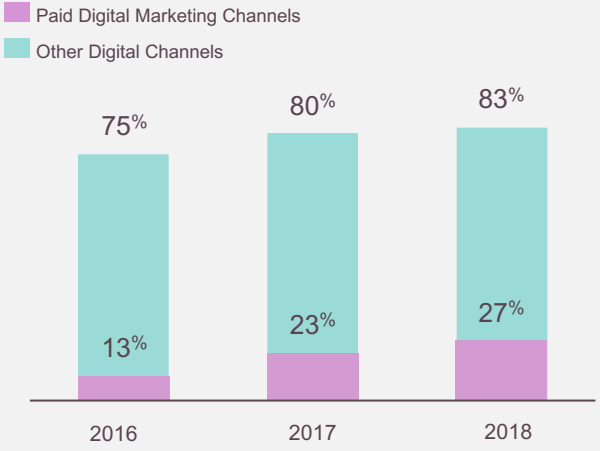
Last Click Prior To Purchase



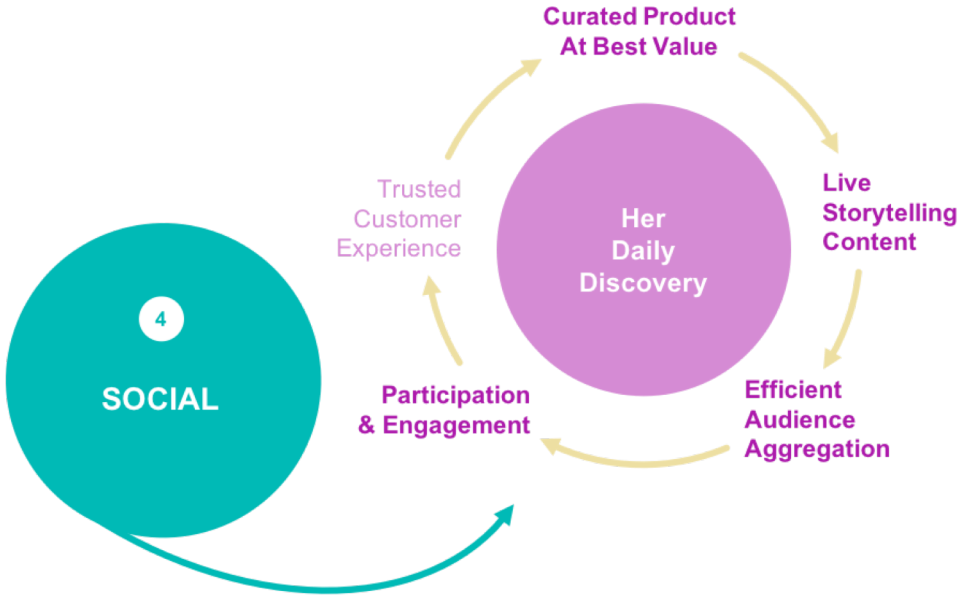
New Customers Through Digital Platforms

Percent Of All New Customers – 12 Months Ending September

QVC US



Extend The Conversation Through The Power Of Social



GOALS

- Reach new consumers and brand rejecters through social media and influencers
- Deepen engagement of best customers and enable lively viral communities

INITIATIVES

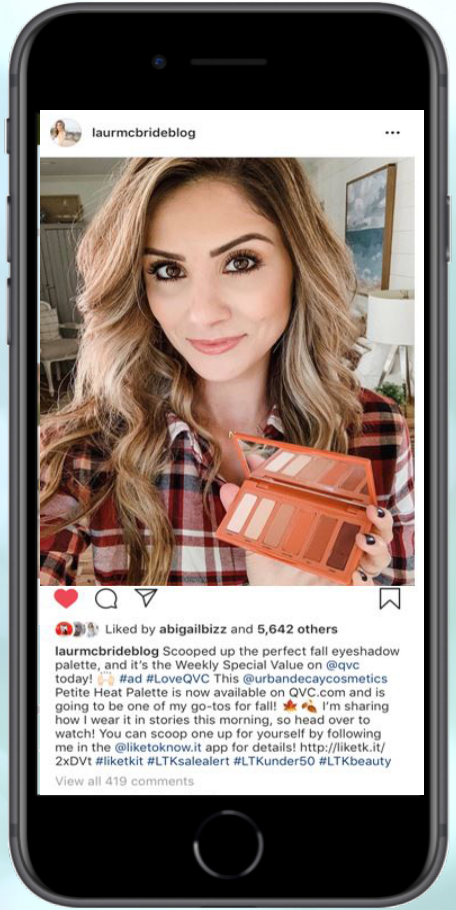
- Build authentic influencer networks to share and amplify our stories
- Enable our customers to be our best advocates
- Launch social-first shopping sites and other digitally native content
- Innovate in voice commerce to extend the relationship

Influencer Marketing



Lauren McBride
150K Followers

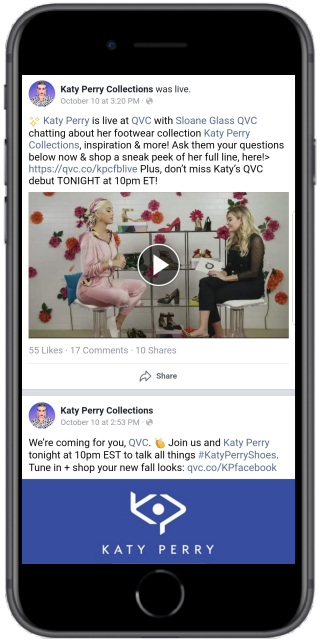
Partnership with Lauren McBride drove 7.5K new names without airtime

