

**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 March 31, 2017

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 000-55409



QVC, Inc.

(Exact name of Registrant as specified in its charter)

State of Delaware
(State or other jurisdiction of
incorporation or organization) **23-2414041**
(I.R.S. Employer Identification Number)

1200 Wilson Drive
West Chester, Pennsylvania **19380**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(484) 701-1000**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company
(do not check if smaller reporting 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

None of the voting stock of the registrant is held by a non-affiliate of the registrant. There is no publicly traded market for any class of voting stock of the registrant. There is one holder of record of our equity, Liberty QVC Holding, LLC, an indirect wholly-owned subsidiary of Liberty Interactive Corporation.

QVC, Inc.
2017 QUARTERLY REPORT ON FORM 10-Q

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Item 1. Financial Statements

QVC, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

(in millions, except share amounts)	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 324	284
Restricted cash	10	10
Accounts receivable, less allowance for doubtful accounts of \$95 at March 31, 2017 and \$97 at December 31, 2016	918	1,246
Inventories	1,020	950
Prepaid expenses and other current assets	58	46
Total current assets	2,330	2,536
Property and equipment, net of accumulated depreciation of \$1,053 at March 31, 2017 and \$1,004 at December 31, 2016	1,015	1,031
Television distribution rights, net	134	183
Goodwill	5,018	4,995
Other intangible assets, net	2,686	2,738
Other noncurrent assets	65	62
Total assets	\$ 11,248	11,545
Liabilities and equity		
Current liabilities:		
Current portion of debt and capital lease obligations	\$ 15	14
Accounts payable-trade	627	678
Accrued liabilities	745	769
Total current liabilities	1,387	1,461
Long-term portion of debt and capital lease obligations	5,088	5,275
Deferred income taxes	776	778
Other long-term liabilities	134	136
Total liabilities	7,385	7,650
Equity:		
QVC, Inc. stockholder's equity:		
Common stock, \$0.01 par value, 1 authorized share	—	—
Additional paid-in capital	6,862	6,851
Accumulated deficit	(2,891)	(2,832)
Accumulated other comprehensive loss	(203)	(224)
Total QVC, Inc. stockholder's equity	3,768	3,795
Noncontrolling interest	95	100
Total equity	3,863	3,895
Total liabilities and equity	\$ 11,248	11,545

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

(in millions)	Three months ended March 31,	
	2017	2016
Net revenue	\$ 1,965	2,013
Cost of goods sold	1,243	1,280
Gross profit	722	733
Operating expenses:		
Operating	137	142
Selling, general and administrative, including stock-based compensation	157	182
Depreciation	41	34
Amortization	116	114
	451	472
Operating income	271	261
Other (expense) income:		
Equity in losses of investee	(2)	(1)
Interest expense, net	(55)	(53)
Foreign currency (loss) gain	(2)	2
	(59)	(52)
Income before income taxes	212	209
Income tax expense	(77)	(76)
Net income	135	133
Less net income attributable to the noncontrolling interest	(11)	(8)
Net income attributable to QVC, Inc. stockholder	\$ 124	125

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.**Condensed Consolidated Statements of Comprehensive Income****(unaudited)**

(in millions)	Three months ended March 31,	
	2017	2016
Net income	\$ 135	133
Foreign currency translation adjustments, net of tax	27	34
Total comprehensive income	162	167
Comprehensive income attributable to noncontrolling interest	(17)	(15)
Comprehensive income attributable to QVC, Inc. stockholder	\$ 145	152

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

(in millions)	Three months ended March 31,	
	2017	2016
Operating activities:		
Net income	\$ 135	133
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in losses of investee	2	1
Deferred income taxes	(22)	(19)
Foreign currency loss (gain)	2	(2)
Depreciation	41	34
Amortization	116	114
Change in fair value of financial instruments and noncash interest	2	2
Stock-based compensation	6	6
Change in other long-term liabilities	(1)	5
Effects of changes in working capital items	176	6
Net cash provided by operating activities	457	280
Investing activities:		
Capital expenditures	(17)	(39)
Expenditures for television distribution rights	(1)	(1)
Changes in other noncurrent assets	(3)	(2)
Other investing activities	—	(6)
Net cash used in investing activities	(21)	(48)
Financing activities:		
Principal payments of debt and capital lease obligations	(650)	(438)
Principal borrowings of debt from senior secured credit facility	454	515
Dividends paid to Liberty Interactive Corporation	(183)	(234)
Dividends paid to noncontrolling interest	(22)	(21)
Other financing activities	(4)	(7)
Net cash used in financing activities	(405)	(185)
Effect of foreign exchange rate changes on cash and cash equivalents	9	(13)
Net increase in cash and cash equivalents	40	34
Cash and cash equivalents, beginning of period	284	327
Cash and cash equivalents, end of period	\$ 324	361
Effects of changes in working capital items:		
Decrease in accounts receivable	\$ 333	379
Increase in inventories	(66)	(71)
Increase in prepaid expenses and other current assets	(11)	(15)
Decrease in accounts payable-trade	(62)	(115)
Decrease in accrued liabilities and other	(18)	(172)
Effects of changes in working capital items	\$ 176	6

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statement of Equity

(unaudited)

(in millions, except share data)	Common stock			Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Noncontrolling interest	Total equity
	Shares	Amount						
Balance, December 31, 2016	1	\$ —	6,851	(2,832)	(224)	100	3,895	
Net income	—	—	—	124	—	11	135	
Foreign currency translation adjustments, net of tax	—	—	—	—	21	6	27	
Dividends paid to Liberty Interactive Corporation and noncontrolling interest and other	—	—	—	(183)	—	(22)	(205)	
Impact of tax liability allocation and indemnification agreement with Liberty Interactive Corporation	—	—	9	—	—	—	9	
Withholding taxes on net share settlements of stock-based compensation	—	—	(4)	—	—	—	(4)	
Stock-based compensation	—	—	6	—	—	—	6	
Balance, March 31, 2017	1	\$ —	6,862	(2,891)	(203)	95	3,863	

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)

(1) Basis of Presentation

QVC, Inc. and its consolidated subsidiaries ("QVC" or the "Company") 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 United States ("U.S."), QVC's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC2 (f/k/a QVC Plus) and the recently launched Beauty iQ. The Company's U.S. programming is also available on QVC.com, QVC's U.S. website; mobile applications via streaming video; over-the-air broadcasters; and over-the-top content platforms (Roku, Apple TV, etc.).

QVC believes that the Company's digital platforms complement the Company's televised shopping programs by allowing consumers to purchase a wide assortment of goods offered on QVC's televised programs, as well as other products that are available only on the Company's digital platforms. The Company views e-commerce as a natural extension of the Company's business, allowing the Company to stream live video and offer on-demand video segments of items recently presented live on QVC's televised programs. The Company's digital platforms allow shoppers to browse, research, compare and perform targeted searches for products, control the order-entry process and conveniently access their QVC account.

QVC's international televised shopping programs, including live and recorded content, are distributed on a full-time basis to households outside of the U.S., primarily in Germany, Austria, Japan, the United Kingdom ("U.K."), the Republic of Ireland, Italy and France. In some of the countries where QVC operates, QVC's televised shopping programs are broadcast across multiple QVC channels: QVC Beauty & Style and QVC Plus in Germany and QVC Beauty, QVC Extra, QVC Style and QVC +1 in the U.K. The programming created for most of these markets is also available via streaming video on QVC's digital platforms. QVC's international business employs product sourcing teams who select products tailored to the interests of each local market.

The Company's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui") for a television and multimedia retailing service in Japan. QVC-Japan is owned 60% by the Company and 40% by Mitsui. The Company and Mitsui share in all profits and losses based on their respective ownership interests. During the three months ended March 31, 2017 and 2016, QVC-Japan paid dividends to Mitsui of \$22 million and \$21 million, respectively.

The Company also has a joint venture with CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"). The Company owns a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS operates a retail business in China through a shopping television channel with an associated website. This joint venture is accounted for as an equity method investment recorded as equity in losses of investee in the condensed consolidated statements of operations.

The Company is an indirect wholly owned subsidiary of Liberty Interactive Corporation ("Liberty"), which owns interests in a broad range of digital commerce businesses. QVC Group common stock (Nasdaq: QVCA and QVCB) tracks the assets and liabilities of the QVC Group. The QVC Group tracks the Company, zulily, llc and Liberty's 38% equity interest in HSN, Inc., one of the Company's two closest televised shopping competitors, cash and certain liabilities. The QVC Group does not represent a separate legal entity; rather, it represents those businesses, assets and liabilities that are attributed to that group.

