

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-33982

QRATE RETAIL, INC.

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of
incorporation or organization)

84-1288730
(I.R.S. Employer
Identification No.)

12300 Liberty Boulevard
Englewood, Colorado
(Address of principal executive offices)

80112
(Zip Code)

Registrant's telephone number, including area code: **(720) 875-5300**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Series A common stock	QRTEA	The Nasdaq Stock Market LLC
Series B common stock	QRTEB	The Nasdaq Stock Market LLC
8.0% Series A Cumulative Redeemable Preferred Stock	QRTEP	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

The number of outstanding shares of Qurate Retail, Inc.'s common stock as of October 31, 2021 was:

Series A common stock	388,566,013
Series B common stock	8,177,190

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QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited)

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 798	806
Trade and other receivables, net of allowance for doubtful accounts of \$103 million and \$132 million, respectively	1,185	1,640
Inventory, net	1,742	1,301
Indemnification agreement receivable	394	345
Other current assets	418	473
Total current assets	<u>4,537</u>	<u>4,565</u>
Property and equipment, net	1,196	1,300
Intangible assets not subject to amortization (note 5):		
Goodwill	6,592	6,638
Trademarks	3,168	3,168
	<u>9,760</u>	<u>9,806</u>
Intangible assets subject to amortization, net (note 5)	794	779
Other assets, at cost, net of accumulated amortization	673	549
Total assets	<u>\$ 16,960</u>	<u>16,999</u>

(continued)

See accompanying notes to condensed consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Continued)
(unaudited)

	September 30, 2021	December 31, 2020
	amounts in millions, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 1,238	1,305
Accrued liabilities	1,034	1,418
Current portion of debt, \$1,983 million and \$1,750 million measured at fair value (note 6)	1,983	1,750
Other current liabilities	190	231
Total current liabilities	<u>4,445</u>	<u>4,704</u>
Long-term debt (note 6)	5,311	5,186
Deferred income tax liabilities	1,318	1,359
Preferred stock (note 7)	1,260	1,249
Other liabilities	712	768
Total liabilities	<u>13,046</u>	<u>13,266</u>
<i>Equity</i>		
Stockholders' equity:		
Series A common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 391,202,469 shares at September 30, 2021 and 382,165,550 shares at December 31, 2020	4	4
Series B common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 8,177,190 shares at September 30, 2021 and 29,366,492 shares at December 31, 2020	—	—
Series C common stock, \$.01 par value. Authorized 400,000,000 shares; no shares issued	—	—
Additional paid-in capital	—	—
Accumulated other comprehensive earnings (loss), net of taxes	(60)	72
Retained earnings	3,822	3,522
Total stockholders' equity	<u>3,766</u>	<u>3,598</u>
Noncontrolling interests in equity of subsidiaries	148	135
Total equity	<u>3,914</u>	<u>3,733</u>
Commitments and contingencies (note 9)		
Total liabilities and equity	<u>\$ 16,960</u>	<u>16,999</u>

See accompanying notes to condensed consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	amounts in millions, except per share amounts			
Total revenue, net	\$ 3,144	3,383	9,985	9,725
Operating costs and expenses:				
Cost of retail sales (exclusive of depreciation shown separately below)	2,069	2,178	6,504	6,328
Operating expense	204	203	627	605
Selling, general and administrative, including stock-based compensation (note 2)	458	455	1,378	1,323
Depreciation and amortization	139	141	396	427
	<u>2,870</u>	<u>2,977</u>	<u>8,905</u>	<u>8,683</u>
Operating income (loss)	274	406	1,080	1,042
Other income (expense):				
Interest expense	(121)	(98)	(356)	(290)
Share of earnings (losses) of affiliates, net	(24)	(32)	(78)	(96)
Realized and unrealized gains (losses) on financial instruments, net (note 4)	41	(12)	101	(127)
Gains (losses) on transactions, net	—	223	—	224
Other, net	—	(65)	(10)	(65)
	<u>(104)</u>	<u>16</u>	<u>(343)</u>	<u>(354)</u>
Earnings (loss) before income taxes	170	422	737	688
Income tax (expense) benefit	(20)	(70)	(113)	(111)
Net earnings (loss)	150	352	624	577
Less net earnings (loss) attributable to the noncontrolling interests	23	14	69	39
Net earnings (loss) attributable to Qurate Retail, Inc. shareholders	<u>\$ 127</u>	<u>338</u>	<u>555</u>	<u>538</u>
Basic net earnings (loss) attributable to Series A and Series B Qurate Retail, Inc. shareholders per common share (note 3):	\$ 0.31	0.81	1.36	1.29
Diluted net earnings (loss) attributable to Series A and Series B Qurate Retail, Inc. shareholders per common share (note 3):	\$ 0.31	0.80	1.32	1.28

See accompanying notes to condensed consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Earnings (Loss)
(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	amounts in millions			
Net earnings (loss)	\$ 150	352	624	577
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(28)	49	(92)	45
Recognition of previously unrealized losses (gains) on debt, net	—	—	—	(1)
Comprehensive earnings (loss) attributable to debt credit risk adjustments	(13)	(68)	(50)	31
Other comprehensive earnings (loss)	(41)	(19)	(142)	75
Comprehensive earnings (loss)	109	333	482	652
Less comprehensive earnings (loss) attributable to the noncontrolling interests	22	16	59	43
Comprehensive earnings (loss) attributable to Qurate Retail, Inc. shareholders	\$ 87	317	423	609

See accompanying notes to condensed consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30,	
	2021	2020
amounts in millions		
Cash flows from operating activities:		
Net earnings (loss)	\$ 624	577
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	396	427
Stock-based compensation	54	46
Share of (earnings) losses of affiliates, net	78	96
Realized and unrealized (gains) losses on financial instruments, net	(101)	127
(Gains) losses on transactions, net	—	(224)
Deferred income tax expense (benefit)	(35)	19
Other, net	15	52
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	439	720
Decrease (increase) in inventory	(453)	(63)
Decrease (increase) in prepaid expenses and other assets	85	69
(Decrease) increase in trade accounts payable	(48)	52
(Decrease) increase in accrued and other liabilities	(339)	(43)
Net cash provided (used) by operating activities	<u>715</u>	<u>1,855</u>
Cash flows from investing activities:		
Investments in and loans to cost and equity investees	(177)	(88)
Capital expenditures	(169)	(165)
Expenditures for television distribution rights	(184)	(41)
Cash proceeds from dispositions of investments	10	269
Proceeds from sale of fixed assets	40	—
Other investing activities, net	(3)	—
Net cash provided (used) by investing activities	<u>(483)</u>	<u>(25)</u>
Cash flows from financing activities:		
Borrowings of debt	394	1,300
Repayments of debt	(284)	(2,077)
Repurchases of Qurate Retail common stock	(216)	—
Withholding taxes on net settlements of stock-based compensation	(25)	(3)
Payments for issuances of financial instruments	(107)	(25)
Proceeds from settlements of financial instruments	88	31
Dividends paid to noncontrolling interest	(46)	(46)
Dividends paid to common shareholders	(14)	(626)
Other financing activities, net	(9)	(18)
Net cash provided (used) by financing activities	<u>(219)</u>	<u>(1,464)</u>
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash		
Net increase (decrease) in cash, cash equivalents and restricted cash	(7)	371
Cash, cash equivalents and restricted cash at beginning of period	814	681
Cash, cash equivalents and restricted cash at end of period	<u>\$ 807</u>	<u>1,052</u>

The following table reconciles cash, cash equivalents and restricted cash reported in our condensed consolidated balance sheets to the total amount presented in our condensed consolidated statements of cash flows:

	September 30, 2021	December 31, 2020
in millions		
Cash and cash equivalents	\$ 798	806
Restricted cash included in other current assets	9	8
Total cash, cash equivalents and restricted cash in the condensed consolidated statement of cash flows	<u>\$ 807</u>	<u>814</u>

See accompanying notes to condensed consolidated financial statements.

	Stockholders' Equity							Total equity
	Preferred stock	Common stock		Additional paid-in capital	Accumulated other comprehensive earnings (loss)	Retained earnings	Noncontrolling interest in equity of subsidiaries	
		Series A	Series B					
	amounts in millions							
Balance at January 1, 2020	\$ —	4	—	—	(55)	4,891	132	4,972
Net earnings (loss)	—	—	—	—	—	538	39	577
Other comprehensive earnings (loss)	—	—	—	—	71	—	4	75
Stock compensation	—	—	—	44	—	—	—	44
Distribution to noncontrolling interest	—	—	—	—	—	—	(46)	(46)
Distribution of dividends to common shareholders	—	—	—	—	—	(1,898)	—	(1,898)
Other	—	—	—	(17)	—	—	—	(17)
Balance at September 30, 2020	<u>\$ —</u>	<u>4</u>	<u>—</u>	<u>27</u>	<u>16</u>	<u>3,531</u>	<u>129</u>	<u>3,707</u>

	Stockholders' Equity							Total equity
	Preferred stock	Common stock		Additional paid-in capital	Accumulated other comprehensive earnings (loss)	Retained earnings	Noncontrolling interest in equity of subsidiaries	
		Qurate Retail Series A	Series B					
	amounts in millions							
Balance at June 30, 2020	\$ —	4	—	25	37	5,091	129	5,286
Net earnings (loss)	—	—	—	—	—	338	14	352
Other comprehensive income (loss)	—	—	—	—	(21)	—	2	(19)
Stock compensation	—	—	—	17	—	—	—	17
Distribution to noncontrolling interest	—	—	—	—	—	—	(16)	(16)
Distribution of dividends to common shareholders	—	—	—	—	—	(1,898)	—	(1,898)
Other	—	—	—	(15)	—	—	—	(15)
Balance at September 30, 2020	<u>\$ —</u>	<u>4</u>	<u>—</u>	<u>27</u>	<u>16</u>	<u>3,531</u>	<u>129</u>	<u>3,707</u>

See accompanying notes to condensed consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Qurate Retail, Inc. and its controlled subsidiaries (collectively, "Qurate Retail," the "Company," "Consolidated Qurate Retail," "us," "we," or "our" unless the context otherwise requires). All significant intercompany accounts and transactions have been eliminated in consolidation. Qurate Retail is made up of wholly-owned subsidiaries QVC, Inc. ("QVC"), which includes HSN, Inc. ("HSN"), Cornerstone Brands, Inc. ("Cornerstone"), Zulily, LLC ("Zulily"), and other cost and equity method investments.

Qurate Retail is primarily engaged in the video and online commerce industries in North America, Europe and Asia. The businesses of the Company's wholly-owned subsidiaries, QVC, Cornerstone and Zulily, are seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2020, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Qurate Retail's Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 10-K").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Qurate Retail considers (i) fair value measurements, (ii) accounting for income taxes, and (iii) estimates of retail-related adjustments and allowances to be its most significant estimates.

In December 2019, a new coronavirus ("COVID-19") was reported to have surfaced in Wuhan, China and has subsequently spread across the globe causing a global pandemic, impacting all countries where Qurate Retail operates. As a result of the spread of COVID-19, certain local governmental agencies have imposed travel restrictions, local quarantines or stay at home restrictions to contain the spread, which has caused a significant disruption to most sectors of the economy.