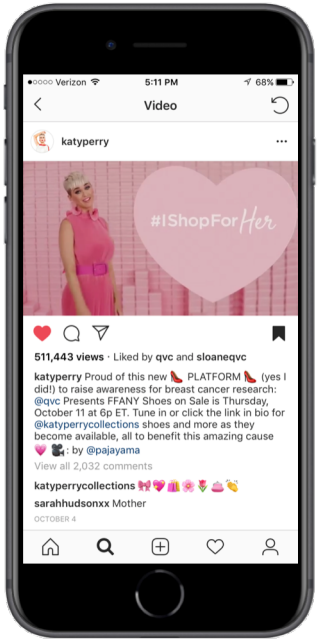


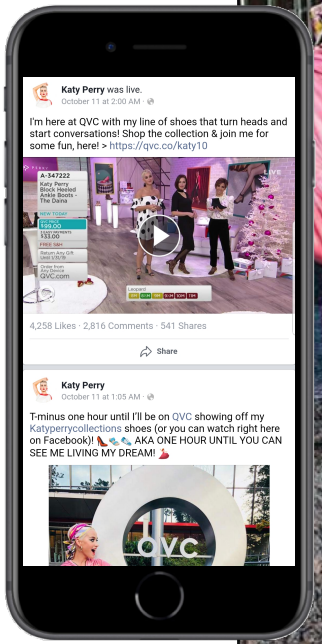


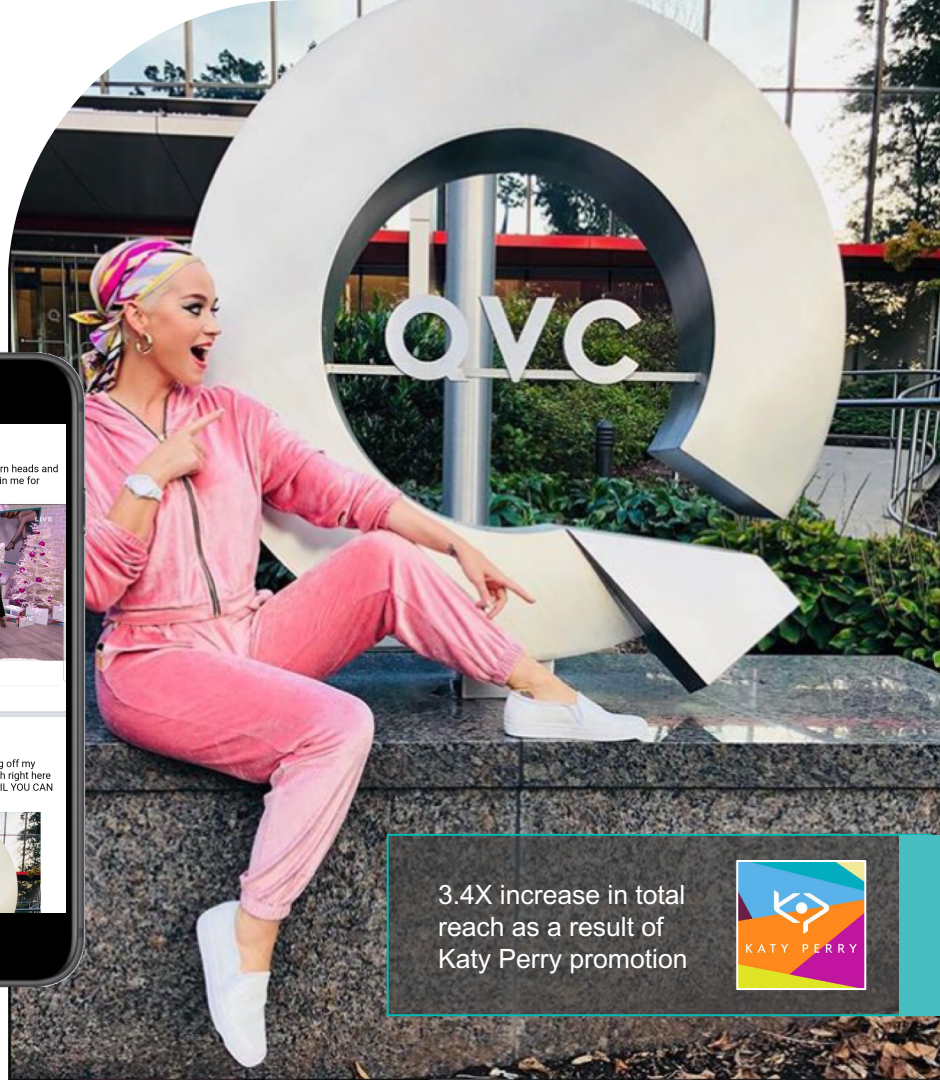
Amplifying TV Through Social Platforms

73M Katy Perry Instagram Followers



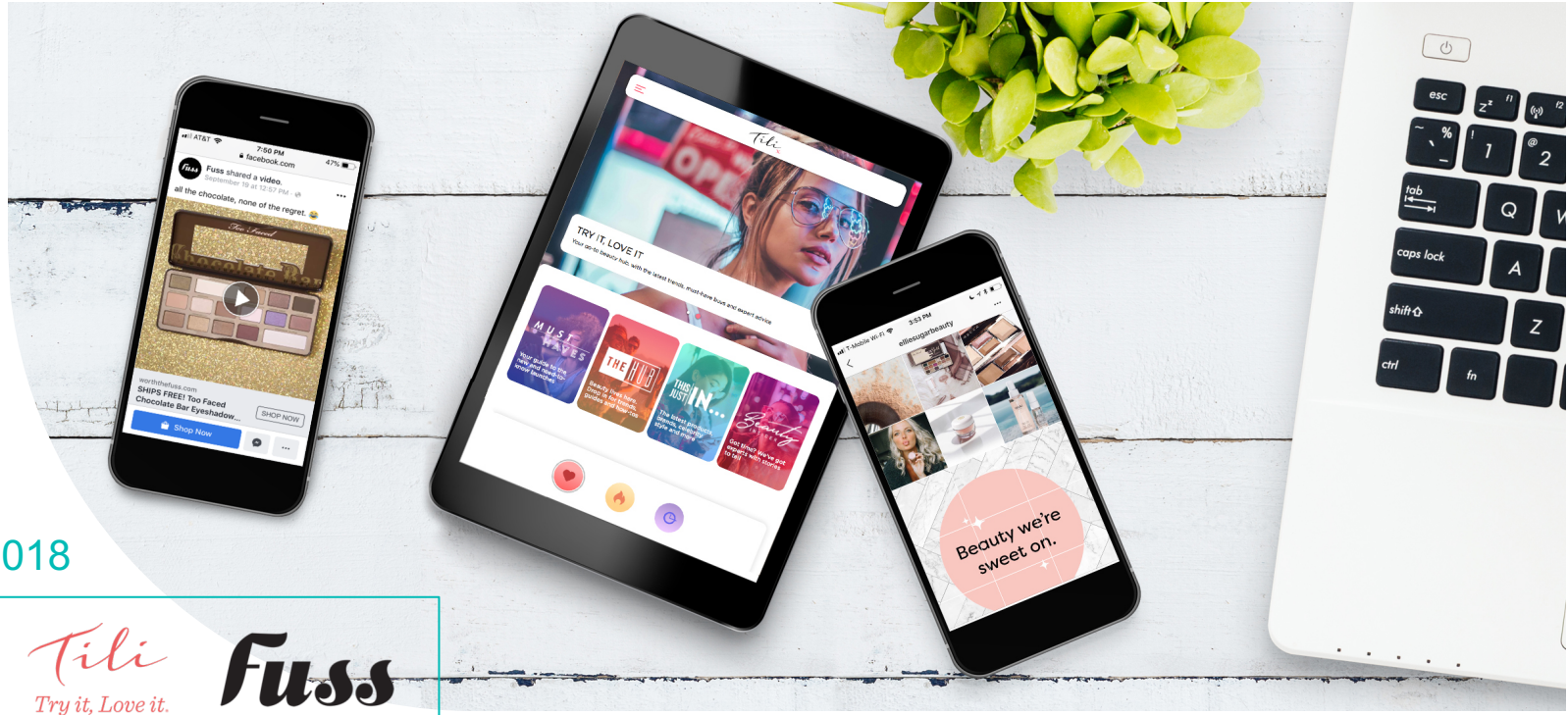






3.4X increase in total reach as a result of Katy Perry promotion

Social First Marketplaces



Launched in 2018

ELLIE SUGAR

Tili
Try it, Love it.