On October 1, 2015, Liberty acquired all of the outstanding shares of zulily, inc. ("zulily") (now known as zulily, llc). zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day for a limited time period. zulily is attributed to the QVC Group and the Company believes that its business is complementary to the Company. zulily is not part of the results of operations or financial position of QVC presented in these condensed consolidated financial statements. During each of the three months ended March 31, 2017 and 2016, QVC and zulily engaged in multiple transactions relating to sales, sourcing of merchandise, marketing initiatives and business advisory services. The gross value of these transactions totaled \$2 million in both periods, which did not have a material impact on QVC's financial position, results of operations, or liquidity.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

On June 23, 2016, QVC amended and restated its senior secured credit facility (the "Third Amended and Restated Credit Agreement") increasing the revolving credit facility from \$2.25 billion to \$2.65 billion as explained further in note 6. The Third Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by QVC or zulily. Under the terms of the Third Amended and Restated Credit Agreement, QVC and zulily are jointly and severally liable for all amounts borrowed on the \$400 million tranche. In accordance with the accounting guidance for obligations resulting from joint and several liability arrangements, QVC will record a liability for amounts it has borrowed under the credit facility plus any additional amount it expects to repay on behalf of zulily. As of March 31, 2017, there was \$295 million borrowed by zulily on the \$400 million tranche of the Third Amended and Restated Credit Agreement, none of which the Company expects to repay on behalf of zulily.

The condensed consolidated financial statements include the accounts of QVC, Inc. and its majority-owned subsidiaries. All significant intercompany accounts and transactions were eliminated in consolidation.

The accompanying (a) condensed consolidated balance sheet as of December 31, 2016, 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 ("U.S. 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 U.S. 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. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in QVC's Annual Report on Form 10-K for the year ended December 31, 2016.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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. Estimates include, but are not limited to, sales returns, uncollectible receivables, inventory obsolescence, depreciable lives of fixed assets, internally-developed software, valuation of acquired intangible assets and goodwill, income taxes and stock-based compensation.

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued ASU No. 2016-08 which clarifies principal versus agent considerations, in April 2016, the FASB issued ASU No. 2016-10 which clarifies the identification of performance obligations and the implementation guidance for licensing, and in May 2016, the FASB issued ASU No. 2016-12 which clarifies assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The updated guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. The Company has reviewed the applicable ASU and has not yet selected a transition method. At the current time, the Company has not quantified the effects of this pronouncement, but it is working through the relevant aspects to evaluate the quantitative effects of the new guidance. However, the Company expects to elect the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component when its payment terms are less than one year. The Company plans to be able to quantify the effects of these ASUs no later than the fourth quarter of 2017. The Company is currently assessing the presentation and financial disclosures to evaluate the impact of the amended guidance on the Company's existing revenue recognition policies and procedures. The Company will continue to provide updates as to the progress of the Company's evaluation in its quarterly reports during 2017.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The new principle is part of

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

the FASB's simplification initiative and applies to entities that measure inventory using a method other than last-in, first-out ("LIFO") or the retail inventory method. The Company has adopted this guidance as of January 1, 2017, and there was no significant effect of the standard on its financial reporting.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Statements - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires equity investments with readily determinable fair values (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for the Company beginning on January 1, 2019 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company has not yet determined what the effects of adopting this ASU will be on its ongoing financial reporting.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted this guidance in the third quarter of 2016. In accordance with the new guidance, excess tax benefits and tax deficiencies are recognized as income tax benefit or expense rather than as additional paid-in capital. The Company has elected to recognize forfeitures as they occur rather than continue to estimate expected forfeitures. In addition, pursuant to the new guidance, excess tax benefits are classified as an operating activity on the condensed consolidated statements of cash flows. The recognition of excess tax benefits and deficiencies are applied prospectively from January 1, 2016. Refer to the "Reclassifications" section below for additional detail of the adoption of this guidance.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues to reduce the diversity in practice for appropriate classification on the statement of cash flows. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with early adoption permitted. The Company does not expect the adoption will have a material effect on its condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires an entity to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its condensed consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption will have a material effect on the condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* which simplifies the measurement for impairment by calculating the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company does not expect the adoption will have a material effect on the condensed consolidated financial statements.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Reclassifications

Certain prior period amounts have been reclassified to conform with current period presentation. In relation to the adoption of ASU 2016-09 in the third quarter of 2016, the Company has reclassified excess tax benefits from stock-based compensation previously recorded in additional paid-in capital of \$4 million as a tax benefit on the condensed consolidated statement of operations for the three months ended March 31, 2016.

(2) Television Distribution Rights, Net

Television distribution rights consisted of the following:

(in millions)	March 31, 2017	December 31, 2016
Television distribution rights	\$ 2,288	2,279
Less accumulated amortization	(2,154)	(2,096)
Television distribution rights, net	\$ 134	183

The Company recorded amortization expense of \$50 million and \$47 million for the three months ended March 31, 2017 and 2016, respectively, related to television distribution rights.

As of March 31, 2017, related amortization expense for each of the next five years ended December 31 was as follows (in millions):

Remainder of 2017	\$	84
2018		23
2019		13
2020		11
2021		3

The decrease in future amortization expense in 2018 is primarily due to the end of affiliation agreement terms for contracts in place at the time of Liberty's acquisition of QVC in 2003.

(3) Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2017 were as follows:

(in millions)	QVC-U.S.	QVC-Germany	QVC-Japan	QVC-U.K.	QVC-Italy	Total
Balance as of December 31, 2016	\$ 4,190	267	258	161	119	4,995
Exchange rate fluctuations	—	6	14	1	2	23
Balance as of March 31, 2017	\$ 4,190	273	272	162	121	5,018

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

(4) Other Intangible Assets, Net

Other intangible assets consisted of the following:

(in millions)	March 31, 2017			December 31, 2016		
	Gross cost	Accumulated amortization	Other intangible assets, net	Gross cost	Accumulated amortization	Other intangible assets, net
Purchased and internally developed software	\$ 662	(491)	171	646	(466)	180
Affiliate and customer relationships	2,400	(2,319)	81	2,397	(2,274)	123
Debt origination fees	8	(2)	6	8	(1)	7
Trademarks (indefinite life)	2,428	—	2,428	2,428	—	2,428
	<u>\$ 5,498</u>	<u>(2,812)</u>	<u>2,686</u>	<u>5,479</u>	<u>(2,741)</u>	<u>2,738</u>

The Company recorded amortization expense of \$66 million and \$67 million for the three months ended March 31, 2017 and 2016, respectively, related to other intangible assets.

As of March 31, 2017, the related amortization and interest expense for each of the next five years ended December 31 was as follows (in millions):

Remainder of 2017	\$	141
2018		73
2019		36
2020		7
2021		1

The decrease in future amortization expense in 2018 is primarily due to the end of the useful lives of the affiliate and customer relationships in place at the time of Liberty's acquisition of QVC in 2003.

(5) Accrued Liabilities

Accrued liabilities consisted of the following:

(in millions)	March 31, 2017	December 31, 2016
Accounts payable non-trade	\$ 184	215
Income taxes	178	120
Accrued compensation and benefits	104	92
Deferred revenue	74	69
Allowance for sales returns	71	93
Sales and other taxes	43	62
Accrued interest	37	58
Other	54	60
	<u>\$ 745</u>	<u>769</u>

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

(6) Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations consisted of the following:

(in millions)	March 31, 2017	December 31, 2016
3.125% Senior Secured Notes due 2019, net of original issue discount	\$ 399	399
5.125% Senior Secured Notes due 2022	500	500
4.375% Senior Secured Notes due 2023, net of original issue discount	750	750
4.85% Senior Secured Notes due 2024, net of original issue discount	600	600
4.45% Senior Secured Notes due 2025, net of original issue discount	599	599
5.45% Senior Secured Notes due 2034, net of original issue discount	399	399
5.95% Senior Secured Notes due 2043, net of original issue discount	300	300
Senior secured credit facility	1,404	1,596
Capital lease obligations	75	69
Build to suit lease obligation	104	105
Less debt issuance costs, net	(27)	(28)
Total debt and capital lease obligations	5,103	5,289
Less current portion	(15)	(14)
Long-term portion of debt and capital lease obligations	\$ 5,088	5,275

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and certain of its subsidiaries and have equal priority to the senior secured credit facility. The interest on all of QVC's senior secured notes is payable semi-annually.

Senior Secured Credit Facility

On June 23, 2016, QVC entered into the Third Amended and Restated Credit Agreement with zulily as borrowers (collectively, the "Borrowers") which is a multi-currency facility that provides for a \$2.65 billion revolving credit facility with a \$300 million sub-limit for standby letters of credit and \$1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Third Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by the Company or zulily with an additional \$50 million sub-limit for standby letters of credit (see notes 1 and 13). The remaining \$2.25 billion and any incremental loans may be borrowed only by the Company. 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% and 0.75% depending on the Borrowers' combined ratio of Consolidated Total Debt to Consolidated EBITDA (the "Combined Consolidated Leverage Ratio"). Borrowings that are 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. Because the calculation of the Combined Consolidated Leverage Ratio was revised to include zulily, the effective interest rate margins, on the date that the Third Amended and Restated Credit Agreement was entered into, decreased from the interest rate margins under the previous bank credit facility. 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 Liberty, all of its loans must be repaid and its letters of credit cash collateralized. The facility matures on June 23, 2021, except that \$140 million of the \$2.25 billion commitment available to QVC matures on March 9, 2020. Any amounts prepaid on the revolving facility may be reborrowed. Payment of loans may be accelerated following certain customary events of default. The senior secured credit facility is secured by the capital stock of QVC.