Management is not presently aware of any events or circumstances arising from COVID-19 that would require the Company to update the estimates, judgments or revise the carrying value of our assets or liabilities. Management's estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognized in the consolidated financial statements. Actual results could differ from estimates, and any such differences may be material to our financial statements.

As a result of repurchases of Series A Qurate Retail common stock ("QRTEA") and other equity transactions, the Company's additional paid-in capital balance was in a deficit position as of September 30, 2021. In order to ensure that the additional paid-in capital account is not negative, we reclassified the amount of the deficit (\$259 million) at September 30, 2021 to retained earnings.

Qurate Retail has entered into certain agreements with Liberty Media Corporation ("LMC") (for accounting purposes, a related party of the Company), a separate publicly traded company. These agreements include a reorganization agreement, services agreement and facilities sharing agreement. As a result of certain corporate transactions, LMC and Qurate Retail may have obligations to each other for certain tax related matters. Neither Qurate Retail nor LMC has any stock ownership, beneficial or otherwise, in the other. In connection with a split-off transaction that occurred in the first quarter of 2018 (the "GCI Liberty Split-Off"), Qurate Retail and GCI Liberty, Inc. ("GCI Liberty") entered into a tax sharing agreement. Pursuant to the tax sharing agreement, GCI Liberty agreed to indemnify Qurate Retail for taxes and tax-related losses

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

resulting from the GCI Liberty Split-Off to the extent such taxes or tax-related losses (i) result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by GCI Liberty (applicable to actions or failures to act by GCI Liberty and its subsidiaries following the completion of the GCI Liberty Split-Off), or (ii) result from Section 355(e) of the Internal Revenue Code applying to the GCI Liberty Split-Off as a result of the GCI Liberty Split-Off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, a 50-percent or greater interest (measured by vote or value) in the stock of GCI Liberty (or any successor corporation). Following a merger between Liberty Broadband Corporation ("Liberty Broadband") and GCI Liberty, Liberty Broadband (for accounting purposes, a related party of the Company) has assumed the tax sharing agreement.

In December 2019, the Company entered into an amendment to the services agreement in connection with LMC's entry into a new employment arrangement with Gregory B. Maffei, the Company's Chairman of the Board (the "Chairman"). Under the amended services agreement, components of his compensation will either be paid directly to him by each of the Company, Liberty TripAdvisor Holdings, Inc., and Liberty Broadband (collectively, the "Service Companies") or reimbursed to LMC, in each case, based on allocations among LMC and the Service Companies set forth in the amended services agreement, currently set at 17% for the Company.

The reorganization agreement with LMC provides for, among other things, provisions governing the relationship between Qurate Retail and LMC, including certain cross-indemnities. Pursuant to the services agreement, LMC provides Qurate Retail with certain general and administrative services including legal, tax, accounting, treasury and investor relations support. Qurate Retail reimburses LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Qurate Retail's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Qurate Retail. Under the facilities sharing agreement, LMC shares office space and related amenities at its corporate headquarters with Qurate Retail. Under these various agreements, approximately \$2 million was reimbursable to LMC for both of the three months ended September 30, 2021 and 2020, and \$8 million and \$7 million was reimbursable to LMC for the nine months ended September 30, 2021 and 2020, respectively. Qurate Retail had a tax sharing payable to LMC and Liberty Broadband in the amount of approximately \$122 million and \$129 million as of September 30, 2021 and December 31, 2020, respectively, included in Other liabilities in the condensed consolidated balance sheets.

On November 4, 2021, Qurate Retail announced that its Board of Directors declared a special cash dividend in the amount of \$0.25 per common share for an aggregate cash dividend of approximately \$495 million based on shares outstanding as of October 31, 2021 (to be updated for actual shares outstanding as of the record date). The dividend is payable on November 22, 2021 to stockholders of record of Qurate Retail's Series A and Series B common stock as of the close of business on November 15, 2021.

(2) Stock-Based Compensation

The Company has granted to certain of its directors, employees and employees of its subsidiaries, restricted stock ("RSAs"), restricted stock units ("RSUs") and options to purchase shares of the Company's common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options and restricted stock) based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are \$19 million of stock-based compensation during both of the three months ended September 30, 2021 and 2020, and \$54 million and \$46 million of stock-based compensation during the nine months ended September 30, 2021 and 2020, respectively.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

The following table presents the number and weighted average GDFV of options granted by the Company during the nine months ended September 30, 2021:

	Nine months ended September 30, 2021	
	Options Granted (000's)	Weighted Average GDFV
Series A Qurate Retail common stock, QVC and HSN employees (1)	895	\$ 6.75
Series A Qurate Retail common stock, Zulily employees (1)	79	\$ 6.74
Series A Qurate Retail common stock, Qurate Retail employees (2)	63	\$ 6.18
Series A Qurate Retail common stock, David Rawlinson II (3)	1,185	\$ 5.02

- (1) Grants vest semi-annually over four years.
- (2) Grants vest between two and three years.
- (3) Grant vests in two equal tranches on December 31, 2023 and December 31, 2024. Grant was made in connection with the employment agreement of Mr. Rawlinson, President and Chief Executive Officer of the Company (see note 8).

During the nine months ended September 30, 2021, Qurate Retail granted to employees and directors 4.9 million RSUs of QRTEA, which RSUs have a GDFV of \$12.87 per share and generally vest annually over four years. In connection with Gregory B. Maffei's employment agreement, during the nine months ended September 30, 2021, Qurate Retail granted 229 thousand performance-based RSUs of QRTEA to Mr. Maffei. The Series A RSUs had a GDFV of \$ 12.90 per share at the time they were granted and will cliff vest one year from the month of grant, subject to the satisfaction of certain performance objectives. As a result of the Letter Agreement discussed in Note 8, during the nine months ended September 30, 2021, Qurate Retail granted 1.1 million time-based RSAs of Series B Qurate Retail common stock ("QRTEB") to Mr. Maffei, which RSAs have a GDFV of \$ 13.65 per share and vest in two equal tranches on December 10, 2024 and June 3, 2026, subject to earlier vesting under certain circumstances. During the nine months ended September 30, 2021, Qurate Retail also granted 423 thousand performance-based RSUs and 423 thousand time-based RSUs of QRTEA to Mike George, the former Chief Executive Officer (see note 8). Both the performance-based and time-based Series A RSUs had a GDFV of \$12.90 per share at the time they were granted. The time-based RSUs vest on December 10, 2021, and the performance-based RSUs will cliff vest one year from the month of grant, subject to the satisfaction of certain performance objectives. Also during the nine months ended September 30, 2021, Qurate Retail granted 143 thousand performance-based RSUs and 509 thousand time-based RSUs of QRTEA to Mr. Rawlinson in connection with his employment agreement. Both the performance-based and time-based Series A RSUs had a GDFV of \$10.50 per share at the time they were granted. The time-based RSUs vest over three years, and the performance-based RSUs cliff vest in March 2022, subject to the satisfaction of certain performance objectives. Performance objectives, which are subjective, are considered in determining the timing and amount of compensation expense recognized. When the satisfaction of the performance objectives becomes probable, the Company records compensation expense. The probability of satisfying the performance objectives is assessed at the end of each reporting period.

The Company has calculated the GDFV for all of its equity classified Awards and any subsequent remeasurement of its liability classified Awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. The volatility used in the calculation for Awards is based on the historical volatility of Qurate Retail's stock and the implied volatility of publicly traded Qurate Retail options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Qurate Retail—Outstanding Awards

The following tables present the number and weighted average exercise price ("WAEP") of the Awards to purchase Qurate Retail common stock granted to certain officers, employees and directors of the Company, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

	Series A (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2021	40,553	\$ 10.61		
Granted	2,222	\$ 11.63		
Exercised	(2,304)	\$ 5.94		
Forfeited/Cancelled	(3,210)	\$ 12.96		
Outstanding at September 30, 2021	37,261	\$ 10.76	3.7 years	\$ 79
Exercisable at September 30, 2021	22,420	\$ 13.65	2.5 years	\$ 17

	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2021	3,243	\$ 15.39		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited/Cancelled	(1,335)	\$ 16.93		
Outstanding at September 30, 2021	1,908	\$ 14.31	2.0 years	\$ —
Exercisable at September 30, 2021	1,908	\$ 14.31	2.0 years	\$ —

As of September 30, 2021, Qurate Retail had 12.9 million QRTEA RSUs and 1.1 million QRTEB RSAs outstanding with a weighted average GDFV of \$9.76 and \$13.65 per share, respectively.

As of September 30, 2021, the total unrecognized compensation cost related to unvested Awards was approximately \$21 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.6 years.

As of September 30, 2021, Qurate Retail reserved for issuance upon exercise of outstanding stock options approximately 37.3 million shares of QRTEA and 1.9 million shares of QRTEB common stock.

(3) Earnings (Loss) Per Common Share

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding ("WASO") for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Potentially dilutive shares are excluded from the computation of diluted EPS during periods in which losses are reported since the result would be antidilutive.

Excluded from diluted EPS for the three months ended September 30, 2021 and 2020 are 22 million and 29 million potential common shares, respectively, because their inclusion would have been antidilutive. Excluded from diluted EPS for the nine months ended September 30, 2021 and 2020 are 22 million and 29 million potential common shares, respectively, because their inclusion would have been antidilutive.

	Qurate Retail Common Stock			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	number of shares in millions			
Basic WASO	404	417	408	417
Potentially dilutive shares	12	4	12	3
Diluted WASO	416	421	420	420

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)
(4) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs, other than quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The Company's assets and liabilities measured at fair value are as follows:

Description	Fair Value Measurements at September 30, 2021			Fair Value Measurements at December 31, 2020		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	\$ 260	260	—	290	290	—
Indemnification asset	\$ 394	—	394	345	—	345
Financial instrument asset	\$ 92	—	92	23	—	23
Debt	\$ 1,983	—	1,983	1,750	—	1,750

The majority of the Company's Level 2 financial assets and liabilities are primarily debt instruments and derivative instruments with quoted market prices that are not considered to be traded on "active markets," as defined in GAAP. The fair values for such instruments are derived from a typical model using observable market data as the significant inputs.

The indemnification asset relates to Liberty Broadband's agreement to indemnify Liberty Interactive LLC ("LI LLC") and pertains to the ability of holders of LI LLC's 1.75% exchangeable debentures due 2046 (the "1.75% Exchangeable Debentures") to exercise their exchange right according to the terms of the debentures on or before October 5, 2023. Such amount will equal the difference between the exchange value and par value of the 1.75% Exchangeable Debentures at the time the exchange occurs. The indemnification asset recorded in the condensed consolidated balance sheets as of September 30, 2021 represents the fair value of the estimated exchange feature included in the 1.75% Exchangeable Debentures primarily based on market observable inputs (Level 2). As of September 30, 2021, a holder of the 1.75% Exchangeable Debentures has the ability to exchange and, accordingly, such indemnification asset is included as a current asset in our condensed consolidated balance sheet as of that date.