Fuss

Voice-Activated Commerce Extends The Relationship

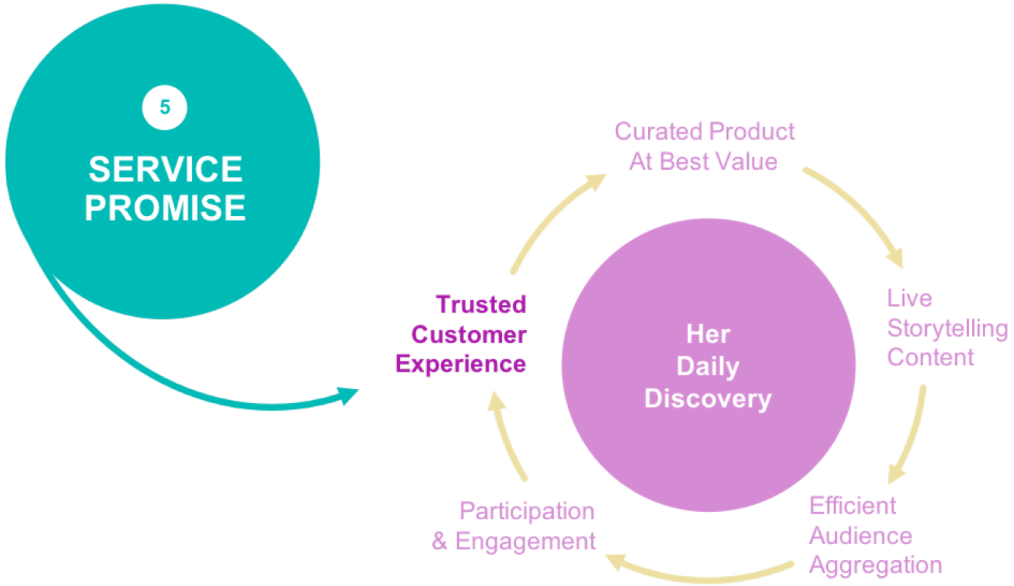
Alexa Skills – HSN

Play HSN
What's the Today's Special?
What item is on HSN now?
What show is on HSN next?
When is Too Faced Cosmetics on next?

HSN Skill Launched October 2018



Enhance Our Service Promise



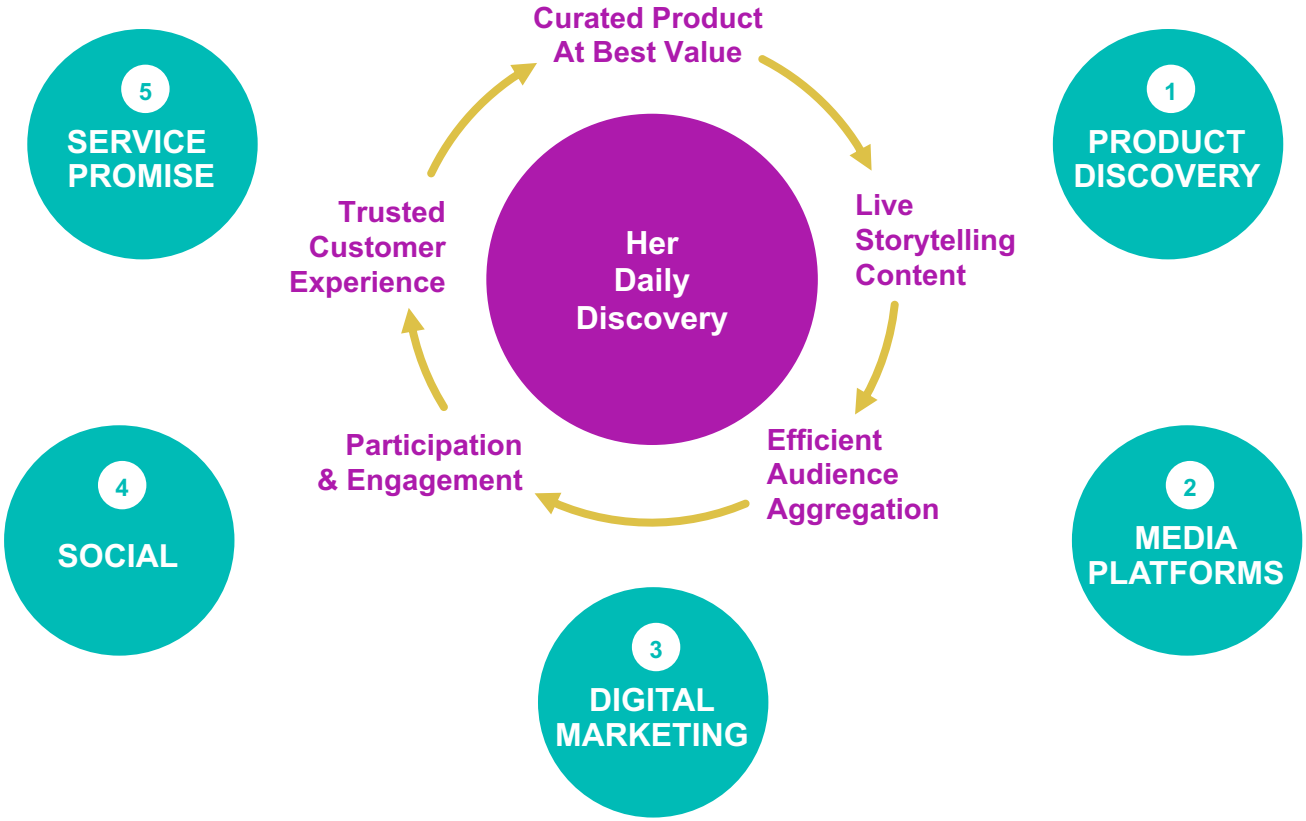
GOALS

- Reduce delivery times by 2 days, drive package consolidation, and reduce fulfillment costs
- Ensure every customer interaction is positive

INITIATIVES

- Integrate and optimize fulfillment networks across QVC and HSN
- Systematically reduce all friction points that negatively impact net promoters

Five Strategic Priorities



Our Video Commerce Success Measures

Win Across Media



Continue to capture the shopping journeys inspired by our live TV reach *and* create new journeys that start in the digital world