QVC had \$941 million available under the terms of the Third Amended and Restated Credit Agreement at March 31, 2017, including the portion available under the \$400 million tranche that zulily may also borrow on. The interest rate on the Third Amended and Restated Credit Agreement was 2.5% at March 31, 2017.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
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The purpose of the amendment was to, among other things, extend the maturity of the Company's senior secured credit facility, provide zilily the opportunity to borrow on the senior secured credit facility (see note 1), and lower the interest rate on borrowings. The payment and performance of the Borrowers' obligations under the Third Amended and Restated Credit Agreement are guaranteed by each of QVC's Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement). Further, the borrowings under the Third Amended and Restated Credit Agreement are secured, *pari passu* with QVC's existing notes, by a pledge of all of QVC's equity interests. The payment and performance of the Borrowers' obligations with respect to the \$400 million tranche available to both QVC and zilily are also guaranteed by each of zilily's Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement), if any, and are secured by a pledge of all of zilily's equity interests.

The Third Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on the Company and zilily 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 the Company's consolidated leverage ratio and the Borrowers' Combined Consolidated Leverage Ratio.

Interest Rate Swap Arrangements

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of \$125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement does not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in gain on financial instruments in the accompanying condensed consolidated statement of operations. At March 31, 2017, the fair value of the swap instrument was in a net asset position of approximately \$2 million which was included in other noncurrent assets.

Other Debt Related Information

QVC was in compliance with all of its debt covenants at March 31, 2017.

During the quarter, there were no significant changes to QVC's debt credit ratings.

The weighted average rate applicable to all of the outstanding debt (excluding capital and build to suit leases) prior to amortization of bond discounts and related debt issuance costs was 4.1% as of March 31, 2017.

(7) Leases

Future minimum payments under noncancelable operating leases and capital leases with initial terms of one year or more and the lease related to the Company's California distribution center (build to suit lease) at March 31, 2017 consisted of the following:

(in millions)		Capital leases	Operating leases	Build to suit lease
Remainder of 2017	\$	10	16	4
2018		15	17	6
2019		15	12	6
2020		12	9	6
2021		11	8	6
Thereafter		17	65	67
Total	\$	80	127	95

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
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The Company has entered into fourteen separate capital lease agreements with transponder and transmitter network suppliers to transmit its signals in the U.S., Germany and France at an aggregate monthly cost of \$1 million. Depreciation expense related to the capital leases was \$3 million for each of the three months ended March 31, 2017 and 2016. Total future minimum capital lease payments of \$80 million include \$5 million of imputed interest. The transponder service agreements for our U.S. transponders expire between 2019 and 2023. The transponder and transmitter network service agreements for our international transponders expire between 2019 and 2027.

Expenses for operating leases, principally for data processing equipment, facilities, satellite uplink service agreements and the California distribution center land, amounted to \$6 million and \$7 million for the three months ended March 31, 2017 and 2016, respectively.

On July 2, 2015, QVC entered into a lease (the "Lease") for a California distribution center. Pursuant to the Lease, the landlord built an approximately one million square foot rental building in Ontario, California (the "Premises"), and thereafter leased the Premises to QVC as its new California distribution center for an initial term of 15 years. Under the Lease, QVC is required to pay an initial base rent of approximately \$6 million per year, increasing to approximately \$8 million per year by the final year of the initial term, as well as all real estate taxes and other building operating costs. QVC also has an option to extend the term of the Lease for up to two consecutive terms of 10 years each.

QVC has the right to purchase the Premises and related land from the landlord by entering into an amended and restated agreement at any time during the twenty-fifth or twenty-sixth months of the Lease's initial term, which will occur in June and July of 2018, with a \$10 million initial payment and annual payments of \$12 million over a term of 13 years.

The Company concluded that it was the deemed owner (for accounting purposes only) of the Premises during the construction period under build to suit lease accounting. Building construction began in July of 2015. During the construction period, the Company recorded estimated project construction costs incurred by the landlord as a project in progress asset and a corresponding long-term liability in "Property and equipment, net" and "Other long-term liabilities," respectively, on its consolidated balance sheet. In addition, the Company paid for normal tenant improvements and certain structural improvements and recorded these amounts as part of the projects in progress asset. Upon completion of construction, the long-term liability was reclassified to debt.

On August 29, 2016, the California distribution center officially opened. The Company evaluated whether the Lease met the criteria for "sale-leaseback" treatment under U.S. GAAP and concluded that it did not. Therefore, the Company treats the Lease as a financing obligation and lease payments are attributed to: (1) a reduction of the principal financing obligation; (2) imputed interest expense; and (3) land lease expense representing an imputed cost to lease the underlying land of the Premises. In addition, the building asset is being depreciated over its estimated useful life of 20 years. Although the Company did not begin making monthly lease payments pursuant to the Lease until February 2017, the portion of the lease obligations allocated to the land has been treated for accounting purposes as an operating lease that commenced in 2015. If the Company does not exercise its right to purchase the Premises and related land, the Company will derecognize both the net book values of the asset and the financing obligation at the conclusion of the lease term.

(8) Income Taxes

The Company calculates its interim income tax provision by applying its best estimate of the annual expected effective tax rate to its ordinary year-to-date income or loss. The tax or benefit related to significant, unusual or extraordinary items that will be separately reported or reported net of their related tax effect are individually computed and recognized in the interim period in which those items occur.

The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in foreign jurisdictions, permanent and temporary differences as a result of differences between amounts measured and recognized in accordance with tax laws and financial accounting standards, and the likelihood of recovering deferred tax assets. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as the tax environment changes. To the extent that the estimated annual effective tax rate changes during a quarter, the effect of the change on the prior quarters is included in the tax expense for the current quarter.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
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For the three months ended March 31, 2017, the Company recorded a tax provision of \$77 million, which represented an effective tax rate of 36.3%. For the three months ended March 31, 2016, the Company recorded a tax provision of \$76 million, which represented an effective tax rate of 36.4%. These rates differ from the U.S. federal income tax rate of 35.0% primarily due to state tax expense.

QVC is party to ongoing discussions with the Internal Revenue Service under the Compliance Assurance Process audit program. The Company files Federal tax returns on a consolidated basis with its parent company, Liberty. The Company, or one of its subsidiaries, files income tax returns in various states and foreign jurisdictions. As of March 31, 2017, certain of the Company's subsidiaries were under examination in Germany for 2012 through 2014 and the U.K. for 2015. In addition, as of March 31, 2017, the Company, or one of its subsidiaries, was also under examination in California, New York State, New York City, and Pennsylvania.

The Company is a party to a Tax Liability Allocation and Indemnification Agreement (the "Tax Agreement") with Liberty. The Tax Agreement establishes the methodology for the calculation and payment of income taxes in connection with the consolidation of the Company with Liberty for income tax purposes. Generally, the Tax Agreement provides that the Company will pay Liberty an amount equal to the tax liability, if any, that it would have if it were to file as a consolidated group separate and apart from Liberty, with exceptions for the treatment and timing of certain items, including but not limited to deferred intercompany transactions, credits, and net operating and capital losses. To the extent that the separate company tax expense is different from the payment terms of the Tax Agreement, the difference is recorded as either a dividend or capital contribution.

The amounts of the tax-related balances due to Liberty at March 31, 2017 and December 31, 2016 were \$134 million and \$75 million, respectively, and were included in accrued liabilities in the accompanying condensed consolidated balance sheets.

(9) Commitments and Contingencies

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 the Company 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 the amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

Network and information systems, including the Internet and telecommunication systems, third party delivery services and other technologies are critical to QVC's business activities. Substantially all QVC's customer orders, fulfillment and delivery services are dependent upon the use of network and information systems, including the use of third party telecommunication and delivery service providers. If information systems including the Internet or telecommunication services are disrupted, or if the third party delivery services experience a disruption in their transportation delivery services, the Company could face a significant disruption in fulfilling QVC's customer orders and shipment of QVC's products. The Company has active disaster recovery programs in place to help mitigate risks associated with these critical business activities.

(10) Financial Instruments and Fair Value Measurements

For assets and liabilities required to be reported or disclosed at fair value, U.S. 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, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

The Company's assets and liabilities measured or disclosed at fair value were as follows:

(in millions)	Fair value measurements at March 31, 2017 using			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				
Cash equivalents	\$ 197	197	—	—
Noncurrent assets:				
Interest rate swap arrangements	2	—	2	—
Long-term liabilities:				
Debt (note 6)	4,936	—	4,936	—

(in millions)	Fair value measurements at December 31, 2016 using			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				
Cash equivalents	\$ 113	113	—	—
Noncurrent assets:				
Interest rate swap arrangements	2	—	2	—
Long-term liabilities:				
Debt (note 6)	5,092	—	5,092	—

The majority of the Company's Level 2 financial liabilities are debt instruments with quoted market prices that are not considered to be traded on "active markets," as defined in U.S. GAAP. Accordingly, the financial instruments are reported in the foregoing tables as Level 2 fair value instruments.

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of \$125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement does not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in gain on financial instruments in the accompanying condensed consolidated statement of operations. At March 31, 2017, the fair value of the swap instrument was in a net asset position of approximately \$2 million which was included in other noncurrent assets.

(11) Information about QVC's Operating Segments

The Company has identified two reportable operating segments: QVC-U.S. and QVC-International. Both operating segments are retailers of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised-shopping programs as well as via the Internet and mobile applications in certain markets.