Realized and Unrealized Gains (Losses) on Financial Instruments

Realized and unrealized gains (losses) on financial instruments are comprised of changes in the fair value of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
Equity securities	48	2	98	(2)
Exchangeable senior debentures	(50)	(145)	(183)	(225)
Indemnification asset	8	94	49	107
Other financial instruments	35	37	137	(7)
	<u>\$ 41</u>	<u>(12)</u>	<u>101</u>	<u>(127)</u>

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

The Company has elected to account for its exchangeable debt using the fair value option. Changes in the fair value of the exchangeable senior debentures recognized in the condensed consolidated statement of operations are primarily due to market factors primarily driven by changes in the fair value of the underlying shares into which the debt is exchangeable. The Company isolates the portion of the unrealized gain (loss) attributable to the change in the instrument specific credit risk and recognizes such amount in other comprehensive earnings (loss). The change in the fair value of the exchangeable senior debentures attributable to changes in the instrument specific credit risk was a loss of \$16 million and a loss of \$90 million for the three months ended September 30, 2021 and 2020, respectively, and a loss of \$60 million and a gain of \$39 million for the nine months ended September 30, 2021 and 2020, respectively. The cumulative change was a gain of \$133 million as of September 30, 2021.

(5) Intangible Assets*Goodwill*

Changes in the carrying amount of goodwill are as follows:

	<u>QxH</u>	<u>QVC Int'l</u>	<u>Zulily</u>	<u>Corporate and Other</u>	<u>Total</u>
	amounts in millions				
Balance at January 1, 2021	\$ 5,228	921	477	12	6,638
Foreign currency translation adjustments	—	(46)	—	—	(46)
Balance at September 30, 2021	<u>\$ 5,228</u>	<u>875</u>	<u>477</u>	<u>12</u>	<u>6,592</u>

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$94 million and \$89 million for the three months ended September 30, 2021 and 2020, respectively, and \$261 million and \$274 million for the nine months ended September 30, 2021 and 2020, respectively. Based on its amortizable intangible assets as of September 30, 2021, Qurate Retail expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2021	\$ 97
2022	\$ 303
2023	\$ 179
2024	\$ 103
2025	\$ 51

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)
(6) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal at September 30, 2021	Carrying value	
		September 30, 2021	December 31, 2020
amounts in millions			
Corporate level debentures			
8.5% Senior Debentures due 2029	\$ 287	286	285
8.25% Senior Debentures due 2030	505	502	502
4% Exchangeable Senior Debentures due 2029	429	363	362
3.75% Exchangeable Senior Debentures due 2030	431	357	346
1.75% Exchangeable Senior Debentures due 2046	332	714	649
Subsidiary level notes and facilities			
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 4.75% Senior Secured Notes due 2027	575	575	575
QVC 4.375% Senior Secured Notes due 2028	500	500	500
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC 6.375% Senior Secured Notes due 2067	225	225	225
QVC 6.25% Senior Secured Notes due 2068	500	500	500
3.5% Exchangeable Senior Debentures due 2031	210	549	393
QVC Senior Secured Credit Facility	120	120	—
Deferred loan costs	—	(45)	(49)
Total consolidated Qurate Retail debt	<u>\$ 6,764</u>	<u>7,294</u>	<u>6,936</u>
Less current classification		(1,983)	(1,750)
Total long-term debt		<u>\$ 5,311</u>	<u>5,186</u>

QVC Senior Secured Credit Facility

On December 31, 2018, QVC entered into the Fourth Amended and Restated Credit Agreement with Zulily as co-borrower (collectively, the “Borrowers”) which is a multi-currency facility that provides for a \$2.95 billion revolving credit facility, with a \$450 million sub-limit for standby letters of credit and \$1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Fourth Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by QVC or Zulily, with a \$50 million sub-limit for standby letters of credit. The remaining \$2.55 billion and any incremental loans may be borrowed only by QVC. Borrowings that are alternate base rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% to 0.75% depending on the Borrowers combined ratio of Consolidated Total Debt to Consolidated EBITDA (the “Combined Consolidated Leverage Ratio”). Borrowings that are London Interbank Offered Rate (“LIBOR”) loans will bear interest at a per annum rate equal to the applicable LIBOR rate plus a margin that varies between 1.25% and 1.75% depending on the Borrowers’ Combined Consolidated Leverage Ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than when borrowings and letter of credit usage exceed availability; provided that, if Zulily ceases to be controlled by Qurate Retail, all of its loans must be repaid and its letters of credit cash collateralized. The facility matures on December 31, 2023. Payment of loans may be accelerated following certain customary events of default.

The payment and performance of the Borrowers’ obligations (including Zulily’s obligations) under the Fourth Amended and Restated Credit Agreement are guaranteed by each of QVC’s Material Domestic Subsidiaries (as defined in the Fourth Amended and Restated Credit Agreement). Further, the borrowings under the Fourth Amended and Restated

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Credit Agreement are secured, *pari passu* with QVC's existing notes, by a pledge of all of QVC's equity interests. In addition, the payment and performance of the Borrowers' obligations with respect to the \$400 million tranche available to both QVC and Zulily are also guaranteed by Zulily and secured by a pledge of all of Zulily's equity interests.

The Fourth Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on QVC and Zulily and each of their respective restricted subsidiaries (subject to certain exceptions) with respect to, among other things: incurring additional indebtedness; creating liens on property or assets; making certain loans or investments; selling or disposing of assets; paying certain dividends and other restricted payments; dissolving, consolidating or merging; entering into certain transactions with affiliates; entering into sale or leaseback transactions; restricting subsidiary distributions; and limiting QVC's consolidated leverage ratio, and the Borrowers' Combined Consolidated Leverage Ratio.

During the nine months ended September 30, 2021, Zulily borrowed \$120 million under the Fourth Amended and Restated Credit Agreement, and the interest rate was 1.6% at September 30, 2021. Availability under the Fourth Amended and Restated Credit Agreement at September 30, 2021 was \$2,808 million, including the portion available under the \$400 million tranche that Zulily may also borrow on.

On October 27, 2021, the Fourth Amended and Restated Credit Agreement was further amended to, among other things, extend the maturity date to October 2026, improve the stated interest rates and financial covenants, and upsize the amount from \$2.95 billion to \$3.25 billion.

Exchangeable Senior Debentures

The Company has elected to account for its exchangeable senior debentures using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the statements of operations. See note 4 for information related to unrealized gains (losses) on debt measured at fair value. As of September 30, 2021 the Company's exchangeable debentures have been classified as current because the Company does not own shares to exchange the debentures or they are currently exchangeable. The Company reviews the terms of the debentures on a quarterly basis to determine whether a triggering event has occurred to require current classification of the exchangeables upon a call event. Although we do not own shares underlying certain of the exchangeable senior debentures, the Company has entered into certain derivative transactions in order to hedge against upward price fluctuations on certain shares. Such derivative instruments are recognized in the other current assets line item in the condensed consolidated balance sheets, and are marked to fair value each reporting period. The changes in fair value are recognized in the realized and unrealized gains (losses) on financial instruments, net line item in the condensed statement of operations.

On October 27, 2021, the bondholders of the 3.5% Exchangeable Senior Debentures due 2031 were sent a redemption notice for redemption in full on December 13, 2021, and will have the ability to exchange their debentures through December 10, 2021.

Debt Covenants

Qurate Retail and its subsidiaries are in compliance with all debt covenants at September 30, 2021.

Fair Value of Debt

Qurate Retail estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Qurate Retail for debt of the same remaining maturities (Level 2). The QVC 6.375% Senior Secured Notes due 2067 ("2067 Notes") and the QVC 6.25% Senior Secured Notes Due 2068 ("2068 Notes") are traded on the New York Stock Exchange, and the Company considers them to be actively traded. As such, the 2067 Notes and 2068 Notes are valued based on their trading price (Level 1). The fair value of Qurate Retail's publicly traded debt securities

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

that are not reported at fair value in the accompanying condensed consolidated balance sheet at September 30, 2021 are as follows (amounts in millions):

Senior debentures	\$	889
QVC senior secured notes	\$	4,699

Due to the variable rate nature, Qurate Retail believes that the carrying amount of its other debt, not discussed above, approximated fair value at September 30, 2021.

(7) Preferred Stock

On September 14, 2020, Qurate Retail issued its 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Preferred Stock"). There were 13,500,000 shares of Preferred Stock authorized and 12,624,110 shares of Preferred Stock issued and outstanding at September 30, 2021.

Priority. The Preferred Stock ranks senior to the shares of common stock of Qurate Retail, with respect to dividend rights, rights of redemption and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of Qurate Retail's affairs. Shares of Preferred Stock are not convertible into shares of common stock of Qurate Retail.

Dividends. Holders of the Preferred Stock are entitled to receive quarterly cash dividends at a rate of 8.0% per annum of the liquidation price (as described below) on a cumulative basis, during the term. If declared, accrued dividends will be payable quarterly on each dividend payment date, beginning December 15, 2020 and thereafter on each March 15, June 15, September 15, and December 15 during the term (or, if such date is not a business day, the next business day after such date). If Qurate Retail fails to pay dividends or the applicable redemption price with respect to any redemption within 30 days after the applicable dividend payment or redemption date, the dividend rate will increase as provided by the Certificate of Designations for the Preferred Stock (the "Certificate of Designations"). Accrued dividends that are not paid within 30 days after the applicable dividend payment date will be added to the liquidation price until paid together with all dividends accrued thereon.

The ability of Qurate Retail to declare or pay any dividend on, or purchase, redeem, or otherwise acquire, any of its common stock or any other stock ranking on parity with the Preferred Stock will be subject to restrictions if Qurate Retail does not pay all dividends and all redemption payments on the Preferred Stock, subject to certain exceptions as set forth in the Certificate of Designations.

Distributions upon Liquidation, Dissolution or Winding Up. Upon Qurate Retail's liquidation, winding-up or dissolution, each holder of shares of the Preferred Stock will be entitled to receive, before any distribution is made to the holders of Qurate Retail common stock, an amount equal to the liquidation price plus all unpaid dividends (whether or not declared) accrued from the immediately preceding dividend payment date, subject to the prior payment of liabilities owed to Qurate Retail's creditors and the preferential amounts to which any stock senior to the Preferred Stock is entitled. The Preferred Stock has a liquidation price equal to the sum of (i) \$100, plus (ii) all accrued and unpaid dividends (whether or not declared) that have been added to the liquidation price.

Mandatory and Optional Redemption. The Preferred Stock is subject to mandatory redemption on March 15, 2031 at the liquidation price plus all unpaid dividends (whether or not declared) accrued from the most recent dividend payment date. On or after the fifth anniversary of September 14, 2020 (the "Original Issue Date"), Qurate Retail may redeem all or a portion of the outstanding shares of Preferred Stock, at the liquidation price plus all unpaid dividends (whether or not declared) accrued from the most recent dividend payment date plus, if the redemption is (x) on or after the fifth anniversary of the Original Issue Date but prior to its sixth anniversary, 4.00% of the liquidation price, (y) on or after the sixth anniversary of the Original Issue Date but prior to its seventh anniversary, 2.00% of the liquidation price and (z)

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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on or after the seventh anniversary of the Original Issue Date, zero. Both mandatory and optional redemptions must be paid in cash.

Voting Power. Holders of the Preferred Stock will not have any voting rights or powers, except as specified in the Certificate of Designations or as required by Delaware law.