Win Across Generations



Grow our customer base *and* win with the next generation

Grow Profitably



Grow consistently *and* grow profitably

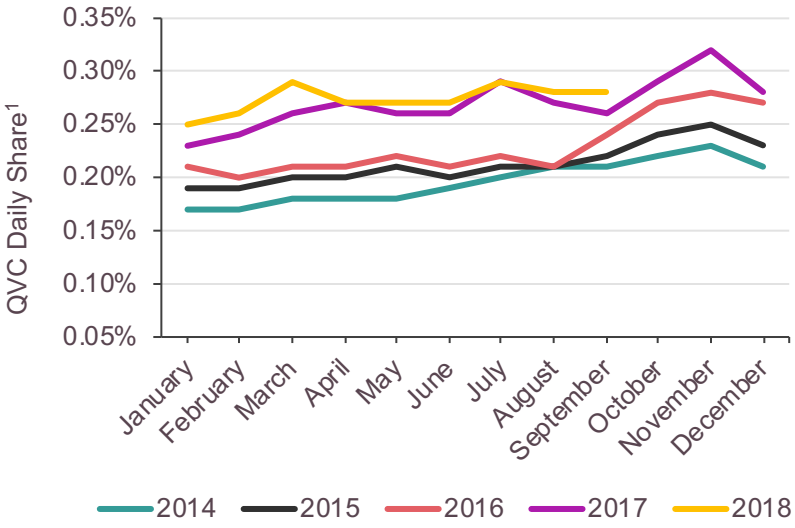
Growing Viewership

Winning On Broadcast TV

TV Share

QVC, QVC2

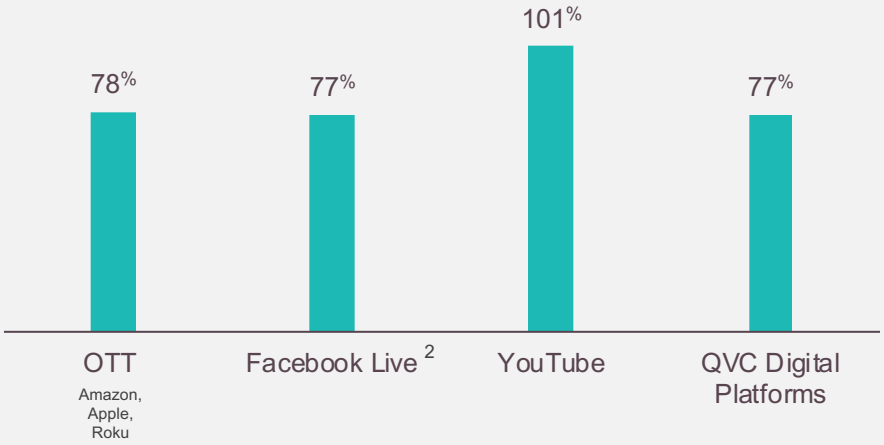
↑5%
TV Viewership
2018 YTD



Winning On New Media Platforms

Minutes Viewed Q3 2018 vs Q3 2017

QVC US



Source: Comscore

[1]QVC daily share is the percent of total TV universe. 2018 is through September 2018.

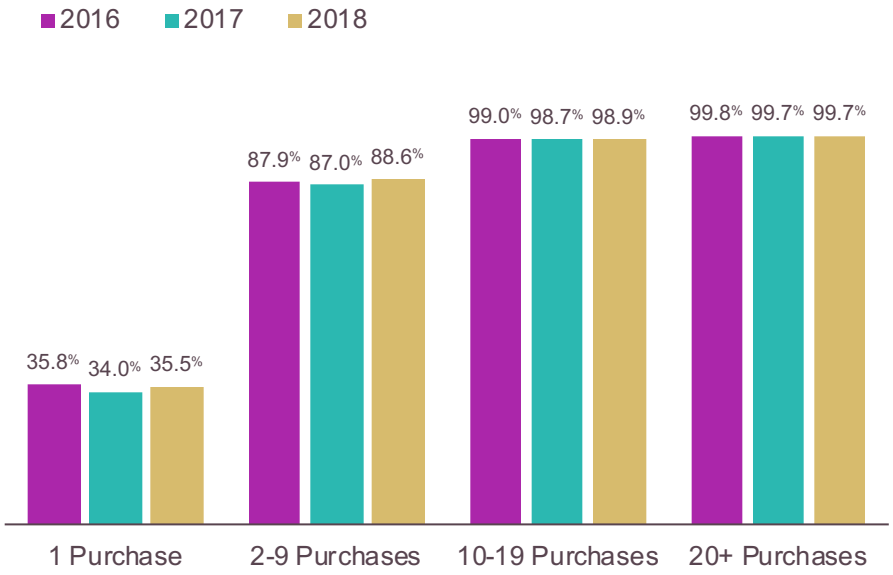
[2]Q3 2017 data from July 2017 launch date