QVC's chief operating decision maker ("CODM") is QVC's Chief Executive Officer. QVC's CODM has ultimate responsibility for enterprise decisions. QVC's CODM determines, in particular, resource allocation for, and monitors performance of, the consolidated enterprise, QVC-U.S. and QVC-International. The segment managers have responsibility for operating decisions, allocating resources and assessing performance within their respective segments. QVC's CODM relies on internal management reporting that analyzes enterprise results and segment results to the Adjusted OIBDA level (see below).

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as net revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per subscriber equivalent. The Company defines Adjusted OIBDA as revenue less cost of goods sold, operating expenses, and selling, general and administrative expenses (excluding stock-based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its segments, including the ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking among the Company's businesses and identify strategies to improve performance. This measure of performance excludes depreciation, amortization and stock-based compensation, that are included in the measurement of operating income pursuant to U.S. GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. GAAP.

Performance measures

(in millions)	Three months ended March 31,			
	2017		2016	
	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA
QVC-U.S.	\$ 1,370	336	1,407	326
QVC-International	595	98	606	89
Consolidated QVC	\$ 1,965	434	2,013	415

Net revenue amounts by product category are not available from our general purpose financial statements.

Other information

(in millions)	Three months ended March 31,			
	2017		2016	
	Depreciation	Amortization	Depreciation	Amortization
QVC-U.S.	\$ 24	105	17	102
QVC-International	17	11	17	12
Consolidated QVC	\$ 41	116	34	114

(in millions)	March 31, 2017		December 31, 2016	
	Total assets	Capital expenditures	Total assets	Capital expenditures
	QVC-U.S.	\$ 9,293	14	9,595
QVC-International	1,955	3	1,950	27
Consolidated QVC	\$ 11,248	17	11,545	179

Long-lived assets, net of accumulated depreciation, by segment were as follows:

(in millions)	March 31, 2017	December 31, 2016
QVC-U.S.	\$ 574	594
QVC-International	441	437
Consolidated QVC	\$ 1,015	1,031

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

The following table provides a reconciliation of Adjusted OIBDA to income before income taxes:

(in millions)	Three months ended March 31,	
	2017	2016
Adjusted OIBDA	\$ 434	415
Stock-based compensation	(6)	(6)
Depreciation and amortization	(157)	(148)
Equity in losses of investee	(2)	(1)
Interest expense, net	(55)	(53)
Foreign currency (loss) gain	(2)	2
Income before income taxes	\$ 212	209

(12) Other Comprehensive Income

The change in the component of accumulated other comprehensive loss, net of taxes ("AOCL"), is summarized as follows:

(in millions)	Foreign currency translation adjustments		AOCL
	2017	2016	
Balance at January 1, 2017	\$ (224)	(224)	
Other comprehensive income attributable to QVC, Inc. stockholder	21	21	
Balance at March 31, 2017	(203)	(203)	
Balance at January 1, 2016	\$ (140)	(140)	
Other comprehensive income attributable to QVC, Inc. stockholder	27	27	
Balance at March 31, 2016	(113)	(113)	

The component of other comprehensive income is reflected in QVC's condensed consolidated statements of comprehensive income, net of taxes. The following table summarizes the tax effects related to the component of other comprehensive income:

(in millions)	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
<i>Three months ended March 31, 2017</i>			
Foreign currency translation adjustments	\$ 47	(20)	27
Other comprehensive income	47	(20)	27
<i>Three months ended March 31, 2016</i>			
Foreign currency translation adjustments	\$ 28	6	34
Other comprehensive income	28	6	34

(13) Subsequent Event

As of May 1, 2017, zulily had \$320 million outstanding on the shared tranche within the Third Amended and Restated Credit Agreement.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

(14) Guarantor/Non-guarantor Subsidiary Financial Information

The following information contains the condensed consolidating financial statements for the Company, the parent on a stand-alone basis (QVC, Inc.), the combined subsidiary guarantors (Affiliate Relations Holdings, Inc.; Affiliate Investment, Inc.; AMI 2, Inc.; ER Marks, Inc.; QVC Rocky Mount, Inc.; QVC San Antonio, LLC; Global Holdings I, Inc.; and Global Holdings II, Inc.) and the combined non-guarantor subsidiaries pursuant to Rule 3-10 of Regulation S-X.

In connection with the Third Amended and Restated Credit Agreement in June 2016 (see notes 1 and 6), QVC International Ltd is no longer a guarantor subsidiary, and is reflected with the combined non-guarantor subsidiaries.

These condensed consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the Company's condensed consolidated financial statements. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, such as management fees, royalty revenue and expense, interest income and expense and gains on intercompany asset transfers. Goodwill and other intangible assets have been allocated to the subsidiaries based on management's estimates. Certain costs have been partially allocated to all of the subsidiaries of the Company.

The subsidiary guarantors are 100% owned by the Company. All guarantees are full and unconditional and are joint and several. There are no significant restrictions on the ability of the Company to obtain funds from its U.S. subsidiaries, including the guarantors, by dividend or loan. The Company has not presented separate notes and other disclosures concerning the subsidiary guarantors as the Company has determined that such material information is available in the notes to the Company's condensed consolidated financial statements.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Balance Sheets

(in millions)	March 31, 2017				
	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	\$ 1	151	172	—	324
Restricted cash	8	—	2	—	10
Accounts receivable, net	660	—	258	—	918
Inventories	764	—	256	—	1,020
Prepaid expenses and other current assets	30	—	28	—	58
Total current assets	1,463	151	716	—	2,330
Property and equipment, net	302	62	651	—	1,015
Television distribution rights, net	—	124	10	—	134
Goodwill	4,190	—	828	—	5,018
Other intangible assets, net	617	2,049	20	—	2,686
Other noncurrent assets	18	—	47	—	65
Investments in subsidiaries	3,306	115	—	(3,421)	—
Total assets	\$ 9,896	2,501	2,272	(3,421)	11,248
Liabilities and equity					
Current liabilities:					
Current portion of debt and capital lease obligations	\$ 3	—	12	—	15
Accounts payable-trade	365	—	262	—	627
Accrued liabilities (1)	(33)	279	499	—	745
Intercompany accounts payable (receivable)	603	(1,276)	673	—	—
Total current liabilities	938	(997)	1,446	—	1,387
Long-term portion of debt and capital lease obligations	4,940	—	148	—	5,088
Deferred income taxes	143	696	(63)	—	776
Other long-term liabilities	107	—	27	—	134
Total liabilities	6,128	(301)	1,558	—	7,385
Equity:					
QVC, Inc. stockholder's equity	3,768	2,802	619	(3,421)	3,768
Noncontrolling interest	—	—	95	—	95
Total equity	3,768	2,802	714	(3,421)	3,863
Total liabilities and equity	\$ 9,896	2,501	2,272	(3,421)	11,248

(1) The negative balance is due to the impact of allocated income tax position of respective underlying entities relative to total consolidated net income tax liability.

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Balance Sheets

(in millions)	December 31, 2016				
	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	\$ 2	97	185	—	284
Restricted cash	8	—	2	—	10
Accounts receivable, net	958	—	288	—	1,246
Inventories	726	—	224	—	950
Prepaid expenses and other current assets	22	—	24	—	46
Total current assets	1,716	97	723	—	2,536
Property and equipment, net	317	63	651	—	1,031
Television distribution rights, net	—	167	16	—	183
Goodwill	4,190	—	805	—	4,995
Other intangible assets, net	666	2,049	23	—	2,738
Other noncurrent assets	15	—	47	—	62
Investments in subsidiaries	3,389	1,030	—	(4,419)	—
Total assets	\$ 10,293	3,406	2,265	(4,419)	11,545
Liabilities and equity					
Current liabilities:					
Current portion of debt and capital lease obligations	\$ 3	—	11	—	14
Accounts payable-trade	425	—	253	—	678
Accrued liabilities	74	234	461	—	769
Intercompany accounts payable (receivable)	623	(246)	(377)	—	—
Total current liabilities	1,125	(12)	348	—	1,461
Long-term portion of debt and capital lease obligations	5,132	—	143	—	5,275
Deferred income taxes	145	707	(74)	—	778
Other long-term liabilities	96	—	40	—	136
Total liabilities	6,498	695	457	—	7,650
Equity:					
QVC, Inc. stockholder's equity	3,795	2,711	1,708	(4,419)	3,795
Noncontrolling interest	—	—	100	—	100
Total equity	3,795	2,711	1,808	(4,419)	3,895
Total liabilities and equity	\$ 10,293	3,406	2,265	(4,419)	11,545

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Statements of Operations

(in millions)	Three months ended March 31, 2017				
	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net revenue	\$ 1,404	225	644	(308)	1,965
Cost of goods sold	855	37	391	(40)	1,243
Gross profit	549	188	253	(268)	722
Operating expenses:					
Operating	100	58	68	(89)	137
Selling, general and administrative, including stock-based compensation	242	—	94	(179)	157
Depreciation	17	2	22	—	41
Amortization	60	45	11	—	116
	419	105	195	(268)	451
Operating income	130	83	58	—	271
Other (expense) income:					
Equity in losses of investee	—	—	(2)	—	(2)
Interest expense, net	(55)	—	—	—	(55)
Foreign currency loss	(1)	—	(1)	—	(2)
Intercompany interest (expense) income	(1)	22	(21)	—	—
	(57)	22	(24)	—	(59)
Income before income taxes	73	105	34	—	212
Income tax expense	(32)	(30)	(15)	—	(77)
Equity in earnings of subsidiaries, net of tax	94	17	—	(111)	—
Net income	135	92	19	(111)	135
Less net income attributable to the noncontrolling interest	(11)	—	(11)	11	(11)
Net income attributable to QVC, Inc. stockholder	\$ 124	92	8	(100)	124