Preferred Stock Directors. So long as the aggregate liquidation price of the outstanding shares of Preferred Stock exceeds 25% of the aggregate liquidation price of the shares of Preferred Stock issued on the Original Issue Date, holders of Preferred Stock will have certain director election rights as described in the Certificate of Designations whenever dividends on shares of Preferred Stock have not been declared and paid for two consecutive dividend periods and whenever Qurate Retail fails to pay the applicable redemption price in full with respect to any redemption of the Preferred Stock or fails to make a payment with respect to the Preferred Stock in connection with a liquidation or Extraordinary Transactions (as defined in the Certificate of Designations).

Recognition. As the Preferred Stock is subject to unconditional mandatory redemption in cash and was issued in the form of a share, the Company concluded the Preferred Stock was a mandatorily redeemable financial instrument and should be classified as a liability in the condensed consolidated balance sheets. The Preferred Stock was initially recorded at its fair value, which was determined to be the liquidation preference of \$100 per share. Given the liability classification of the Preferred Stock, all dividends accrued will be classified as interest expense in the condensed consolidated statements of operations.

(8) Related Party Transactions with Officers and Directors

Malone Stock Exchange and Maffei Arrangements

On May 18, 2021, Gregory B. Maffei, the Chairman of the Board and a director of the Company, delivered a written offer (the "Offer") to John C. Malone, a director of Qurate Retail, to acquire all of the outstanding shares of QRTEB beneficially owned by Mr. Malone, his wife Leslie Malone and certain trusts for the benefit of Mr. Malone, Mrs. Malone and/or their children (the "Malone Group," and such shares, the "Subject Shares") at a per share price of \$14.00 payable in cash, securities or such other form of consideration as to which Mr. Maffei and Mr. Malone might mutually agree. The transfer by the Malone Group of the Subject Shares was subject to the terms of that certain call agreement, dated February 9, 1998 (the "Call Agreement"), among Qurate Retail, as successor-in-interest to the assignee of Tele-Communications, Inc., a Delaware corporation, Mr. Malone and Mrs. Malone, which provided Qurate Retail with the right to acquire all, but not less than all, of the Subject Shares at a per share price equal to the lower of (x) the Offer price or (y) 110% of the average closing prices of a share of QRTEA for the 30 consecutive trading days ending on May 17, 2021 (with the price calculated pursuant to clause (y) equal to \$13.62 per share (the "Call Price")) (the "Call Right"). As previously disclosed, on May 18, 2021, Mr. Malone provided written notice to Qurate Retail of his desire to accept the Offer, subject to the approval by the Board of Directors of the Company of the transactions contemplated thereby for purposes of Section 203 of the General Corporation Law of the State of Delaware, pursuant to the terms of the Call Agreement. However, in the event the Company determined to exercise the Call Right, Mr. Malone indicated a preference for the payment of the per share price in the form of shares of QRTEA such that he would continue to hold a substantial investment in the Company.

On June 2, 2021, Qurate Retail delivered written notice to Mr. Malone to exercise the Call Right and to pay the per share Call Price required by the Call Agreement in shares of QRTEA. On June 3, 2021, the Company and the Malone Group entered into a Stock Exchange Agreement (the "Malone Stock Exchange Agreement") to effect the closing of the Call Right exercise, pursuant to which the Malone Group transferred to the Company an aggregate of 27,655,931 shares of QRTEB, and in exchange (the "Malone Exchange"), Qurate Retail issued to the Malone Group an aggregate of 30,421,522 shares of QRTEA. Under the terms of the Call Agreement, the aggregate Call Price converts into an equivalent ratio of 1.1 shares of QRTEA for each share of QRTEB with the aggregate number of shares of QRTEA issued to each member of the Malone Group rounded down to the nearest whole share.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

On June 3, 2021, the Company, LMC and Mr. Maffei entered into a Waiver Letter and Amendment of Employment Agreement (the “Letter Agreement”), pursuant to which, among other things, Mr. Maffei (x) waived his rights to assert that Qurate Retail’s exercise of the Call Right, the transactions to be consummated pursuant to the Malone Stock Exchange Agreement or the resulting reduction in the Malone Group’s voting power with respect to Qurate Retail (collectively, the “Specified Events”) would constitute a “Change in Control” or “Good Reason,” in each case, as defined in the Executive Employment Agreement, dated as of December 13, 2019, by and between LMC and Mr. Maffei (the “Employment Agreement”), with respect to Qurate Retail, and agreed not to terminate his employment with Qurate Retail for “Good Reason” in connection with or arising out of the Option Cancellation (as defined below) or any of the Specified Events, and (y) consented to the cancellation (the “Option Cancellation”) of stock option awards to purchase shares of QRTEB that had been granted to Mr. Maffei on each of December 24, 2014, and March 31, 2015 for 1,137,228 shares at an exercise price of \$16.97 per share, and 197,783 shares at an exercise price of \$16.71 per share, respectively. In consideration for the foregoing, pursuant to the Letter Agreement, (i) Mr. Maffei received a grant of 1,101,321 restricted shares of QRTEB that are scheduled to vest, subject to Mr. Maffei’s continued employment with the Company, in two equal tranches on December 10, 2024 and the fifth anniversary of the grant date, subject to earlier vesting under certain circumstances, and (ii) Qurate Retail agreed that the portion of the Annual Equity Awards (as defined in the Employment Agreement) to be granted by Qurate Retail to Mr. Maffei pursuant to Section 4.11 of the Employment Agreement for calendar years 2022, 2023 and 2024 shall be granted with respect to the QRTEB.

Exchange and Cap. Also, on June 3, 2021, the Company and Mr. Maffei also entered into a Stock Exchange Agreement (the “Maffei Stock Exchange Agreement”) pursuant to which, among other things: (i) on June 3, 2021, Mr. Maffei transferred to Qurate Retail an aggregate of 5,378,308 shares of QRTEA, and in exchange Qurate Retail issued to Mr. Maffei an equivalent number of shares of QRTEB; (ii) Qurate Retail agreed that on the terms and subject to the conditions of the Maffei Stock Exchange Agreement, Mr. Maffei, at his option (during the six-month period following the vesting of the performance-based restricted stock unit award granted to Mr. Maffei on March 10, 2021), may transfer to the Company the number of shares of QRTEA actually received by Mr. Maffei upon vesting of such performance-based restricted stock unit award in exchange for an equivalent number of newly-issued shares of QRTEB (the “Subsequent Exchange”); (iii) Mr. Maffei agreed that until December 31, 2024 (the “Cap Period”), which is also the end of the current term of his employment as set forth in the Employment Agreement, he will not, and will not authorize or permit any of his affiliates that he controls (“Controlled Affiliates”) to, acquire or agree to acquire (or announce publicly an intent to acquire) by purchase or otherwise, beneficial ownership of voting securities of the Company (or direct or indirect rights or options to acquire any such voting securities) if, after giving effect to any such acquisition of securities, the aggregate voting power of the Company’s voting securities beneficially owned by Mr. Maffei and his Controlled Affiliates would exceed 20.0% of the voting power of all of the outstanding voting securities (assuming, for purposes of this calculation that all voting securities beneficially owned by Mr. Maffei which are not outstanding are included in the calculation) (the “Cap”); and (iv) the foregoing transactions by which Mr. Maffei and certain of his related persons became an “interested stockholder” were approved for purposes of Section 203 of the General Corporation Law of the State of Delaware. The Cap is subject to certain terms and exceptions, as described in the Maffei Stock Exchange Agreement. In addition, Mr. Maffei and his Controlled Affiliates may not transfer voting securities of Qurate Retail to any other Controlled Affiliate of Mr. Maffei unless such transferee has agreed to be bound by the terms of the Maffei Stock Exchange Agreement.

CEO Employment Agreement

On July 12, 2021, the compensation committee of the board of directors of Qurate Retail approved the Company’s entry into an employment agreement with David Rawlinson II, effective July 12, 2021. Effective August 1, 2021, Mr. Rawlinson began to serve as President and Chief Executive Officer-Elect of Qurate Retail, with Mike George continuing as Chief Executive Officer, and effective October 1, Mr. Rawlinson began to serve as President and Chief Executive Officer of Qurate Retail, with Mr. George assuming the role of Senior Advisor. Mr. Rawlinson concurrently assumed the same positions with QVC. Mr. George will resign from the board of directors effective January 1, 2022, at which time Mr. Rawlinson is expected to join the Board. With respect to his roles at Qurate Retail and QVC, Mr. George stepped down as President effective August 1, 2021 and as Chief Executive Officer effective October 1, 2021.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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(9) Commitments and Contingencies

Litigation

The Company has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible Qurate Retail may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

(10) Information About Qurate Retail's Operating Segments

Qurate Retail, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and online commerce industries. Qurate Retail identifies its reportable segments as (A) those operating segments that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA (as defined below) or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Qurate Retail's annual pre-tax earnings.

Qurate Retail evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue, Adjusted OIBDA, gross margin, average sales price per unit and revenue or sales per customer equivalent. In addition, Qurate Retail reviews nonfinancial measures such as unique website visitors, number of units shipped, conversion rates and active customers, as appropriate.

For the nine months ended September 30, 2021, Qurate Retail has identified the following operating segments as its reportable segments:

- QxH - QVC U.S. and HSN market and sell a wide variety of consumer products in the United States, primarily by means of their televised shopping programs and via the Internet through their websites and mobile applications.
- QVC International – QVC International markets and sells a wide variety of consumer products in several foreign countries, primarily by means of its televised shopping programs and via the Internet through its international websites and mobile applications.
- Zulily – Zulily markets and sells a wide variety of consumer products in the United States and several foreign countries through flash sales events, primarily through its app, mobile and desktop experiences.

Qurate Retail's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments are the same as those described in the Company's Summary of Significant Accounting Policies in the 2020 10-K.