Retaining Existing And Growing New Customers

Strong And Stable Customer Retention

12 Months Ending September

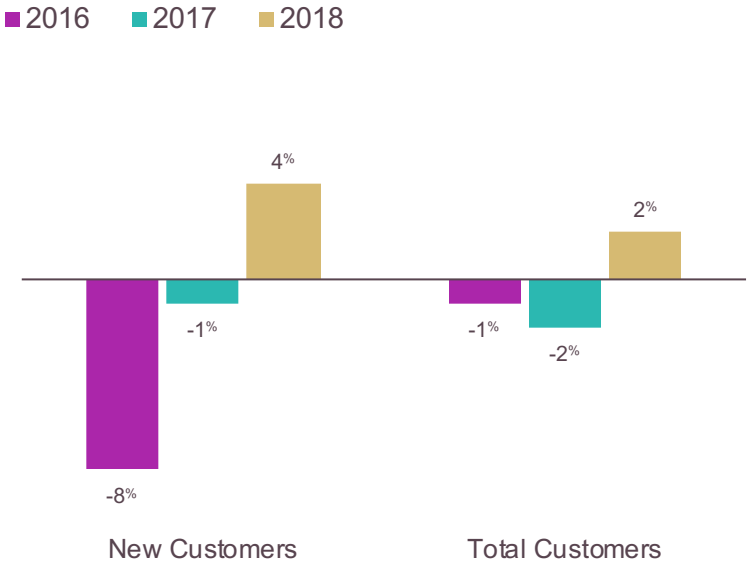
QVC US



Rebounding Customer Growth

12 Months Ending September

QVC US

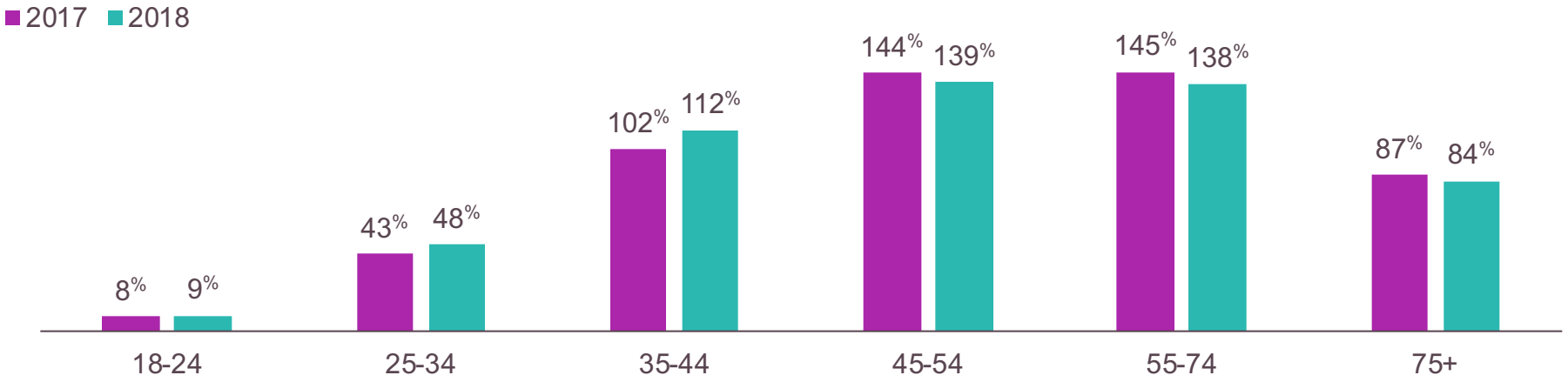


Winning Across Generations

Continuing To Attract Next Generation Customers

New Customers By Age – Index To Total Population, 12 Months Ending September

QVC US



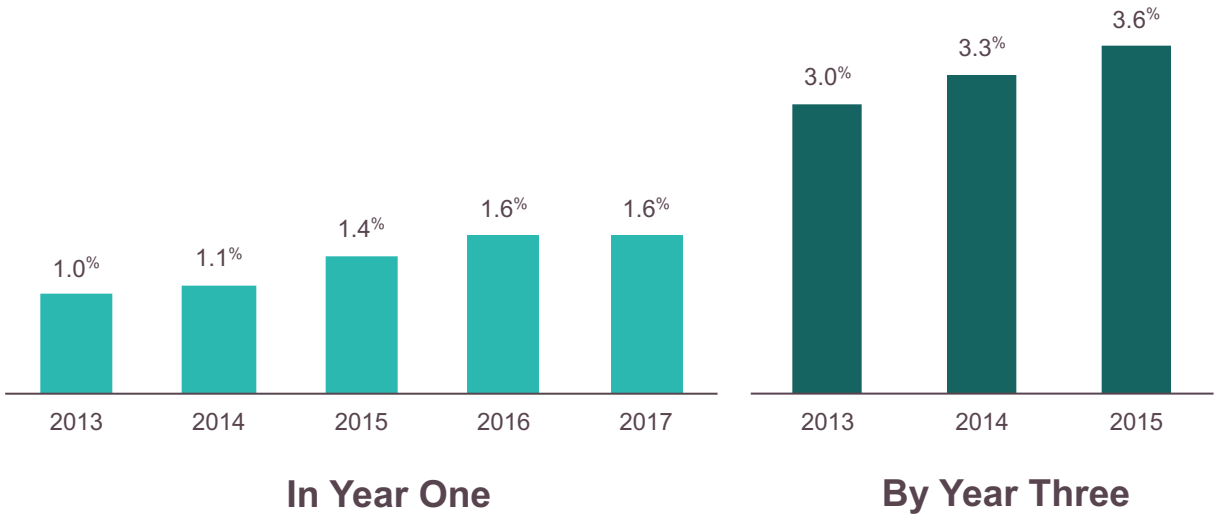
Millennials	Gen X	Baby Boomers	Silent Generation
21-37	38-53	54-72	73-90

Adding High Value New Customers

New Customers Converting To Best Customers At Improving Rates

Percent Of New Customers Converting To Best Customers

QVC US



Best Customer Profile

70
Items
Per Year[1]

17%
Of All Customers

71%
Of Shipped Sales

99.7%
Retention

[1]LTM September 2018

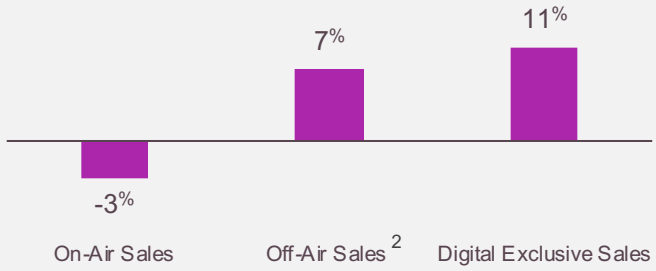
Capturing On Air And Digital Sales

Off-Air & Digital Exclusive Sales
Continue to drive and scale

On-Air Sales
Get back to growth

- TV distribution expansion
- Cross network programming optimization
- Key item amplification

Growing Digitally Driven Sales[1]
Sales Growth September 2018 YTD
QVC US



Share Of Total Sales	**70%**	**30%**	**5%**
Share Of eCommerce Sales	**56%**	**44%**	**8%**

[1]Based on demand sales. Does not include waitlist and subsequent auto-delivery, which are 6% of total sales. [2]Not featured on any QVC network in 24-hour period

Six Takeaways On Qurate Retail

1. Global leader in video and eCommerce
2. Engaged, loyal, and expanding customer base
3. Industry-leading margins and high free cash flow
4. Confident in ability to reach targeted performance objectives
5. Accelerating execution on vision to win in digital video commerce
6. $400M in estimated synergies to fund our plans



Non-GAAP Reconciliations

This presentation includes references to Adj. OIBDA, which is a non-GAAP financial measure for Qurate Retail and certain of its subsidiaries. Qurate Retail defines Adj. 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 Adj. OIBDA margin, which is also a non-GAAP financial measure. Qurate Retail and QVC define Adj. OIBDA margin as Adj. OIBDA divided by revenue.

Qurate Retail believes Adj. OIBDA is an important indicator of the operational strength and performance of their 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 Adj. OIBDA is used as a measure of operating performance, Qurate Retail views operating income as the most directly comparable GAAP measure. Adj. 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 Qurate Retail's management considers in assessing the results of operations and performance of its assets. Please see the attached schedule for a reconciliation of Adj. OIBDA to operating income (loss) calculated in accordance with GAAP.

Reconciling Schedule

Pro Forma QXH
FY 2017

	QVC US	HSN	QXH
Revenue	$ 6,140	$ 2,343	$ 8,483
Operating Income	994	104	1,098
Depreciation and amortization	423	31	454
Stock compensation expense	29	16	45
Transaction costs	9	69	78
Adj.OIBDA	1,455	220	1,675
Operating income margin	16.2%	4.4%	12.9%
Adj. OIBDA margin	23.7%	9.4%	19.7%

The table above provides a reconciliation for proforma QXH (QVC US and HSN) operating income in accordance with US GAAP to adjusted OIBDA for 2017.

Reconciling Schedule

($ in millions)	
QVC International	**2017**
Revenue	$ 2,631
Operating income	$ 353
Depreciation and amortization	96
Stock compensation expense	2
Adj. OIBDA	451
Operating income margin	13.4%
Adj. OIBDA margin	17.1%

The table above provides a reconciliation for QVC International operating income in accordance with US GAAP to adjusted OIBDA for 2017.

Reconciling Schedule

QVC Consolidated	2010	2011	2012	2013	2014	2015	2016	2017	12 Months Ending Sept 2018
Revenue	$ 7,807	$ 8,268	$ 8,516	$ 8,623	$ 8,801	$ 8,743	$ 8,682	$ 8,771	$ 9,051
Credit card income related ro revenue recognition ASC 606									78
Revenue adj for credit card income in 2018									8,973
Operating income	$ 1,130	$ 1,137	$ 1,268	$ 1,245	$ 1,279	$ 1,275	$ 1,203	$ 1,347	$ 1,510
Depreciation and amortization	523	574	526	558	587	588	605	519	308
Stock compensation expense	18	22	34	38	44	31	32	31	38
Transaction costs	-	-	-	-	-	-	-	9	38
Adj. OIBDA	1,671	1,733	1,828	1,841	1,910	1,894	1,840	1,906	1,894
Capex	220	259	246	214	183	215	179	152	194
Adj, OIBDA less capex	1,451	1,474	1,582	1,627	1,727	1,679	1,661	1,754	1,700
Operating income margin	14.5%	13.8%	14.9%	14.4%	14.5%	14.6%	13.9%	15.4%	16.8%
Adj. OIBDA margin	21.4%	21.0%	21.5%	21.3%	21.7%	21.7%	21.2%	21.7%	21.1%
Capex as % revenue	2.8%	3.1%	2.9%	2.5%	2.1%	2.5%	2.1%	1.7%	2.2%
Adj. OIBDA less capex % of revenue	18.6%	17.8%	18.6%	18.9%	19.6%	19.2%	19.1%	20.0%	18.9%
Operating income less capex	910	878	1,022	1,031	1,096	1,060	1,024	1,195	1,316
Operating income less capex % revenue	11.7%	10.6%	12.0%	12.0%	12.5%	12.1%	11.8%	13.6%	14.7%

The table above provides a reconciliation for QVC Consolidated (QVC US and QVC International) operating income in accordance with US GAAP to adjusted OIBDA for the years 2010 to 2017, and the last 12 months ended September 30, 2018. It also provides operating income less capital expenditures as a percentage of revenue, as well as adj. OIBDA less capital expenditures as a percentage of revenues for the same time periods.