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Statements of Operations

(in millions)	Three months ended March 31, 2016				
	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Net revenue	\$ 1,444	233	665	(329)	2,013
Cost of goods sold	876	42	409	(47)	1,280
Gross profit	568	191	256	(282)	733
Operating expenses:					
Operating	109	59	72	(98)	142
Selling, general and administrative, including stock-based compensation	263	—	103	(184)	182
Depreciation	12	2	20	—	34
Amortization	60	41	13	—	114
	444	102	208	(282)	472
Operating income	124	89	48	—	261
Other (expense) income:					
Equity in losses of investee	—	—	(1)	—	(1)
Interest expense, net	(53)	—	—	—	(53)
Foreign currency gain (loss)	3	(2)	1	—	2
Intercompany interest (expense) income	—	(21)	21	—	—
	(50)	(23)	21	—	(52)
Income before income taxes	74	66	69	—	209
Income tax expense	(24)	(26)	(26)	—	(76)
Equity in earnings of subsidiaries, net of tax	83	56	—	(139)	—
Net income	133	96	43	(139)	133
Less net income attributable to the noncontrolling interest	(8)	—	(8)	8	(8)
Net income attributable to QVC, Inc. stockholder	\$ 125	96	35	(131)	125

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Statements of Comprehensive Income

(in millions)	Three months ended March 31, 2017				
	Parent issuer-QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Net income	\$ 135	92	19	(111)	135
Foreign currency translation adjustments	27	—	27	(27)	27
Total comprehensive income	162	92	46	(138)	162
Comprehensive income attributable to noncontrolling interest	(17)	—	(17)	17	(17)
Comprehensive income attributable to QVC, Inc. stockholder	\$ 145	92	29	(121)	145

Condensed Consolidating Statements of Comprehensive Income

(in millions)	Three months ended March 31, 2016				
	Parent issuer-QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Net income	\$ 133	96	43	(139)	133
Foreign currency translation adjustments	34	—	34	(34)	34
Total comprehensive income	167	96	77	(173)	167
Comprehensive income attributable to noncontrolling interest	(15)	—	(15)	15	(15)
Comprehensive income attributable to QVC, Inc. stockholder	\$ 152	96	62	(158)	152

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Statements of Cash Flows

(in millions)	Three months ended March 31, 2017				
	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Operating activities:					
Net cash provided by operating activities	\$ 220	155	82	—	457
Investing activities:					
Capital expenditures	(13)	(1)	(3)	—	(17)
Expenditures for television distribution rights	—	(1)	—	—	(1)
Changes in other noncurrent assets	(2)	—	(1)	—	(3)
Intercompany investing activities	201	(522)	—	321	—
Net cash provided by (used in) investing activities	186	(524)	(4)	321	(21)
Financing activities:					
Principal payments of debt and capital lease obligations	(648)	—	(2)	—	(650)
Principal borrowings of debt from senior secured credit facility	454	—	—	—	454
Dividends paid to Liberty Interactive Corporation	(183)	—	—	—	(183)
Dividends paid to noncontrolling interest	—	—	(22)	—	(22)
Other financing activities	(4)	—	—	—	(4)
Net short-term intercompany debt (repayments) borrowings	(20)	(1,030)	1,050	—	—
Other intercompany financing activities	(6)	1,453	(1,126)	(321)	—
Net cash (used in) provided by financing activities	(407)	423	(100)	(321)	(405)
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	9	—	9
Net (decrease) increase in cash and cash equivalents	(1)	54	(13)	—	40
Cash and cash equivalents, beginning of period	2	97	185	—	284
Cash and cash equivalents, end of period	\$ 1	151	172	—	324

QVC, Inc.
Notes to Condensed Consolidated Financial Statements (continued)
(unaudited)

Condensed Consolidating Statements of Cash Flows

(in millions)	Three months ended March 31, 2016				
	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Operating activities:					
Net cash provided by (used in) operating activities	\$ 209	77	(6)	—	280
Investing activities:					
Capital expenditures	(29)	(1)	(9)	—	(39)
Expenditures for television distribution rights	—	(1)	—	—	(1)
Other investing activities	(6)	—	—	—	(6)
Changes in other noncurrent assets	1	—	(3)	—	(2)
Intercompany investing activities	151	22	—	(173)	—
Net cash provided by (used in) investing activities	117	20	(12)	(173)	(48)
Financing activities:					
Principal payments of debt and capital lease obligations	(436)	—	(2)	—	(438)
Principal borrowings of debt from senior secured credit facility	515	—	—	—	515
Dividends paid to Liberty Interactive Corporation	(234)	—	—	—	(234)
Dividends paid to noncontrolling interest	—	—	(21)	—	(21)
Other financing activities	(7)	—	—	—	(7)
Net short-term intercompany debt (repayments) borrowings	(82)	137	(55)	—	—
Other intercompany financing activities	(80)	(154)	61	173	—
Net cash used in financing activities	(324)	(17)	(17)	173	(185)
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	(13)	—	(13)
Net increase (decrease) in cash and cash equivalents	2	80	(48)	—	34
Cash and cash equivalents, beginning of period	—	112	215	—	327
Cash and cash equivalents, end of period	\$ 2	192	167	—	361

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, product and marketing strategies; new service offerings; revenue growth and subscriber trends; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. 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:

- customer demand for our products and services and our ability to adapt 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 on our websites and our ability to convert visitors into consumers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the ability of suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- 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;
- changes in tariffs, trade policy and trade relations following the 2016 U.S. presidential election and the vote by the U.K. to exit from the European Union ("Brexit");
- consumer spending levels, including the availability and amount of individual consumer debt;
- advertising spending levels;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand 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;
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world;
- fluctuations in foreign currency exchange rates; and

- Liberty Interactive Corporation's ("Liberty") dependence on our cash flow for servicing its debt and for other purposes.

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. 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 our Annual Report on Form 10-K for the year ended December 31, 2016.

Overview

QVC, Inc. and its consolidated subsidiaries ("QVC" or the "Company") 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 United States ("U.S."), our televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC2 (f/k/a QVC Plus) and the recently launched Beauty iQ. Our U.S. programming is also available on QVC.com, our U.S. website; mobile applications via streaming video; over-the-air broadcasters; and over-the-top content platforms (Roku, Apple TV, etc.).

We believe that our digital platforms complement our televised shopping programs by allowing consumers to purchase a wide assortment of goods offered on our televised programs, as well as other products that are available only on our digital platforms. We view e-commerce as a natural extension of our business, allowing us to stream live video and offer on-demand video segments of items recently presented live on our televised programs. Our digital platforms allow shoppers to browse, research, compare and perform targeted searches for products, control the order-entry process and conveniently access their QVC account.

Our international televised shopping programs, including live and recorded content, are distributed on a full-time basis to households outside of the U.S., primarily in Germany, Austria, Japan, the United Kingdom ("U.K."), the Republic of Ireland, Italy and France. In some of the countries where we operate, our televised shopping programs are broadcast across multiple QVC channels: QVC Beauty & Style and QVC Plus in Germany and QVC Beauty, QVC Extra, QVC Style and QVC +1 in the U.K. The programming created for most of these markets is also available via streaming video on our digital platforms. Our international business employs product sourcing teams who select products tailored to the interests of each local market.

The Company's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui") for a television and multimedia retailing service in Japan. QVC-Japan is owned 60% by the Company and 40% by Mitsui. The Company and Mitsui share in all profits and losses based on their respective ownership interests. During the three months ended March 31, 2017 and 2016, QVC-Japan paid dividends to Mitsui of \$22 million and \$21 million, respectively.

The Company also has a joint venture with CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"). The Company owns a 49% interest in a CNR subsidiary, CNR Home Shopping Co., Ltd. ("CNRS"). CNRS operates a retail business in China through a shopping television channel with an associated website. This joint venture is accounted for as an equity method investment recorded as equity in losses of investee in the condensed consolidated statements of operations.

The Company is an indirect wholly owned subsidiary of Liberty Interactive Corporation ("Liberty"), which owns interests in a broad range of digital commerce businesses. QVC Group common stock (Nasdaq: QVCA and QVCB) tracks the assets and liabilities of the QVC Group. The QVC Group tracks the Company, Zulily, LLC and Liberty's 38% equity interest in HSN, Inc., one of the Company's two closest televised shopping competitors, cash and certain liabilities. The QVC Group does not represent a separate legal entity; rather, it represents those businesses, assets and liabilities that are attributed to that group.