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

Performance Measures

Disaggregated revenue by segment and product category consisted of the following:

	Three months ended September 30, 2021				
	QxH	QVC Int'l	Zulily in millions	Corp and other	Total
Home	\$ 679	272	93	258	1,302
Apparel	336	119	132	46	633
Beauty	279	164	15	—	458
Accessories	210	62	66	—	338
Electronics	171	24	3	—	198
Jewelry	95	55	11	—	161
Other revenue	43	3	8	—	54
Total Revenue	<u>\$ 1,813</u>	<u>699</u>	<u>328</u>	<u>304</u>	<u>3,144</u>

	Nine months ended September 30, 2021				
	QxH	QVC Int'l	Zulily in millions	Corp and other	Total
Home	\$ 2,229	905	336	748	4,218
Apparel	985	372	429	133	1,919
Beauty	859	521	50	—	1,430
Accessories	720	199	218	—	1,137
Electronics	539	89	10	—	638
Jewelry	269	169	37	—	475
Other revenue	137	9	22	—	168
Total Revenue	<u>\$ 5,738</u>	<u>2,264</u>	<u>1,102</u>	<u>881</u>	<u>9,985</u>

	Three months ended September 30, 2020				
	QxH	QVC Int'l	Zulily in millions	Corp and other	Total
Home	\$ 819	286	115	248	1,468
Apparel	312	115	147	37	611
Beauty	297	168	17	—	482
Accessories	219	67	94	—	380
Electronics	197	25	3	—	225
Jewelry	93	59	12	—	164
Other revenue	43	3	7	—	53
Total Revenue	<u>\$ 1,980</u>	<u>723</u>	<u>395</u>	<u>285</u>	<u>3,383</u>

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
(unaudited)

	Nine months ended September 30, 2020				Total
	QxH	QVC Int'l	Zulily in millions	Corp and other	
Home	\$ 2,303	829	326	631	4,089
Apparel	913	316	411	108	1,748
Beauty	910	499	50	—	1,459
Accessories	676	188	281	—	1,145
Electronics	588	78	10	—	676
Jewelry	273	155	34	—	462
Other revenue	119	6	21	—	146
Total Revenue	<u>\$ 5,782</u>	<u>2,071</u>	<u>1,133</u>	<u>739</u>	<u>9,725</u>

For segment reporting purposes, Qurate Retail defines Adjusted OIBDA as revenue less cost of sales, operating expenses, and selling, general and administrative expenses excluding all stock-based compensation and transaction related costs. Qurate Retail believes this measure is an important indicator of the operational strength and performance of its businesses by identifying those items that are not directly a reflection of each business' performance or indicative of ongoing business trends. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, certain acquisition accounting adjustments, separately reported litigation settlements, transaction related costs (including restructuring, integration, and advisory fees), and impairment charges that are included in the measurement of operating income pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flows provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Qurate Retail generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

Adjusted OIBDA is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
QxH	\$ 325	380	1,065	1,061
QVC International	115	132	402	348
Zulily	(17)	27	(2)	74
Corporate and other	9	27	65	32
Consolidated Qurate Retail	<u>\$ 432</u>	<u>566</u>	<u>1,530</u>	<u>1,515</u>

Other Information

	September 30, 2021	
	Total assets	Capital expenditures
	amounts in millions	
QxH	\$ 12,356	124
QVC International	2,267	21
Zulily	1,010	17
Corporate and other	1,327	7
Consolidated Qurate Retail	<u>\$ 16,960</u>	<u>169</u>

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

The following table provides a reconciliation of Adjusted OIBDA to Operating income (loss) and Earnings (loss) before income taxes:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	amounts in millions			
Adjusted OIBDA	\$ 432	566	1,530	1,515
Stock-based compensation	(19)	(19)	(54)	(46)
Depreciation and amortization	(139)	(141)	(396)	(427)
Operating income (loss)	\$ 274	406	1,080	1,042
Interest expense	(121)	(98)	(356)	(290)
Share of earnings (loss) of affiliates, net	(24)	(32)	(78)	(96)
Realized and unrealized gains (losses) on financial instruments, net	41	(12)	101	(127)
Gains (losses) on transactions, net	—	223	—	224
Other, net	—	(65)	(10)	(65)
Earnings (loss) before income taxes	\$ 170	422	737	688

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business strategies; COVID-19 (as defined below); revenue growth at QVC, Inc. ("QVC"); the redemption or exchange of the 3.5% Exchangeable Senior Debentures due 2031; our projected sources and uses of cash; the recoverability of our goodwill and other intangible assets; and fluctuations in interest rates and foreign currency exchange rates. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- the impact of the novel coronavirus ("COVID-19") pandemic and local, state and federal governmental responses to the pandemic on the economy, our customers, our vendors and our businesses generally;
- customer demand for our products and services and our ability to attract new customers and retain existing customers by anticipating customer demand and adapting to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic to our businesses' websites and our ability to convert visitors into customers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms, deployment of capital and our level of indebtedness;
- our ability to effectively manage our installment sales plans and revolving credit card programs;
- the cost and ability of shipping companies, manufacturers, suppliers, digital marketing channels, and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- the impact of the seasonality of our businesses;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of Brexit (as defined below);
- changes in the trade policy and trade relations with China;
- consumer spending levels, including the availability and amount of individual consumer debt and customer credit losses;
- system interruption and the lack of integration and redundancy in the systems and infrastructures of our businesses;
- advertising spending levels;
- changes in distribution and viewing of television programming, including the expanded deployment of video on demand technologies and Internet protocol television and their impact on home shopping programming;
- rapid technological changes;
- failure to protect the security of personal information, subjecting us to potentially costly government enforcement actions and/or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- natural disasters, public health crises (including COVID-19), political crises, and other catastrophic events or other events outside of our control;
- threatened terrorist attacks, political and economic unrest in international markets and ongoing military action around the world; and
- fluctuations in foreign currency exchange rates.

For additional risk factors, please see Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 10-K”). These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and the 2020 10-K.

The information herein relates to Qurate Retail, Inc. and its controlled subsidiaries (collectively “Qurate Retail,” the “Company,” “Consolidated Qurate Retail,” “us,” “we” or “our” unless the context otherwise requires).

Overview

We own controlling and non-controlling interests in a broad range of video and online commerce companies. Our largest businesses and reportable segments are our operating segment comprised of QVC U.S. and HSN (“QxH”) and QVC International. QVC markets and sells a wide variety of consumer products in the United States (“U.S.”) and several foreign countries, primarily by means of its televised shopping programs and the Internet through its domestic and international websites and mobile applications. Zulily, LLC (“Zulily”), an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched every day, is a reportable segment.

Our “Corporate and other” category includes our consolidated subsidiary Cornerstone Brands, Inc. (“Cornerstone”), along with various cost and equity method investments.

In December 2019, the COVID-19 pandemic was reported to have surfaced in Wuhan, China and has subsequently spread across the globe, impacting all countries where Qurate Retail operates. As a result of the spread of the virus, certain local governmental agencies have imposed travel restrictions, local quarantines or stay at home restrictions to contain the spread, which has caused a significant disruption to most sectors of the economy.

In response to these stay at home restrictions, QVC has mandated that non-essential employees work from home and has reduced the number of employees who are allowed on its production set and has implemented increased cleaning protocols, social distancing measures and temperature screenings for those employees who enter into certain facilities. In some cases, the move to a work from home arrangement for QVC’s non-essential employees will be permanent, which has resulted in the reduction of office space. QVC has also mandated that all essential employees who do not feel comfortable coming to work will not be required to do so. As a result of these resource constraints, QVC included fewer hours of live programming on some of its secondary channels and has experienced some delays in shipping at certain fulfillment centers. In certain markets, QVC temporarily increased the wages and salaries for those employees deemed essential who do not have the ability to work from home, including production and fulfillment center employees. The inability to control the spread of COVID-19, or the expansion or extension of these stay at home restrictions could negatively impact QVC’s results in the future.

Zulily has seen increased freight surcharges from China due to COVID-19 and in concert with QVC has made work accommodations in its fulfillment centers which has resulted in an increase in labor expense. Zulily has also incurred additional expenses to clean its fulfillment centers and office buildings. In addition, Zulily management cut travel expenses, and reduced capital expenditures due to uncertainty created by COVID-19.

The stay at home restrictions imposed in response to COVID-19 required many traditional brick and mortar retailers to temporarily close their stores, but allowed distance retailers, including QVC, to continue operating. As a result, beginning at the end of the first quarter of 2020 and continuing through the first quarter of 2021, QVC observed an increase in new customers and an increase in demand for certain categories, such as home. Beginning in the second quarter of 2021, QVC observed a decline in new customers and a decline in demand for its home product category, while also seeing an increase in demand for its apparel product category.

As a result, for the three and nine months ended September 30, 2020, QVC management had increased the amounts of certain estimated reserves including, but not limited to, uncollectible receivables in anticipation of higher defaults by customers billed through QVC's installment payment option, inventory obsolescence due to decreased demand for certain categories, such as apparel, and sales returns due to QVC's extended return policy. There were no remaining estimated reserves as of December 31, 2020 and September 30, 2021 as a direct result of COVID-19.

In addition, there are several potential adverse impacts of COVID-19 that could cause a material negative impact to QVC's financial results, including its capital and liquidity. These include governmental restrictions on QVC's ability to continue to operate under stay at home restrictions and produce content; reduced demand for products it sells; decreases in the disposable income of existing and potential new customers; the impacts of any recession and other uncertainties with respect to the continuity of government stimulus programs implemented in response to COVID-19; increased currency volatility resulting in adverse currency rate fluctuations; higher unemployment; labor shortages; and an adverse impact to QVC's supply chain and shipping disruptions for both the products it imports and purchases domestically and the products it sells, including essential products experiencing higher demand, due to factory closures, labor shortages and other resource constraints. While the impact is currently uncertain, the inability to control the spread of COVID-19 could cause any one of these adverse impacts, or combination of adverse impacts, to have a material impact on QVC's financial results.

Beginning in the second quarter of 2021, QVC saw increased product shortages as a result of high market demand in some product categories such as home and electronics. QVC also experienced escalating shipping disruptions due to challenges in the global supply chain and labor market. These factors impacted QVC's ability to offer certain goods and ship orders timely to its customers. In addition, QVC began to see increased inflationary pressures during the period. If these pressures persist, it may result in certain increased costs outpacing QVC's pricing power in the near term.

On June 23, 2016, the U.K. held a referendum in which British citizens approved an exit from the European Union (the "E.U."), commonly referred to as "Brexit." The Brexit process and negotiations have created political and economic uncertainty, particularly in the U.K. and the E.U. and this uncertainty may last for years, and could potentially have a negative impact on QVC's business. The potential impacts include, but are not limited to, unfavorable new trade agreements, the possible imposition of trade or other regulatory barriers which could result in shipping delays or shortages of products, and a negative impact to the global economy and consumer demand.

Early decisions by the Biden Administration confirm continuity of a bipartisan consensus in the U.S. government favoring increased confrontation of China in trade practices and economic matters, national security and human rights. The imposition of any new U.S. tariffs on Chinese imports or the taking of other actions against China in the future, and any responses by China, could impair QVC's ability to meet customer demand and could result in lost sales or an increase in QVC's cost of merchandise, which would have a material adverse impact on QVC's business and results of operations.

Results of Operations—Consolidated

General. We provide in the tables below information regarding our consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our principal reporting segments. The "Corporate and other" category consists of those assets or businesses which we do not disclose separately. For a more detailed discussion and analysis of the financial results of the principal reporting segments, see "Results of Operations—Businesses" below.

Operating Results

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
<i>Revenue</i>				
QxH	\$ 1,813	1,980	5,738	5,782
QVC International	699	723	2,264	2,071
Zulily	328	395	1,102	1,133
Corporate and other	304	285	881	739
Consolidated Qurate Retail	\$ 3,144	3,383	9,985	9,725
<i>Operating Income (Loss)</i>				
QxH	\$ 219	274	771	744
QVC International	97	114	348	295
Zulily	(40)	3	(73)	3
Corporate and other	(2)	15	34	—
Consolidated Qurate Retail	\$ 274	406	1,080	1,042
<i>Adjusted OIBDA</i>				
QxH	\$ 325	380	1,065	1,061
QVC International	115	132	402	348
Zulily	(17)	27	(2)	74
Corporate and other	9	27	65	32
Consolidated Qurate Retail	\$ 432	566	1,530	1,515

Revenue. Consolidated Qurate Retail revenue decreased 7.1% or \$239 million and increased 2.7% or \$260 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in the prior year. The decrease in the three months ended September 30, 2021 was due to decreased revenue at QxH of \$167 million, decreased revenue at Zulily of \$67 million and decreased revenue at QVC International of \$24 million, partially offset by increased revenue in the Corporate and other segment of \$19 million, compared to the same period in the prior year. The increase in Corporate and other revenue was due to an increase in revenue at Cornerstone due to strong customer demand in the home category. The increase in the nine months ended September 30, 2021 was due to increased revenue at QVC International of \$193 million and increased revenue in the Corporate and other segment of \$142 million, partially offset by decreased revenue at QxH of \$44 million and decreased revenue at Zulily of \$31 million, compared to the same period in the prior year. The increase in Corporate and other revenue was due to an increase in revenue at Cornerstone due to growth in the home category. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and Zulily.