QVC adopted the new U.S. accounting standard regarding revenue recognition (ASC 606) as of January 1, 2018. Accordingly QVC began to recognized credit card income for its branded credit card as part of net revenue rather than an offset to selling, general and administrative (SG&A) expenses. The table above adjusts the last 12 months ended September 30, 2018 revenue, operating income margin and adjusted OIBDA margin as if the credit card income was a component of SG&A to be consistent with prior periods shown.





Reconciliation Of zulily Non-GAAP Adjusted OIBDA To Operating Income (Loss)

($ in millions)	Q1-Q3 2017	Q1-Q3 2018
Operating Income/(Loss)	(112)	(93)
Depreciation & Amortization	152	154
Stock-based Compensation	13	13
Adjusted OIBDA	53	74

Note: Includes QVC intercompany
The table above provides a reconciliation for zulily operating income in accordance with US GAAP to adjusted OIBDA for the first quarter of 2018 and 2017

qurate RETAIL, INC.

2018 Investor Day

November 14, 2018

Mark Carleton, CFO

Funding Future Growth Through Expanded Efficiencies

$370-400M estimated cost efficiencies identified

- We expect to achieve meaningful revenue synergies
- Anticipate deploying some savings into business to drive growth

		Nov 2017 Integration Synergies	Newly Identified Efficiencies	Total
Procurement	• Freight and other indirect savings • Direct sourcing / strategic vendor management • Payment options	$75-80M	$50- 55M	$125-135M
Duplicate Functions	• Headcount • Public company costs (listing and filing fees)	$40-45M	$40-43M	$80-88M
Business Process Integration	• Supply chain network optimization • Contact centers optimization	$65-70M	$80-82M	$145-152M
MSO Distribution Fees / Marketing	• MSOs, channel placement and HD availability equally important • Marketing spend optimization	$20-25M		$20-25M
Total		$200-220M	$170-180M	$370-400M

Additional One Time Costs Below OIBDA				Ongoing Incremental Lease Costs
Severance Expense	$90M	Capital Investment	$305M	$10M in 2019 ramping to
Majority in 2017-2018		Sale of Assets	-$60M	$20M by 2022
Total	$90M	Net Capital	$245M	

Time Phasing of Synergies ($m)



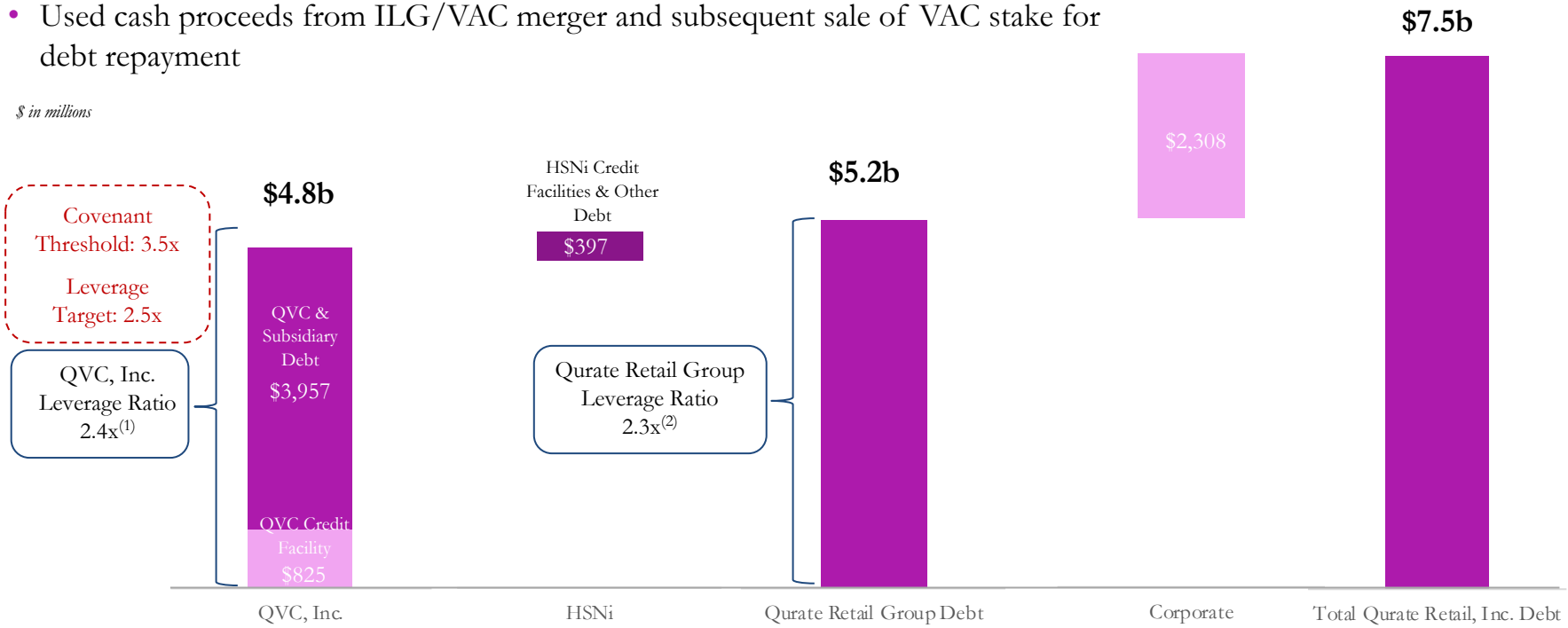
Estimated Capex As % of NR	1.8%	1.9%	3.0%- 3.2%	1.8% - 2.2%

qurate RETAIL, INC.

Debt Profile and Leverage

Maintaining leverage target of 2.5x at each of QVC, Inc. and HSNi

- Used cash proceeds from ILG/VAC merger and subsequent sale of VAC stake for debt repayment



4.5% weighted average interest rate on total debt at 9/30/18

Note: Represents principal amounts outstanding as of 9/30/18.
(1) As of 9/30/18, as defined in QVC's credit facility and based on combined adjusted OIBDA of QVC, Inc. and zulily, llc.
(2) Includes QVC, Inc., zulily, llc and HSN, Inc.; based on debt and adjusted OIBDA as defined for covenant calculation purposes in their respective credit agreements.