On October 1, 2015, Liberty acquired all of the outstanding shares of zulily, inc. ("zulily") (now known as zulily, llc). zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day for a limited time period. zulily is attributed to the QVC Group and the Company believes that its business is complementary to the Company. zulily is not part of the results of operations or financial position of QVC presented in the accompanying consolidated financial statements. During each of the three months ended March 31, 2017 and 2016, QVC and zulily engaged in multiple transactions relating to sales, sourcing of merchandise, marketing initiatives and business advisory services. The gross value of these transactions totaled \$2 million in both periods, which did not have a material impact on QVC's financial position, results of operations, or liquidity.

Additionally, on June 23, 2016, QVC amended and restated its senior secured credit facility (the "Third Amended and Restated Credit Agreement") increasing the revolving credit facility from \$2.25 billion to \$2.65 billion as explained further in notes 1 and 6. The Third Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by QVC or zulily. Under the terms of the Third Amended and Restated Credit Agreement, QVC and zulily are jointly and severally liable for all amounts borrowed on the \$400 million tranche. In accordance with the accounting guidance for obligations resulting from joint and several liability arrangements, QVC will record a liability for amounts it has borrowed under the credit facility plus any additional amount it expects to repay on behalf of zulily. As of March 31, 2017, there was \$295 million borrowed by zulily on the \$400 million tranche of the Third Amended and Restated Credit Agreement, none of which the Company expects to repay on behalf of zulily.

Strategies and challenges of business units

QVC's goal is to become the preeminent global multimedia shopping community for people who love to shop, and to offer a shopping experience that is as much about entertainment and enrichment as it is about buying. QVC's objective is to provide an integrated shopping experience that utilizes all forms of media including television, the Internet and mobile devices. QVC intends to employ several strategies to achieve these goals and objectives. Among these strategies are to (i) extend the breadth, relevance and exposure of the QVC brand; (ii) source products that represent unique quality and value; (iii) create engaging presentation content in televised programming, mobile and online; (iv) leverage customer loyalty and continue multi-platform expansion; and (v) create a compelling and differentiated customer experience. In addition, QVC expects to expand globally by leveraging its existing systems, infrastructure and skills in other countries around the world.

QVC's future net revenue growth will primarily depend on sales growth from e-commerce and mobile platforms, additions of new customers from households already receiving QVC's television 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 personal video recorders, video-on-demand and Internet video services; and (iv) general economic conditions.

The prolonged economic uncertainty in various regions of the world in which our subsidiaries and affiliates operate could adversely affect demand for our products and services since a substantial portion of our revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets continue to experience disruptions, including increased volatility and diminished liquidity and credit availability. If economic and financial market conditions in the U.S. or other key markets, including Japan and Europe, remain uncertain, persist, or deteriorate further, our customers may respond by suspending, delaying, or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect revenue. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments remain weak or decline. We currently are unable to predict the extent of any of these potential adverse effects.

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." As a result of the referendum, the global markets and currencies have been adversely impacted, including a sharp decline in the value of the U.K. Pound Sterling as compared to the U.S. Dollar. Volatility in exchange rates is expected to continue in the short term as the U.K. negotiates its exit from the E.U. In the longer term, any impact from Brexit on us will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, it is possible that new terms may adversely affect our operations and financial results. On March 29, 2017, the U.K. invoked Article 50 of the Treaty of Lisbon, which is the first step of the U.K.'s formal exit from the EU. This starts the two-year window in which the U.K. and the European Commission can negotiate future terms for imports, exports, taxes, employment, immigration and other areas, ending in the exit of the U.K. from the E.U.

During his campaign in the 2016 U.S. presidential election, the current President of the U.S. expressed apprehension towards existing trade agreements, such as the North American Free Trade Agreement and the Trans-Pacific Partnership, and suggested that the U.S. would renegotiate or withdraw from these agreements. He also raised the possibility of significantly increasing tariffs on goods imported into the United States, particularly from China and Mexico, which if implemented, could adversely affect our business because we sell imported products.

Results of Operations

QVC's operating results were as follows:

(in millions)	Three months ended March 31,	
	2017	2016
Net revenue	\$ 1,965	2,013
Costs of goods sold	1,243	1,280
Gross profit	722	733
Operating expenses:		
Operating	137	142
Selling, general and administrative, excluding stock-based compensation	151	176
Adjusted OIBDA	434	415
Stock-based compensation	6	6
Depreciation	41	34
Amortization	116	114
Operating income	271	261
Other (expense) income:		
Equity in losses of investee	(2)	(1)
Interest expense, net	(55)	(53)
Foreign currency (loss) gain	(2)	2
	(59)	(52)
Income before income taxes	212	209
Income tax expense	(77)	(76)
Net income	135	133
Less net income attributable to the noncontrolling interest	(11)	(8)
Net income attributable to QVC, Inc. stockholder	\$ 124	125

Net revenue

Net revenue by segment was as follows:

(in millions)	Three months ended March 31,	
	2017	2016
QVC-U.S.	\$ 1,370	1,407
QVC-International	595	606
Consolidated QVC	\$ 1,965	2,013

QVC's consolidated net revenue decreased 2.4% for the three months ended March 31, 2017 as compared to the corresponding period in the prior year. The three month decrease in net revenue of \$48 million was primarily comprised of a \$96 million decrease due to a 4.1% decrease in average selling price per unit ("ASP"), a \$26 million decrease due to unfavorable foreign currency rates primarily in the U.K. and Germany and a \$2 million decrease in shipping and handling revenue. The decrease was offset by a \$50 million increase due to a 2.1% increase in units sold and a \$26 million decrease in estimated product returns.

During the three months ended March 31, 2017 and 2016, 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 discussing our operating results, the term currency exchange rates refers to the currency exchange rates we use to convert the operating results for all countries where the functional currency is not the U.S. Dollar. We calculate the effect of changes in currency exchange rates as the difference between current period activity translated using the prior period's currency exchange rates. Throughout our discussion, we refer to the results of this calculation as the impact of currency exchange rate fluctuations. When we refer to constant currency operating results, this means operating results without the impact of the currency exchange rate fluctuations. The disclosure of constant currency amounts or results permits investors to understand better QVC's underlying performance without the effects of currency exchange rate fluctuations.

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

	Three months ended March 31, 2017		
	U.S. Dollars	Foreign Currency Exchange Impact	Constant Currency
QVC-U.S.	(2.6)%	— %	(2.6)%
QVC-International	(1.8)%	(4.2)%	2.4 %

QVC-U.S. net revenue decrease for the three months ended March 31, 2017 was primarily due to a 4.8% decrease in ASP attributing \$77 million and a \$4 million decrease in shipping and handling revenue. The decrease was offset by a \$27 million decrease in estimated product returns and a 1.1% increase in units sold attributing \$17 million. Net shipping and handling revenue decreased in the U.S. as a result of a decrease in shipping and handling per unit from promotional offers. The decrease in estimated product returns was primarily due to an overall lower return rate and reduced sales. QVC-U.S. experienced a shipped sales decline in all categories except apparel and beauty.

QVC-International net revenue growth in constant currency was primarily due to a 4.1% increase in units shipped attributing \$29 million mainly in Japan and Germany offset by a decrease in the U.K. The growth was offset by a decrease in ASP of 2.1% primarily in the Japanese and German markets. QVC-International experienced shipped sales growth in constant currency in all categories except electronics and jewelry.

Gross profit

QVC's gross profit percentage was 36.7% and 36.4% for the three months ended March 31, 2017 and 2016, respectively. For the three months ended March 31, 2017, the gross profit percentage increased primarily due to increased product margins offset slightly by warehouse costs in the U.S. from the lower ASP, resulting in additional units shipped, and the California distribution center that opened in the third quarter of 2016.

Operating expenses

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 \$5 million or 4% for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

For the three months ended March 31, 2017, operating expenses decreased primarily due to a \$3 million decrease in customer service expenses in the U.S. and \$2 million in favorable foreign currency exchange rates. The decrease in customer service expenses was primarily due to decreased calls handled and the closure of the Port St. Lucie call center in March of 2016.

Selling, general and administrative expenses (excluding stock-based compensation)

QVC's selling, general, and administrative expenses (excluding stock-based compensation) include personnel, information technology, provision for doubtful accounts, production costs, credit card income, marketing and advertising expenses. Such expenses decreased \$25 million, and as a percentage of net revenue, decreased from 8.7% to 7.7% for the three months ended March 31, 2017 as compared to the three months ended March 31, 2016.

For the three months ended March 31, 2017, the decrease was primarily due to decreases in personnel costs of \$9 million, \$4 million in favorable foreign currency exchange rates, a \$3 million increase in credit card income, a \$3 million decrease in bad debt expense, a \$2 million favorable insurance settlement and \$4 million in various other expenses. The decrease in personnel costs was primarily due to a decrease in severance and bonus and merit compensation in the U.S. The increase in credit card income was due to the favorable economics of the QVC-branded credit card portfolio in the U.S. The decrease in bad debt expense is primarily related to a decrease in Easy-Pay sales in the U.S.

Stock-based compensation

Stock-based compensation includes compensation related to options and restricted stock units granted to certain officers and employees. QVC recorded \$6 million of stock-based compensation expense for each of the three months ended March 31, 2017 and 2016.