Stock-based compensation. Stock-based compensation includes compensation primarily related to options, restricted stock awards and restricted stock units for shares of our common stock that are granted to certain of our officers and employees.

We recorded \$19 million of stock-based compensation for both of the three months ended September 30, 2021 and 2020, respectively, and \$54 million and \$46 million of stock-based compensation for the nine months ended September 30, 2021 and 2020, respectively. The increase of \$8 million for the nine months ended September 30, 2021 was primarily due

to increases at QxH and at the corporate level. As of September 30, 2021, the total unrecognized compensation cost related to unvested Qurate Retail equity awards was approximately \$121 million. Such amount will be recognized in our condensed consolidated statements of operations over a weighted average period of approximately 2.6 years.

Operating income. Our consolidated operating income decreased \$132 million and increased \$38 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in the prior year. The decrease in operating results for the three months ended September 30, 2021 was primarily due to a decrease in operating income at QxH of \$55 million, a decrease in operating income at Zulily of \$43 million, a decrease in operating income at QVC International of \$17 million, and a decrease in operating income at the Corporate and other segment of \$17 million, compared to the corresponding period in the prior year. Operating income in the Corporate and other segment decreased for the three months ended September 30, 2021, as compared to the corresponding period in the prior year, primarily related to increased supply chain costs at Cornerstone, and an increase in corporate expenses relating to increased legal and professional service expenses and taxes. The increase for the nine months ended September 30, 2021 was primarily due to an increase in operating income at QVC International of \$53 million, an increase in operating income at QxH of \$27 million, and an increase in operating income at the Corporate and other segment of \$34 million, partially offset by an increase in operating losses at Zulily of \$76 million compared to the same period in the prior year. Operating income in the Corporate and other segment increased for the nine months ended September 30, 2021, as compared to the corresponding period in the prior year, primarily related to revenue growth across Cornerstone’s portfolio and lower promotional activity resulting in better margin performance, partially offset by an increase in corporate expenses relating to increased legal and professional services expenses and taxes. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and Zulily.

Adjusted OIBDA. To provide investors with additional information regarding our financial results, we also disclose Adjusted OIBDA, which is a non-GAAP financial measure. We define Adjusted OIBDA as operating income (loss) plus depreciation and amortization, stock-based compensation, separately reported litigation settlements, restructuring, acquisition and other related costs and impairments. Our chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. We believe this is an important indicator of the operational strength and performance of our businesses by identifying those items that are not directly a reflection of each business’ performance or indicative of ongoing business trends. In addition, this measure allows us to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flows provided by operating activities and other measures of financial performance prepared in accordance with U.S. generally accepted accounting principles. The following table provides a reconciliation of Operating income (loss) to Adjusted OIBDA:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
Operating income (loss)	\$ 274	406	1,080	1,042
Depreciation and amortization	139	141	396	427
Stock-based compensation	19	19	54	46
Adjusted OIBDA	<u>\$ 432</u>	<u>566</u>	<u>1,530</u>	<u>1,515</u>

Consolidated Adjusted OIBDA decreased 23.7% or \$134 million and increased 1.0% or \$15 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in the prior year. The decrease in Adjusted OIBDA for the three months ended September 30, 2021 was primarily due to a decrease at QxH of \$55 million, a decrease at Zulily of \$44 million, a decrease at Corporate and other of \$18 million and a decrease at QVC International of \$17 million, compared to the corresponding period in the prior year. The change in the Corporate and other segment for the three months ended September 30, 2021 was primarily due to increased supply chain costs at Cornerstone, and an increase in corporate expenses relating to increased legal and professional service expenses and taxes. The increase in Adjusted OIBDA for the nine months ended September 30, 2021 was primarily due to an increase at QVC International of \$54 million, an increase at Corporate and other of \$33 million, and an increase at QxH of \$4 million, partially offset by a decrease at Zulily of \$76 million, compared to the corresponding period in the prior year. The change in the Corporate and other segment for the nine months ended September 30, 2021 was primarily due to revenue growth across Cornerstone’s portfolio and lower promotional activity resulting in better margin performance, partially offset by

an increase in corporate expenses relating to increased legal and professional services expenses and taxes. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and Zulily.

Other Income and Expense

Components of Other income (expense) are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
amounts in millions				
Interest expense	\$ (121)	(98)	(356)	(290)
Share of earnings (losses) of affiliates	(24)	(32)	(78)	(96)
Realized and unrealized gains (losses) on financial instruments, net	41	(12)	101	(127)
Gains (losses) on transactions, net	—	223	—	224
Other, net	—	(65)	(10)	(65)
Other income (expense)	<u>\$ (104)</u>	<u>16</u>	<u>(343)</u>	<u>(354)</u>

Interest expense. Interest expense increased \$23 million and \$66 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in the prior year. The increases were primarily related to dividends incurred and paid related to our 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Preferred Stock") recorded through interest expense due to the accounting treatment.

Share of earnings (losses) of affiliates. Share of losses of affiliates decreased \$8 million and \$18 million for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in the prior year. The losses decreased during the three and nine months ended September 30, 2021 due to improved results at the Company's alternative energy entities. These entities typically operate at a loss and the Company records its share of such losses but have favorable tax attributes and credits, which are recorded in the Company's tax accounts.

Realized and unrealized gains (losses) on financial instruments, net. Realized and unrealized gains (losses) on financial instruments, net are comprised of changes in the fair value of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
amounts in millions				
Equity securities	48	2	98	(2)
Exchangeable senior debentures	(50)	(145)	(183)	(225)
Indemnification asset	8	94	49	107
Other financial instruments	35	37	137	(7)
	<u>\$ 41</u>	<u>(12)</u>	<u>101</u>	<u>(127)</u>

The changes in realized and unrealized gains (losses) on financial instruments, net are due to market activity in the applicable period related to the financial instruments that are marked to market on a periodic basis. The increase in realized and unrealized gains for the three months ended September 30, 2021, compared to the corresponding period in the prior year, was primarily driven by a reduction in unrealized losses on the exchangeable senior debentures driven by less growth in stock prices of the securities underlying the debentures than the prior year, partially offset by a decrease in unrealized gains on the indemnification asset (described in note 4 of the accompanying condensed consolidated financial statements) and a decrease in unrealized gains related to derivative instruments. The increase in realized and unrealized gains for the nine months ended September 30, 2021, compared to the corresponding period in the prior year, was primarily driven by an increase in unrealized gains related to derivative instruments and a reduction in unrealized losses on the exchangeable senior debentures driven by less growth in stock prices of the securities underlying the debentures than the prior year partially offset by a decrease in unrealized gains on the indemnification asset (described in note 4 of the accompanying condensed consolidated financial statements). In addition, the Company has several small equity investments in entities that went through initial public offerings and allowed the investments to be marked to market with unrealized gains recognized, which impacted both the three and nine months ended September 30, 2021.

Gains (losses) on transactions, net. Gains (losses) on transactions, net during the three and nine months ended September 30, 2020 were the result of the sale of one of the Company's alternative energy investments during the third quarter of 2020. The Company received total cash consideration of \$272 million and recorded a gain of \$224 million on the sale of the alternative energy investment.

Other, net. Other, net loss decreased \$65 million and \$55 million for of the three and nine months ended September 30, 2021, respectively, compared to the corresponding periods in the prior year. The decreased losses in both periods were primarily the result of a loss on the early extinguishment of debt in the prior year and no similar loss in the current year, decreased tax sharing expense with Liberty Broadband Corporation ("Liberty Broadband") and increased interest and dividend income, partially offset by increased foreign exchange losses.

Income taxes. We had income tax expense of \$20 million and \$70 million for the three months ended September 30, 2021 and 2020, respectively, and income tax expense of \$113 million and \$111 million for the nine months ended September 30, 2021 and 2020, respectively. Income tax expense was lower than the U.S. statutory tax rate of 21% during the three months ended September 30, 2021 due to tax benefits from tax credits generated by our alternative energy investments, partially offset by state and foreign income tax expense, and an increase in the valuation allowance against certain deferred taxes. Income tax expense was lower than the U.S. statutory tax rate of 21% during the three months ended September 30, 2020 due to tax benefits from tax credits generated by our alternative energy investments, partially offset by state and foreign income tax expense. Income tax expense was lower than the U.S. statutory tax rate of 21% during the nine months ended September 30, 2021 due to tax benefits from tax credits generated by our alternative energy investments, partially offset by state and foreign income tax expense. Income tax expense was lower than the U.S. statutory tax rate of 21% during the nine months ended September 30, 2020 due to tax benefits from tax credits generated by our alternative energy investments, partially offset by state and foreign income tax expense.

Net earnings. We had net earnings of \$150 million and \$352 million for the three months ended September 30, 2021 and 2020, respectively, and net earnings of \$624 million and \$577 million for the nine months ended September 30, 2021 and 2020, respectively. The change in net earnings (loss) was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Material Changes in Financial Condition

As of September 30, 2021, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, securities of other government agencies, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, availability under QVC's Senior Secured Credit Facility, as discussed in note 6 of the accompanying condensed consolidated financial statements, debt issuances, equity issuances, interest receipts, proceeds from asset sales, and cash generated by the operating activities of our wholly-owned subsidiaries. Cash generated by the operating activities of our subsidiaries is only a source of liquidity to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted such as, in the case of QVC and Zulily, due to a requirement that a leverage ratio (calculated in accordance with the terms of such indebtedness) of less than 3.5 must be maintained as of September 30, 2021. On October 27, 2021, QVC's Senior Secured Credit Facility was amended to, among other things, extend the maturity date to October 2026, improve the stated interest rates and financial covenants, and upsize the amount from \$2.95 billion to \$3.25 billion.

As of September 30, 2021, Qurate Retail's liquidity position included the following:

	Cash and cash equivalents	
	amounts in millions	
QVC	\$	628
Zulily		8
Corporate and other		162
Total Qurate Retail	\$	798
	Borrowing capacity	
	amount in millions	
QVC Senior Secured Credit Facility	\$	2,808

To the extent that the Company recognizes any taxable gains from the sale of assets we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. As of September 30, 2021, the Company had approximately \$279 million of cash, cash equivalents and restricted cash held in foreign subsidiaries that is available for domestic purposes with no significant tax consequences upon repatriation to the United States. QVC accrues foreign taxes on the unremitted earnings of its international subsidiaries. Approximately 73% of QVC's foreign cash balance was that of QVC-Japan (as defined below). QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui & Co., LTD ("Mitsui").

Additionally, our operating businesses have generated, on average, more than \$1 billion in annual cash provided by operating activities over the prior three years and we do not anticipate any significant reductions in that amount in future periods.