Understanding Qurate Retail Interest Deductions

Interest deductibility

- Annual interest expense comprised of cash interest and contingent interest on exchangeables
- Annual interest expense expected to exceed limitation on interest deductibility of interest income plus 30% of EBITDA in 2019
  - EBITDA for tax purposes is different than reported adjusted OIBDA
    - Tax EBITDA excludes adjusted OIBDA from Japan and France, and is impacted by certain book to tax adjustments
  - Limitation on interest deductibility scheduled to change to 30% of EBIT in 2022
- No disallowed interest expected in 2018
  - Primarily driven by gain on ILG/VAC merger and subsequent sale of VAC shares
- Disallowed interest expected be $125m+ in 2019, and growing thereafter
  - When tax-effected, only ~$30m of cash benefit can't be realized in 2019, but can be carried forward to future years
    - Carryforward does not expire
    - Expect utilization of all of the contingent interest expense carryforward by 2030

See Appendix for more information regarding the exchangeable debentures

Note: All information based on current interpretation of new tax legislation and subject to change.

Qurate Retail Tax Considerations

Effective tax rate

- Ongoing Qurate Retail annual effective tax rate expected to be 19% – 22%(1) of pre-tax income
  - Includes federal, state and foreign taxes, partially offset by tax credits from green energy investments
  - 2018 expected to be significantly lower due to one-time items such as state tax impact of GCI Liberty split-off, changes in enacted state tax law and other tax matters
- Exchangeable bonds do not impact the effective tax rate

Cash tax rate

- Ongoing Qurate Retail annual cash taxes expected to be 10% – 13%(1) of adjusted OIBDA
  - Slightly higher in 2018 due to taxable gain recognized on ILG transaction and VAC disposition
- Difference between effective and cash tax rates driven by deductible portion of exchangeable debentures

Note: Assumptions based on current tax law, expected to change in 2022.

(1) Excluding one-time adjustments.

Capital Allocation Alternatives

Invest in the business for the future

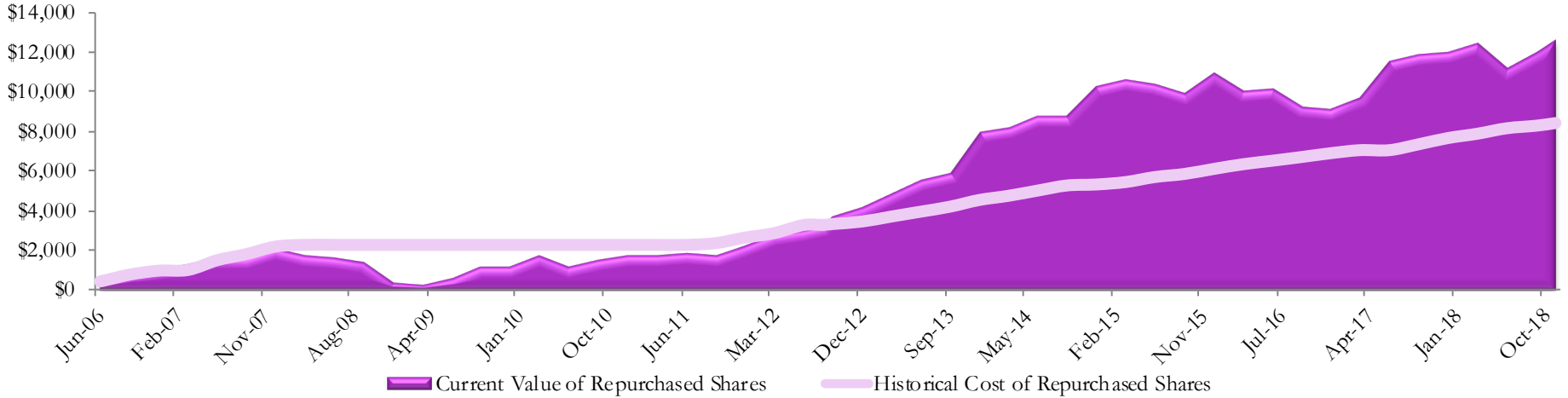
- IT improvements, distribution platforms, mobile experience, fulfillment efficiencies

Look for acquisitions that fit in our space

Invest to offset deferred tax liability on exchangeable bonds

Return capital to shareholders

- $1b of buybacks expected in 2018, repurchased $758m through 10/31
- Since 2006, reduced share count by 55%, 49% net of share issuances
- Historically repurchased shares would currently be worth $12.6b
  - $4.2b accretion, 7% IRR(1)



Market values as of 11/8/18.

(1) Including impact of LVNTA shares received in both 2012 and 2014. LVNTA performance inclusive of LTRP spin-off in 2014, CHUB spin-off in 2016, and LEXE split-off in 2016. CHUB was acquired 5/21/18; assumes CHUBA/K proceeds reinvested in basket at close.

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Appendix

QRTE Exchangeable Debt Cheat Sheet

Description	1.75% Exchange. Debent. Charter Communications	3.50% Exchange. Debent. Motorola Solutions	3.75% Exchange. Debent. Sprint / CenturyLink	4.00% Exchange. Debent. Sprint / CenturyLink
Issuing Entity	Liberty Interactive LLC	Liberty Interactive LLC	Liberty Interactive LLC	Liberty Interactive LLC
Maturity date	Sept. 30, 2046	Jan. 15, 2031	Feb. 15, 2030	Nov. 15, 2029
Put/call date	Oct. 5, 2023	Call: Nov. 15, 2003	Call: Feb. 15, 2004	Call: Jan. 16, 2006
Principal(1)	$332m	$318m	$434m	$433m
Number of bonds outstanding(1)	332,241	599,432	459,999	468,745
Fair value of bonds outstanding(1)	$372m	$412m	$315m	$325m
Exchange price	$341.10	$100.94(2)	Basket	Basket
Exchange parity price(3)	$95.18	$128.38	$2.85	$3.98
Conversion/$1,000 principal amount	CHTR: 2.9317 shares	MSI: 5.2598 shares	S: 2.3578 shares CTL: 0.5746 shares	S: 3.2265 shares CTL: 0.7860 shares
Shares underlying	CHTR: 1.0m shares	MSI: 3.2m shares	S: 1.1m shares CTL: 0.3m shares	S: 1.5m shares CTL: 0.4m shares
Dividend Threshold	n/a	$0.28 quarterly per MSI share	No threshold, entire dividend passed-through	No threshold, entire dividend passed-through

(1) As of 9/30/18.
(2) Remaining principal per $1,000 original principal amount of debentures as of 9/30/18, divided by MSI shares underlying each debenture.
(3) As of 11/8/18.