Depreciation and amortization

Depreciation and amortization consisted of the following:

(in millions)	Three months ended March 31,	
	2017	2016
Affiliate agreements	\$ 36	36
Customer relationships	41	43
Acquisition related amortization	77	79
Property and equipment	41	34
Software amortization	24	24
Channel placement amortization and related expenses	15	11
Total depreciation and amortization	\$ 157	148

For the three months ended March 31, 2017, depreciation and amortization increased primarily due to expense related to the additions at the California distribution center and additional channel placement related to Beauty iQ in the U.S.

Equity in losses of investee

These losses were associated with our joint venture in China that is accounted for as an equity method investment.

Interest expense, net

For the three months ended March 31, 2017, consolidated interest expense, net increased \$2 million or 3.8% as compared to the corresponding period in the prior year.

Foreign currency (loss) gain

Certain loans between QVC and its subsidiaries are deemed to be short-term in nature, and accordingly, the translation of these loans is recorded in the condensed consolidated statements of operations. For the three months ended March 31, 2017, the change in foreign currency (loss) gain was also due to variances in interest and operating payables balances between QVC and its international subsidiaries denominated in the currency of the subsidiary and the effects of currency exchange rate changes on those balances.

Income taxes

Our effective tax rate was 36.3% and 36.4% for the three months ended March 31, 2017 and 2016, respectively. These rates differ from the U.S. federal income tax rate of 35.0% primarily due to state tax expense.

Adjusted Operating Income before Depreciation and Amortization (Adjusted OIBDA)

QVC defines Adjusted OIBDA as net revenue less cost of goods sold, operating expenses and selling, general and administrative expenses (excluding stock-based compensation). QVC's chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate the businesses and make decisions about allocating resources among the businesses. QVC believes that this is an important indicator of the operational strength and performance of the businesses, including the ability to service debt and fund capital expenditures. In addition, this measure allows QVC to view operating results, perform analytical comparisons and perform benchmarking among its businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation, amortization and stock-based compensation that are included in the measurement of operating income pursuant to U.S. generally accepted accounting principles ("U.S. GAAP"). Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. GAAP.

The primary material limitations associated with the use of Adjusted OIBDA as compared to U.S. GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in the industry, and (ii) it excludes financial information that some may consider important in evaluating QVC's performance. QVC compensates for these limitations by providing disclosure of the difference between Adjusted OIBDA and U.S. GAAP results, including providing a reconciliation of Adjusted OIBDA to U.S. GAAP results, to enable investors to perform their own analysis of QVC's operating results. Refer to note 11 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to income before income taxes.

Seasonality

QVC's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, QVC has earned, on average, between 22% and 24% of its revenue in each of the first three quarters of the year and between 30% and 32% of its revenue in the fourth quarter of the year.

Financial Position, Liquidity and Capital Resources

General

Historically, QVC's primary sources of cash have been cash provided by operating activities and borrowings. In general, QVC uses this cash to fund its operations, make capital purchases, make payments to Liberty, make interest payments and minimize QVC's outstanding senior secured credit facility balance.

As of March 31, 2017, substantially all of QVC's cash and cash equivalents were invested in AAA rated money market funds and time deposits with banks rated equal to or above A.

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and certain of its subsidiaries and have equal priority to the senior secured credit facility. The interest on all of QVC's senior secured notes is payable semi-annually.

Senior Secured Credit Facility

On June 23, 2016, QVC entered into the Third Amended and Restated Credit Agreement with zulily as borrowers (collectively, the “Borrowers”) which is a multi-currency facility that provides for a \$2.65 billion revolving credit facility with a \$300 million sub-limit for standby letters of credit and \$1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Third Amended and Restated Credit Agreement includes a \$400 million tranche that may be borrowed by the Company or zulily with an additional \$50 million sub-limit for standby letters of credit. The remaining \$2.25 billion and any incremental loans may be borrowed only by the Company. 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% and 0.75% depending on the Borrowers’ combined ratio of Consolidated Total Debt to Consolidated EBITDA for the most recent four fiscal quarter period (the “Combined Consolidated Leverage Ratio”). Borrowings that are 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. Because the calculation of the Combined Consolidated Leverage Ratio was revised to include zulily, the effective interest rate margins, on the date that the Third Amended and Restated Credit Agreement was entered into, decreased from the interest rate margins under the previous bank credit facility. 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 Liberty, all of its loans must be repaid and its letters of credit cash collateralized. The facility matures on June 23, 2021, except that \$140 million of the \$2.25 billion commitment available to QVC matures on March 9, 2020. Any amounts prepaid on the revolving facility may be reborrowed. Payment of loans may be accelerated following certain customary events of default. The senior secured credit facility is secured by the capital stock of QVC.

QVC had \$941 million available under the terms of the Third Amended and Restated Credit Agreement at March 31, 2017, including the portion available under the \$400 million tranche that zulily may also borrow on. The interest rate on the Third Amended and Restated Credit Agreement was 2.5% at March 31, 2017.

The purpose of the amendment was to, among other things, extend the maturity of the Company's senior secured credit facility, provide zulily the opportunity to borrow on the senior secured credit facility (see notes 1 and 6 to the accompanying condensed consolidated financial statements), and lower the interest rate on borrowings. The payment and performance of the Borrowers’ obligations under the Third Amended and Restated Credit Agreement are guaranteed by each of QVC’s Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement). Further, the borrowings under the Third Amended and Restated Credit Agreement are secured, *pari passu* with QVC’s existing notes, by a pledge of all of QVC’s equity interests. 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 each of zulily’s Material Domestic Subsidiaries (as defined in the Third Amended and Restated Credit Agreement), if any, and are secured by a pledge of all of zulily’s equity interests.

The Third Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on the Company 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 the Company’s consolidated leverage ratio and the Borrowers’ Combined Consolidated Leverage Ratio.

Other Debt Related Information

QVC was in compliance with all of its debt covenants at March 31, 2017.

During the quarter, there were no significant changes to QVC's debt credit ratings.

There are no restrictions under the debt agreements on QVC's ability to pay dividends or make other restricted payments if QVC is not in default on its senior secured notes or the Third Amended and Restated Credit Agreement, and QVC's consolidated leverage ratio, and a Combined Consolidated Leverage Ratio for both QVC and zulily, would be no greater than 3.5 to 1.0. As a result, Liberty will, in many instances, be permitted to rely on QVC's cash flow for servicing Liberty's debt and for other purposes, including repurchases of Liberty's common stock, or to fund acquisitions or other operational requirements of Liberty and its subsidiaries. These events may increase accumulated deficit or require QVC to borrow under the Third Amended and Restated Credit Agreement, increasing QVC's leverage and decreasing liquidity. QVC has made significant distributions to Liberty in the past.

Interest Rate Swap Arrangements

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of \$125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement does not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in gain on financial instruments in the accompanying condensed consolidated statement of operations. At March 31, 2017, the fair value of the swap instrument was in a net asset position of approximately \$2 million which was included in other noncurrent assets.

Additional Cash Flow Information

During the three months ended March 31, 2017, QVC's primary uses of cash were \$650 million of principal payments on debt and capital lease obligations, \$183 million of dividends to Liberty, \$22 million in dividend payments from QVC-Japan to Mitsui and \$18 million of capital and television distribution rights expenditures. These uses of cash were funded primarily with \$457 million of cash provided by operating activities and \$454 million of principal borrowings from the senior secured credit facility. As of March 31, 2017, QVC's cash and cash equivalents balance (excluding restricted cash) was \$324 million.

During the three months ended March 31, 2016, QVC's primary uses of cash were \$438 million of principal payments on debt and capital lease obligations, \$234 million of dividends to Liberty, \$40 million of capital and television distribution rights expenditures and \$21 million in dividend payments from QVC-Japan to Mitsui. These uses of cash were funded primarily with \$515 million of principal borrowings from the senior secured credit facility and \$280 million of cash provided by operating activities. As of March 31, 2016, QVC's cash and cash equivalents balance (excluding restricted cash) was \$361 million.

The change in cash provided by operating activities for the three months ended March 31, 2017 compared to the previous year was primarily due to variances in accrued liabilities, accounts payable, inventories and prepaid expenses and other current assets offset by variances in accounts receivable. The variances in accrued liabilities and accounts payable balances are primarily due to the timing of payments to vendors. The variance in inventories is primarily due to less of an increase of inventory balances internationally. The variance in prepaid expenses are primarily due to less of an increase in prepaid contracts in both segments. The variance in accounts receivable is due to less of a decrease in Easy-Pay receivables, mostly in the U.S.

As of March 31, 2017, \$146 million of the \$324 million in cash and cash equivalents was held by foreign subsidiaries. Cash in foreign subsidiaries is generally accessible, but certain tax consequences may reduce the net amount of cash we are able to utilize for U.S. purposes. QVC accrues taxes on the unremitted earnings of its international subsidiaries. Approximately two-thirds of this foreign cash balance was that of QVC-Japan. QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui. We believe that we currently have appropriate legal structures in place to repatriate foreign cash as tax efficiently as possible and meet the business needs of QVC.

Other

Capital expenditures spending in 2017 is expected to be between \$180 to \$190 million, including \$17 million already expended.

Refer to the chart under the "Off-balance Sheet Arrangements and Aggregate Contractual Obligations" section below for additional information concerning the amount and timing of expected future payments under QVC's contractual obligations at March 31, 2017.