	Nine months ended September 30,	
	2021	2020
	amounts in millions	
Cash Flow Information		
Net cash provided (used) by operating activities	\$ 715	1,855
Net cash provided (used) by investing activities	\$ (483)	(25)
Net cash provided (used) by financing activities	\$ (219)	(1,464)

During the nine months ended September 30, 2021, Qurate Retail's primary uses of cash were repurchases of Series A Qurate Retail common stock of \$216 million, expenditures for television distribution rights of \$184 million, investments in and loans to cost and equity method investments of \$177 million, and capital expenditures of \$169 million, partially offset by net debt borrowings of \$110 million.

The projected uses of Qurate Retail cash for the remainder of 2021 are continued capital improvement spending between \$75 million and \$105 million, debt service payments (including approximately \$35 million for interest payments on outstanding debt), repayment of debt, the potential buyback of common stock under the approved share buyback program, payment of dividends to the holders of the Preferred Stock and additional investments in existing or new businesses. We also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities. We expect that cash on hand and cash provided by operating activities and borrowing capacity in future periods will be sufficient to fund projected uses of cash.

On November 4, 2021, Qurate Retail announced that its Board of Directors declared a special cash dividend in the amount of \$1.25 per common share for an aggregate cash dividend of approximately \$495 million based on shares outstanding as of October 31, 2021 (to be updated for actual shares outstanding as of the record date). The dividend is payable on November 22, 2021 to stockholders of record of Qurate Retail's Series A and Series B common stock as of the close of business on November 15, 2021.

Results of Operations—Businesses

QVC. QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications. In the U.S., QVC's televised shopping programs, including live and recorded content, are distributed across multiple channels nationally on a full-time basis, including QVC, QVC 2, QVC 3, HSN and HSN2. QVC U.S. programming is also available on QVC.com and HSN.com, QVC's U.S. websites; virtual multichannel video programming distributors (including Hulu + Live TV, AT&T TV, and You Tube TV); applications via streaming video; Facebook Live, Roku, Apple TV, Amazon Fire and Xfinity Flex; mobile applications; social pages and over-the-air broadcasters.

QVC's digital platforms enable consumers to purchase goods offered on its televised programming, along with a wide assortment of products that are available only on QVC.com and HSN.com. QVC.com and HSN.com and QVC's other digital platforms (including mobile applications, social pages, and others) are natural extensions of its business model, allowing customers to engage in its shopping experience wherever they are, with live or on-demand content customized to the device they are using. In addition to offering video content, QVC.com and HSN.com allow shoppers to browse, research, compare and perform targeted searches for products, read customer reviews, control the order-entry process and conveniently access their account.

QVC's international televised shopping programs, including live and recorded content, are distributed to households outside of the U.S., primarily in Germany, Austria, Japan, the United Kingdom ("U.K."), the Republic of Ireland and Italy. In some of the countries where QVC operates, its televised shopping programs are distributed across multiple QVC channels: QVC Style and QVC2 in Germany and QVC Beauty, QVC Extra, and QVC Style in the U.K. Similar to the U.S., QVC's international businesses also engage customers via websites, mobile applications, and social pages. QVC's international business employs product sourcing teams who select products tailored to the interests of each local market.

QVC's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui. QVC-Japan is owned 60% by QVC and 40% by Mitsui. QVC and Mitsui share in all profits and losses based on their respective ownership interests. During both of the nine months ended September 30, 2021 and 2020, QVC-Japan paid dividends to Mitsui of \$46 million.

QVC's operating results were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
Net revenue	\$ 2,512	2,703	8,002	7,853
Cost of sales	(1,617)	(1,722)	(5,130)	(5,041)
Operating expenses	(183)	(184)	(565)	(548)
SG&A expenses (excluding stock-based compensation and transaction related costs)	(272)	(285)	(840)	(855)
Adjusted OIBDA	440	512	1,467	1,409
Stock-based compensation	(13)	(10)	(33)	(26)
Depreciation and amortization	(111)	(114)	(315)	(344)
Operating income	\$ 316	388	1,119	1,039

Net revenue was generated in the following geographical areas:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
QxH	\$ 1,813	1,980	5,738	5,782
QVC International	699	723	2,264	2,071
Consolidated QVC	\$ 2,512	2,703	8,002	7,853

QVC's consolidated net revenue decreased 7.1% and increased 1.9% for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding period in the prior year. The three month decrease in net revenue is primarily due to an 8.2% decrease in units shipped and a \$29 million decrease in shipping and handling revenue, which was partially offset by a 1.5% increase in average selling price per unit ("ASP"), primarily driven by QxH and QVC Japan and a \$34 million decrease in estimated product returns primarily driven by QxH. The nine month increase in net revenue is primarily due to a 0.8% increase in units shipped, a \$74 million decrease in estimated product returns primarily driven by QxH and \$92 million in favorable foreign exchange rates, which was partially offset by a 1% decline in ASP, primarily driven by QxH, and a \$15 million decrease in shipping and handling revenue.

During the three and nine months ended September 30, 2021 and 2020, the changes in revenue and expenses were affected by changes in the exchange rates for the U.K. Pound Sterling, the Euro and the Japanese Yen. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

In describing QVC's operating results, the term currency exchange rates refers to the currency exchange rates QVC uses to convert the operating results for all countries where the functional currency is not the U.S. Dollar. QVC calculates the effect of changes in currency exchange rates as the difference between current period activity translated using the prior period's currency exchange rates. QVC refers to the results of this calculation as the impact of currency exchange rate fluctuations. Constant currency operating results refers to operating results without the impact of the currency exchange rate fluctuations. The disclosure of constant currency amounts or results permits investors to better understand QVC's underlying performance without the effects of currency exchange rate fluctuations.

The percentage change in net revenue for each of QVC's geographic areas in U.S. Dollars and in constant currency was as follows:

	Three months ended September 30, 2021			Nine months ended September 30, 2021		
	Foreign Currency			Foreign Currency		
	U.S. Dollars	Exchange Impact	Constant Currency	U.S. Dollars	Exchange Impact	Constant currency
QxH	(8.4)%	— %	(8.4)%	(0.8)%	— %	(0.8)%
QVC International	(3.3)%	0.4 %	(3.7)%	9.3 %	4.4 %	4.9 %

The decrease in QxH net revenue for the three months ended September 30, 2021 was primarily due to a 9.4% decrease in units shipped and a \$25 million decrease in shipping and handling revenue, which was partially offset by a 1.3% increase in ASP and a \$29 million decrease in estimated product returns. For the three months ended September 30, 2021, QxH experienced shipped sales declines in home, electronics, beauty and accessories with growth in all other categories. For the nine months ended September 30, 2021, QxH net revenue decreased due to a 2.5% decline in ASP and a \$14 million decrease in shipping and handling revenue, partially offset by a \$68 million decrease in estimated product returns and a 0.7% increase in units shipped. For the nine months ended September 30, 2021, QxH experienced shipped sales growth in apparel and accessories with declines in all other categories. The decrease in estimated product returns for the three months ended September 30, 2021 was primarily due to a decrease in sales volume. The decrease in estimated product returns for the nine months ended September 30, 2021 was primarily driven by lower return rates across all categories.

QVC International net revenue decline in constant currency for the three months ended September 30, 2021 was primarily due to a 5.3% decrease in units shipped driven by decreases in units shipped across all markets, partially offset by a 2.1% increase in ASP, driven by ASP increases in Japan and the U.K. For the three months ended September 30, 2021, QVC-International experienced shipped sales decline in constant currency across all categories except apparel. QVC-International net revenue growth in constant currency for the nine months ended September 30, 2021 was primarily due to a 3.0% increase in ASP, driven by ASP increases across all markets except Germany, and a 0.9% increase in units shipped, driven by increases in units shipped in Germany and Japan. For the nine months ended September 30, 2021, QVC-International experienced shipped sales growth in constant currency across all product categories.

QVC's future net revenue growth will primarily depend on sales growth from e-commerce, mobile platforms, and applications via streaming video, additions of new customers from households already receiving QVC's televised programming and increased spending from existing customers. QVC's future net revenue may also be affected by (i) the willingness of cable television and direct-to-home satellite system operators to continue carrying QVC's programming service; (ii) QVC's ability to maintain favorable channel positioning, which may become more difficult due to governmental action or from distributors converting analog customers to digital; (iii) changes in television viewing habits because of video-on-demand technologies and Internet video services; (iv) QVC's ability to source new and compelling products; and (v) general economic conditions.

QVC's cost of sales as a percentage of net revenue was 64.4% and 64.1% for the three and nine months ended September 30, 2021, respectively, compared to 63.7% and 64.2% for the three and nine months ended September 30, 2020, respectively. The increase in cost of sales as a percentage of revenue for the three months ended September 30, 2021 is primarily due to increased warehouse expenses driven by higher wages at QxH, increased freight costs and lower shipping and handling revenue at QxH. These increases were partially offset by decreased obsolescence as a result of less aged inventory at QxH. The decrease in cost of sales as a percentage of revenue for the nine months ended September 30, 2021 is primarily due to decreased obsolescence as a result of less aged inventory at QxH, and favorable estimated product returns at QxH. These decreases were partially offset by increased freight charges and warehouse expenses at QxH and lower shipping and handling revenue at QxH. Product margin for the three and nine months ended September 30, 2021 was flat due to margin favorability primarily in Japan, offset by margin pressure at QxH.

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees and telecommunications expenses. Operating expenses decreased \$1 million and increased \$17 million for the three and nine months ended September 30, 2021, respectively, as compared to the same periods in the prior year. The nine month increase is primarily due to a \$9 million increase in customer service expenses primarily at QxH and a \$5 million increase due to unfavorable exchange rates. As a percentage of net revenue, such expenses were 7.3% and 7.1% for the three and nine months ended September 30, 2021, respectively, and were 6.8% and 7.0% for the three and nine months ended September 30, 2020, respectively.

QVC's SG&A expenses (excluding stock-based compensation) include personnel, information technology, provision for doubtful accounts, production costs, and marketing and advertising expenses. Such expenses decreased \$13 million and \$15 million for the three and nine months ended September 30, 2021, as compared to the same periods in the prior year, and as a percentage of net revenue, increased from 10.5% to 10.8% and decreased from 10.9% to 10.5% for the three and nine months ended September 30, 2021, respectively, as compared to the three and nine months ended September 30, 2020. For the three months ended September 30, 2021, there was a \$29 million decrease in personnel costs, primarily at QxH. This decrease was partially offset by an \$11 million increase in online marketing, primarily at QxH, and a \$3 million increase in credit losses due to favorable adjustments in the prior year based on actual collections and the release of the credit loss reserve that was recorded as a result of the additional risk due to COVID-19.

For the nine months ended September 30, 2021, the decrease was primarily due to a \$43 million decrease in credit losses and a \$34 million decrease in personnel costs, both primarily at QxH. These decreases were partially offset by a \$48 million increase in online marketing primarily at QxH, and a \$13 million increase due to unfavorable exchange rates. The decrease to estimated credit losses for the nine months ended September 30, 2021 was due to favorable adjustments based on actual collections and enhanced risk screening. The decrease related to personnel costs for the three and nine months ended September 30, 2021 was primarily due to a decrease in incentive pay for 2021 in addition to severance and a work from home allowance as a result of COVID-19, which were both recorded in the second quarter of 2020.