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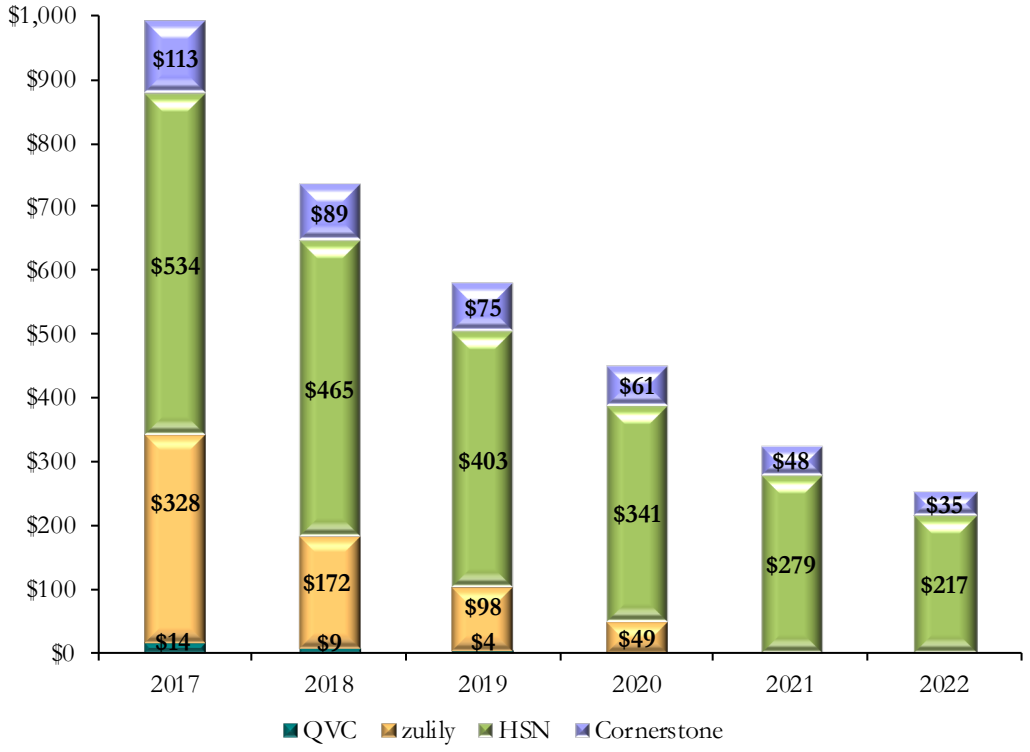
Review of Purchase Accounting Amortization

Qurate Retail Intangible Asset Balance



Qurate Retail Purchase Accounting Amort.

- Purchase accounting amortization associated with zulily and HSNi acquisitions
  - Annual HSNi purchase accounting amortization $75 - $95m through 2027
- Purchase accounting amortization is not deductible for cash tax purposes
- Majority of QVC purchase accounting rolled off as of Q3-17
  - Dated back to 2003 acquisition of Comcast's interest in QVC

(1) Preliminary estimate and subject to change.

qurate RETAIL, INC.

High Free Cash Flow Conversion: *54% of Adj. OIBDA Contributes to Levered FCF*

	3-yr. Avg.[1] (PF for HSNi)	Δ from Tax Reform and Reattribution	PF Post-Tax Reform and Reattibution
OpCo			
Adj. OIBDA	100%	-	100%
Working Capital	(3%)	-	(3%)
Capital Expenditures	(12%)	-	(12%)
Cash Taxes	(23%)	7%	(16%)
TV Distribution Rights	(3%)	-	(3%)
Dividend to Mitsui	(2%)	-	(2%)
Cash Interest, net	(10%)	-	(10%)
Other	(1%)	-	(1%)
OpCo L-FCF	46%	7%	53%
Corporate			
Overhead	(1%)	-	(1%)
Cash Interest, net	(4%)	(2%)	(6%)
Cash Taxes/Benefit	2%	-	2%
Green Energy Cash Tax Benefits	1%	1%	2%
CPDI Cash Tax Benefits	1%	3%	4%
Corporate L-FCF	(1%)	2%	1%
Consolidated L-FCF	**45%**	**9%**	**54%**

(1) Figures for QVC, Inc., zulily llc, and HSNi represent LTM average over the three year period ending 9/30/18. Excludes impact of former HSNi dividend payments to Qurate Retail, Inc.

qurate RETAIL, INC.

3.50%, 3.75% and 4.00% Exchangeable Debentures: *Glossary of Key Terms*

- Cash interest: stated interest on bonds
  - 2018 expected cash interest: $57m[(1)]
- Interest for tax purposes: rate higher than cash coupon allowed to be deducted for tax purposes and calculated off of bond's accreted basis
- Contingent interest: difference between interest for tax purposes and cash coupon
  - Creates current period cash benefit from tax deductions that compounds semi-annually
  - 2018 expected contingent interest: $438m
    - ➢ Growing to $1.1b in 2029
    - ➢ Results in $100m+ annual tax benefits today, growing to $250m+ annual tax benefits by 2029
      - A portion of annual tax benefits result in current period cash savings; remainder is deferred for use in future years
- Accreted basis: basis on bonds accretes annually by amount of contingent interest
- Deferred tax liability ("DTL"): accrual of current period contingent interest deductions that has to be paid at earlier of bond maturity or redemption of underlying bond
  - DTL calculated as: (accreted basis – face value) x (prevailing tax rate)
  - DTL as of 12/31/17 related to contingent interest on exchangeable bonds was $900m[(2)]
    - ➢ Gross DTL grows to $3.3b at maturity and likely to become a cash tax liability at that date[(2)] regardless if full cash tax benefits of contingent interest have been realized
    - ➢ Expect a significant deferred interest carryforward by 2029, which should offset a portion of the gross DTL
    - ➢ In addition to the DTL, will owe $1.0b principal at maturity

Note: all information based on current interpretation of new tax legislation and subject to change.

(1) Assuming no repayment of debt. Only includes cash interest on Qurate Retail's 3.50%, 3.75% and 4.00% exchangeable debentures. Does not include DTL for mark-to-market adjustments on bonds.

(2) Assumes bonds remain outstanding until maturity in 2029, 2030 and 2031.

3.50%, 3.75% and 4.00% Exchangeable Debentures

Bond	Exch Ratio(s)	Cash Interest	Face ($m) 9/30/18	FV ($m) 9/30/18	Interest Rate Tax Purposes	Accreted Basis ($m) 12/31/17
2029[1]	3.2265 S 0.786 CTL	4%	$433	$325	9.069%	$1,515
2030[2]	2.3587 S 0.5746 CTL	3.75%	$434	$315	9.43%	$1,624
2031[3]	5.2598 MSI	3.5%	$318	$412	9.5%	$1,956
TOTAL			**$1,185**	**$1,052**		**$5,095**

Bond	Cash Coupon 2018E ($m)[4]	Contingent Interest 2018E ($m)	Total Tax Deductible Interest 2018E ($m) (current and deferred)	Estimated Accreted Basis ($m) 12/31/18E
2029[1]	$19	$121	$140	$1,636
2030[2]	$17	$139	$156	$1,763
2031[3]	$21	$178	$199	$2,134
TOTAL	**$57**	**$438**	**$495**	**$5,533**

(1) Estimated principal amount at maturity is $413 million (assumes no further extraordinary distributions).
(2) Estimated principal amount at maturity is $421 million (assumes no further extraordinary distributions).
(3) Estimated principal amount at maturity is $166 million (assumes no further extraordinary distributions).
(4) Tax deductible interest. A portion of this reduces the outstanding principal amount of the bonds. See Qurate Retail press releases for more detail.