QVC has contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible QVC may incur losses upon the 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, that may be required to satisfy such contingencies will not be material in relation to the accompanying condensed consolidated financial statements.

Off-balance Sheet Arrangements and Aggregate Contractual Obligations

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations at March 31, 2017 is summarized below:

(in millions)	Remainder of 2017	2018	2019	2020	2021	Payments due by period	
						Thereafter	Total
Long-term debt (1)	\$ —	—	400	—	1,404	3,150	4,954
Interest payments (2)	132	204	197	192	173	909	1,807
Capital lease obligations (including imputed interest)	10	15	15	12	11	17	80
Operating lease obligations	16	17	12	9	8	65	127
Build to suit lease	\$ 4	6	6	6	6	67	95

(1) Amounts exclude capital lease obligations and the issue discounts on the 3.125%, 4.375%, 4.85%, 4.45%, 5.45% and 5.95% Senior Secured Notes. Additionally, the presentation assumes there is no amount outstanding on the commitment that matures on March 9, 2020.

(2) Amounts (i) are based on the terms of QVC's senior secured credit facility and senior secured notes, (ii) assumes the interest rates on the floating rate debt remain constant at the rates in effect as of March 31, 2017, (iii) assumes that our existing debt is repaid at maturity and (iv) excludes capital lease obligations.

Our purchase obligations did not materially change as of March 31, 2017.

Recent Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued ASU No. 2016-08 which clarifies principal versus agent considerations, in April 2016, the FASB issued ASU No. 2016-10 which clarifies the identification of performance obligations and the implementation guidance for licensing, and in May 2016, the FASB issued ASU No. 2016-12 which clarifies assessing collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. The updated guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective transition method. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, and early adoption is permitted only for fiscal years beginning after December 15, 2016. The Company has reviewed the applicable ASU and has not yet selected a transition method. At the current time, the Company has not quantified the effects of this pronouncement, but it is working through the relevant aspects to evaluate the quantitative effects of the new guidance. However, the Company expects to elect the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component when its payment terms are less than one year. The Company plans to be able to quantify the effects of these ASUs no later than the fourth quarter of 2017. The Company is currently assessing the presentation and financial disclosures to evaluate the impact of the amended guidance on the Company's existing revenue recognition policies and procedures. The Company will continue to provide updates as to the progress of the Company's evaluation in its quarterly reports during 2017.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The new principle is part of the FASB's simplification initiative and applies to entities that measure inventory using a method other than last-in, first-out ("LIFO") or the retail inventory method. The Company has adopted this guidance as of January 1, 2017, and there was no significant effect of the standard on its financial reporting.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Statements - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires equity investments with readily determinable fair values (except those accounted for under the equity method of accounting or those that result in consolidation) to be measured at fair value with changes in fair value recognized in net income and simplifies the impairment assessment of

equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The new standard is effective for the Company for fiscal years and interim periods beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for the Company beginning on January 1, 2019 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company has not yet determined what the effects of adopting this ASU will be on its ongoing financial reporting.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted this guidance in the third quarter of 2016. In accordance with the new guidance, excess tax benefits and tax deficiencies are recognized as income tax benefit or expense rather than as additional paid-in capital. The Company has elected to recognize forfeitures as they occur rather than continue to estimate expected forfeitures. In addition, pursuant to the new guidance, excess tax benefits are classified as an operating activity on the condensed consolidated statements of cash flows. The recognition of excess tax benefits and deficiencies are applied prospectively from January 1, 2016. Refer to the "Reclassifications" section in note 1 to the accompanying condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues to reduce the diversity in practice for appropriate classification on the statement of cash flows. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017 with early adoption permitted. The Company does not expect the adoption will have a material effect on its condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, which requires an entity to recognize at the transaction date the income tax consequences of intercompany asset transfers other than inventory. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the effect that the updated standard will have on its condensed consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption will have a material effect on the condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* which simplifies the measurement for impairment by calculating the difference between the carrying amount and the fair value of the reporting unit. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company does not expect the adoption will have a material effect on the condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

QVC is exposed to market risk in the normal course of business due to ongoing investing and financial activities and the conduct of operations by subsidiaries in different foreign countries. Market risk refers to the risk of loss arising from adverse changes in stock prices, 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. QVC has established procedures and internal processes governing the management of market risks and the use of financial instruments to manage exposure to such risks.

Interest rate risk

QVC is exposed to changes in interest rates primarily as a result of borrowing activities. Over the long-term, QVC manages the exposure to interest rates by maintaining what QVC believes is an appropriate mix of fixed and variable rate debt.

The table below summarizes the Company's debt obligations, related interest rates and fair value of debt at March 31, 2017:

(in millions, except percentages)	Remainder of 2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
Fixed rate debt (1)	\$ —	—	400	—	—	3,150	3,550	3,532
Weighted average interest rate on fixed rate debt	—%	—%	3.1%	—%	—%	4.9%	4.7%	N/A
Variable rate debt	\$ —	—	—	—	1,404	—	1,404	1,404
Average interest rate on variable rate debt	—%	—%	—%	—%	2.5%	—%	2.5%	N/A

(1) Amounts exclude capital lease and build to suit lease obligations and the issue discounts on the 3.125%, 4.375%, 4.45%, 4.85%, 5.45% and 5.95% Senior Secured Notes. Additionally, the presentation assumes there is no amount outstanding on the commitment that matures on March 9, 2020.

N/A - Not applicable.

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of \$125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement does not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in gain on financial instruments in the accompanying condensed consolidated statement of operations. At March 31, 2017, the fair value of the swap instrument was in a net asset position of approximately \$2 million which was included in other noncurrent assets. A 1% change in the one-month U.S. LIBOR rate (floating portion of the interest rate swap) will result in a change in the value of the swap instrument less than \$1 million.

Foreign currency exchange rate risk

QVC is exposed to foreign exchange rate fluctuations related to the monetary assets and liabilities and the financial results of its 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 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 other comprehensive income as a separate component of stockholder's 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 transactions) or realized upon settlement of the transactions. Cash flows from operations in foreign countries are translated at the average rate for the period. Accordingly, QVC may experience economic loss and a negative impact on earnings and equity with respect to its holdings solely as a result of foreign currency exchange rate fluctuations. QVC's reported Adjusted OIBDA for the three months ended March 31, 2017 would have been impacted by approximately \$1 million for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

The Third Amended and Restated Credit Agreement provides QVC with the ability to borrow in multiple currencies. This allows QVC to somewhat mitigate foreign currency exchange rate risks. As of March 31, 2017, no borrowings in foreign currencies were outstanding.

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 March 31, 2017 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

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 6. Exhibits

(a) Exhibits

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

- 31.1 Rule 13a-14(a)/15d-14(a) Certification*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification*
- 32.1 Section 1350 Certification**
- 101.INS XBRL Instance Document*
- 101.SCH XBRL Taxonomy Extension Schema Document*
- 101.CAL XBRL Taxonomy Calculation Linkbase Document*
- 101.LAB XBRL Taxonomy Label Linkbase Document*
- 101.PRE XBRL Taxonomy Presentation Linkbase Document*
- 101.DEF XBRL Taxonomy Definition Document*

*Filed herewith.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

QVC, Inc.

Date: May 9, 2017

By: /s/ MICHAEL A. GEORGE

Michael A. George

President and Chief Executive Officer (Principal Executive Officer)

Date: May 9, 2017

By: /s/ THADDEUS J. JASTRZEBSKI

Thaddeus J. Jastrzebski

Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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

- 31.1 Rule 13a-14(a)/15d-14(a) Certification*
- 31.2 Rule 13a-14(a)/15d-14(a) Certification*
- 32.1 Section 1350 Certification**
- 101.INS XBRL Instance Document*
- 101.SCH XBRL Taxonomy Extension Schema Document*
- 101.CAL XBRL Taxonomy Calculation Linkbase Document*
- 101.LAB XBRL Taxonomy Label Linkbase Document*
- 101.PRE XBRL Taxonomy Presentation Linkbase Document*
- 101.DEF XBRL Taxonomy Definition Document*

* Filed herewith.

**Furnished herewith.

CERTIFICATION

I, Michael A. George, certify that:

1. I have reviewed this report on Form 10-Q of QVC, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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 we 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this 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 officer 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: May 9, 2017

By: /s/ MICHAEL A. GEORGE

Michael A. George
President and Chief Executive Officer (Principal Executive Officer)

CERTIFICATION

I, Thaddeus J. Jastrzebski, certify that:

1. I have reviewed this report on Form 10-Q of QVC, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer 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 we 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this 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 officer 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: May 9, 2017

By: /s/ THADDEUS J. JASTRZEBSKI

Thaddeus J. Jastrzebski
Executive Vice President and Chief Financial Officer (Principal Financial Officer
and Principal Accounting 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 QVC, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Report on Form 10-Q for the quarter ended March 31, 2017 (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: May 9, 2017

By: /s/ MICHAEL A. GEORGE

Michael A. George

President and Chief Executive Officer (Principal Executive Officer)

Date: May 9, 2017

By: /s/ THADDEUS J. JASTRZEBSKI

Thaddeus J. Jastrzebski

Executive Vice President and Chief Financial Officer (Principal Financial Officer and
Principal Accounting 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.