Stock-based compensation includes compensation related to options and restricted stock units granted to certain officers and employees. QVC recorded \$13 million and \$33 million of stock-based compensation expense for the three and nine months ended September 30, 2021, respectively, and \$10 million and \$26 million for the three and nine months ended September 30, 2020, respectively. The increase in stock compensation expense for the nine months ended September 30, 2021 is primarily related to certain officers not reaching performance targets for restricted stock units for the nine months ended September 30, 2020.

Depreciation and amortization decreased \$3 million and \$29 million for the three and nine months ended September 30, 2021, respectively, and included \$15 million and \$17 million of acquisition related amortization for the three months ended September 30, 2021 and 2020, respectively, and \$46 million and \$50 million of acquisition related

amortization for the nine months ended September 30, 2021 and 2020, respectively. Channel placement amortization decreased due to certain channel placement agreements becoming fully amortized.

Zulily. Zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day. The Zulily website was launched in January 2010 with the goal of revolutionizing the way consumers shop. Through its app, mobile and desktop experiences, Zulily helps its customers discover new and unique products at great values that they would likely not find elsewhere. Zulily’s merchandise includes women’s, children’s and men’s apparel and other products such as home, accessories and beauty products.

Zulily’s stand-alone operating results for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	amounts in millions			
Net revenue	\$ 328	395	1,102	1,133
Costs of sales	(262)	(288)	(851)	(836)
Operating expenses	(10)	(11)	(30)	(31)
SG&A expenses (excluding stock-based compensation)	(73)	(69)	(223)	(192)
Adjusted OIBDA	(17)	27	(2)	74
Stock-based compensation	(3)	(4)	(11)	(11)
Depreciation and amortization	(20)	(20)	(60)	(60)
Operating income (loss)	<u>\$ (40)</u>	<u>3</u>	<u>(73)</u>	<u>3</u>

Zulily’s consolidated net revenue decreased 17.0% and 2.7% for the three and nine months ended September 30, 2021, respectively, as compared to the corresponding period in the prior year. The decrease in net revenue for the three months ended September 30, 2021 was primarily related to a decrease of 19.2% in total units shipped driven by a 1.3% decrease in active customers, coupled with a decrease in new customers and lower purchasing frequency from existing customers when compared to the surge in the prior year’s demand for online shopping and Zulily’s merchandise, partially offset by a 3.7% increase in ASP primarily to offset shipping costs. The decrease in net revenue for the nine months ended September 30, 2021 was primarily related to a decrease of 5.5% in total units shipped, partially offset by a 4.4% increase in ASP.

Zulily’s cost of sales as a percentage of net revenue was 79.9% and 72.9% for the three months ended September 30, 2021 and 2020, respectively, and 77.2% and 73.8% for the nine months ended September 30, 2021 and 2020, respectively. For the three months ended September 30, 2021, the increase was primarily due to higher shipping and fulfillment costs, coupled with unfavorable product margins. Higher fulfillment costs were the result of higher wages and benefits for warehouse employees, and a deleverage on fixed costs at the fulfillment centers. Higher shipping costs were due to higher inbound costs, heavier items, higher fuel costs, truckload volume increases, and higher surcharges. For the nine months ended September 30, 2021, the increase was primarily due to higher shipping costs, due to the same factors discussed above.

Operating expenses are principally comprised of credit card processing fees and customer service expenses. For the three and nine months ended September 30, 2021, operating expenses decreased slightly compared to the corresponding period in the prior year due to decreased sales volumes.

Zulily’s SG&A expenses (excluding stock-based compensation) include personnel related costs for general corporate functions, marketing and advertising expenses, information technology, and the costs associated with the use by these functions of facilities and equipment, including rent. For the three months ended September 30, 2021, as a percentage of net revenue, these expenses increased from 17.5% to 22.3% and for the nine months ended September 30, 2021, as a percentage of net revenue, these expenses increased from 16.9% to 20.2%. The increases were primarily attributable to an increase in marketing spend, due to higher costs for web-based advertising.

Zulily's total depreciation and amortization expense remained flat for the three and nine months ended September 30, 2021, as compared to the corresponding periods in the prior year.

Zulily's current business trends and results are making it a challenge for the business to be able to realize its current long-term forecast. Zulily is reevaluating its long term forecast and business model due to the impact of supply chain constraints and coresponding impact to product availability as well as increasing marketing costs. The Company will continue to monitor Zulily's current business performance versus the current and updated long-term forecasts, among other relevant considerations, to determine if the carrying value of its assets are appropriate. Future outlook declines in revenue, cash flows, or other factors could result in a sustained decrease in fair value that may result in a determination that carrying value adjustments are required, which could be material.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to market risk in the normal course of business due to our ongoing investing and financial activities and the conduct of operations by our subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in interest rates and foreign currency exchange rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of September 30, 2021, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted average interest rate	Principal amount	Weighted average interest rate
	dollar amounts in millions			
QxH and QVC International	\$ NA	NA %	\$ 4,660	4.9 %
Zulily	\$ 120	1.6 %	\$ —	— %
Corporate and other	\$ —	— %	\$ 1,984	5.3 %

Qurata Retail is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. Dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. Dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, Qurata Retail may experience economic loss and a negative impact on earnings and equity with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. QVC's reported Adjusted OIBDA for the nine months ended September 30, 2021 would have been impacted by approximately \$4 million, for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

We periodically assess the effectiveness of our derivative financial instruments. With regard to interest rate swaps, we monitor the fair value of interest rate swaps as well as the effective interest rate of the interest rate swap yields, in

comparison to historical interest rate trends. We believe that any losses incurred with regard to interest rate swaps would be largely offset by the effects of interest rate movements on the underlying debt facilities. These measures allow our management to evaluate the success of our use of derivative instruments and to determine when to enter into or exit from derivative instruments.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of September 30, 2021 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

In May 2021, QVC completed the implementation of the initial phase of its new Enterprise Resource Planning ("ERP") system, which has enabled standardization, modernization and best practice in QVC's financial processes across its global markets and most brands. As a result of the implementation of phase one of a new ERP system, QVC has continued to refine certain related process-level and information technology general controls.

Except as described above, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*Share Repurchase Programs*

In May 2019, the board authorized the repurchase of \$500 million of Series A Qurate Retail common stock (“QRTEA”) or Series B Qurate Retail common stock (“QRTEB”). In August 2021, the board authorized the repurchase of \$500 million of QRTEA or QRTEB.

Period	Series A Qurate Retail Common Stock			
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2021	3,404,055	\$ 12.22	3,404,055	\$280 million
August 1 - 31, 2021	3,585,235	\$ 11.33	3,585,235	\$739 million
September 1 - 30, 2021 ¹	4,587,483	\$ 11.18	4,587,483	\$688 million
Total	<u>11,576,773</u>	\$ 11.53	<u>11,576,773</u>	

(1) Includes 1,923,077 shares repurchased as a result of the physical settlement of financial instruments during September 2021.

There were no repurchases of QRTEB or Preferred Stock during the three months ended September 30, 2021 under the Company’s share repurchase program.

During the three months ended September 30, 2021, no shares of QRTEA, QRTEB or Preferred Stock were surrendered by our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock, restricted stock units, and options.

Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits which are filed as a part of this Quarterly Report (according to the number assigned to them in Item 601 of Regulation S-K):

10.1	Employment Agreement, effective as of July 12, 2021, by and between David Rawlinson and Ourate Retail, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 13, 2021 (File No. 001-33982)).
10.2	Fifth Amended and Restated Credit Agreement, dated as of October 27, 2021, among QVC, Inc., Zulily, LLC, QVC Global Corporate Holdings, LLC and Cornerstone Brands, Inc., as Borrowers, JPMorgan Chase Bank, N.A., as Lead Arranger, Lead Bookrunner and Administrative Agent and the parties named therein as Lenders, Co-Bookrunners, Co-Syndication Agents and Co-Documentation Agents (incorporated by reference to Exhibit 4.1 to QVC, Inc.'s Current Report on Form 8-K filed on October 28, 2021 (File No. 001-38654)).
31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
99.1	Reconciliation of Ourate Retail, Inc. Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings**
101.INS	Inline XBRL Instance Document* - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Definition Document*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

* Filed
herewith

** Furnished
herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QURATE RETAIL, INC.

Date: November 4, 2021

By: _____ /s/ DAVID RAWLINSON II
David Rawlinson II
President and Chief Executive Officer

Date: November 4, 2021

By: _____ /s/ BRIAN J. WENDLING
Brian J. Wendling
Chief Accounting Officer and Principal Financial Officer

CERTIFICATION

I, David Rawlinson II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Qurate Retail, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ David Rawlinson II

David Rawlinson II
President and Chief Executive Officer

CERTIFICATION

I, Brian J. Wendling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Qurate Retail, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ BRIAN J. WENDLING

Brian J. Wendling

Chief Accounting Officer and Principal Financial Officer

Certification**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Qurate Retail, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2021

/s/ DAVID RAWLINSON II

David Rawlinson II
President and Chief Executive Officer

Date: November 4, 2021

/s/ BRIAN J. WENDLING

Brian J. Wendling
Chief Accounting Officer and Principal Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

Qurate Retail, Inc.
Reconciliation of Qurate Retail, Inc. ("Qurate Retail") Net Assets and
Net Earnings to Liberty Interactive LLC ("Liberty LLC") Net Assets and Net Earnings

September 30, 2021

(unaudited)

amounts in millions

Qurate Retail Net Assets	\$	3,914
Reconciling items:		
Zulily, llc ("Zulily") net assets		(573)
Cornerstone Brands, Inc. ("Cornerstone") net assets (1)		(196)
Equity investment in Cornerstone held by Liberty LLC (1)		69
Tax sharing agreement with Liberty Broadband Corporation ("Liberty Broadband")		111
Preferred Stock liability (2)		1,260
Preferred restricted stock unit liability (2)		32
Accrued preferred dividends payable (2)		4
Liberty LLC Net Assets	\$	<u>4,621</u>
Qurate Retail Net Earnings	\$	624
Reconciling items:		
Zulily net (earnings) loss		56
Cornerstone net (earnings) loss (1)		(59)
Cornerstone equity method investment share of earnings (loss)		22
Liberty Broadband tax sharing expense		16
Accrued preferred dividends payable (2)		75
Liberty LLC Net Earnings	\$	<u>734</u>

- (1) On December 29, 2017, Qurate Retail acquired the approximate remaining 62% of HSN, Inc. (which includes its televised shopping business "HSN" and its catalog retail business "Cornerstone") it did not already own. On December 31, 2018, Qurate Retail transferred their 100% ownership interest in HSN to QVC, Inc. through a transaction amongst entities under common control and based on the guidance for accounting for transactions amongst entities under common control HSN's results have been excluded for the entire period. Liberty LLC continues to hold 38% of Cornerstone and accounts for its ownership in Cornerstone as an equity method investment.
- (2) On September 14, 2020, Qurate Retail issued the 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Preferred Stock"). Holders of the Preferred Stock are entitled to receive quarterly cash dividends at a fixed rate of 8.0% per year on a cumulative basis, beginning December 15, 2020 and thereafter on each of March 15, June 15, September 15 and December 15 during the term. As the Preferred Stock is subject to unconditional mandatory redemption in cash and was issued in the form of a share, Qurate Retail concluded the Preferred Stock was a mandatorily redeemable financial instrument and should be classified as a liability in the condensed consolidated balance sheets.