

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from _____ to _____

Commission File Number 001-33982

QURATE RETAIL, INC.

(Exact name of Registrant as specified in its charter)

State of Delaware 84-1288730
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

12300 Liberty Boulevard 80112
Englewood, Colorado (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (720) 875-5300
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting stock held by nonaffiliates of Qurate Retail, Inc. computed by reference to the last sales price of Qurate Retail, Inc. common stock, as of the closing of trading on June 30, 2020, was approximately \$2.2 billion.

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

Series A common stock	381,046,243
Series B common stock	29,366,492

Documents Incorporated by Reference

The Registrant's definitive proxy statement for its 2021 Annual Meeting of Stockholders is hereby incorporated by reference into Part III of this Annual Report on Form 10-K

**QURATE RETAIL, INC.
2020 ANNUAL REPORT ON FORM 10-K**

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PART I.

Item 1. Business.

General Development of Business

Qurate Retail, Inc. ("Qurate Retail", the "Company", "we", "us" and "our"), formerly known as Liberty Interactive Corporation prior to the Transactions (defined and described below), owns interests in subsidiaries and other companies which are primarily engaged in the video and online commerce industries. Through our subsidiaries and affiliates, we operate in North America, Europe and Asia. Our principal businesses and assets include our consolidated subsidiaries QVC, Inc. ("QVC"), which includes HSN, Inc. ("HSN"), Zulily, LLC ("Zulily"), Cornerstone Brands, Inc. ("Cornerstone") and other cost and equity method investments.

On September 23, 2011, Qurate Retail completed the split-off (the "LMC Split-Off") of a wholly owned subsidiary, Liberty Media Corporation ("LMC"). Following the LMC Split-Off, Qurate Retail and LMC operate as separately publicly traded companies and neither has any stock ownership, beneficial or otherwise, in the other.

Qurate Retail and LMC entered into certain agreements in order to govern certain of the ongoing relationships between the two companies. These agreements include a reorganization agreement, a services agreement (the "Services Agreement"), a facilities sharing agreement (the "Facilities Sharing Agreement") and a tax sharing agreement. Pursuant to the Services Agreement, LMC provides Qurate Retail with general and administrative services including legal, tax, accounting, treasury and investor relations support. See below for a description of an amendment to the Services Agreement entered into in December 2019. Qurate Retail reimburses LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Qurate Retail's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Qurate Retail. Under the Facilities Sharing Agreement, Qurate Retail shares office space with LMC and related amenities at LMC's corporate headquarters.

In December 2019, the Company entered into an amendment to the Services Agreement with LMC in connection with LMC's entry into a new employment arrangement with Gregory B. Maffei, the Company's Chairman of the Board (the "Chairman"). Under the amended Services Agreement, components of his compensation would either be paid directly to him by each of the Company, Liberty TripAdvisor Holdings, Inc. ("TripAdvisor Holdings"), GCI Liberty, Inc. ("GCI Liberty"), and Liberty Broadband Corporation ("Liberty Broadband") (collectively, the "Service Companies") or reimbursed to LMC, in each case, based on allocations among LMC and the Service Companies set forth in the amended Services Agreement, currently set at 19% for the Company but subject to adjustment on an annual basis upon the occurrence of certain events. The amended Services Agreement provides for a five year employment term which began on January 1, 2020 and ends December 31, 2024, with an aggregate annual base salary of \$3 million (with no contracted increase), an aggregate one-time cash commitment bonus of \$5 million (paid in December 2019), an aggregate annual target cash performance bonus of \$17 million, aggregate annual equity awards of \$17.5 million and aggregate equity awards granted in connection with his entry into his new agreement of \$90 million (the "upfront awards"). A portion of the grants made to our Chairman in the year ended December 31, 2020 related to our Company's allocable portion of these upfront awards.

On August 9, 2012, Qurate Retail completed the approved recapitalization of its common stock through the creation of the Liberty Interactive common stock and Liberty Ventures common stock as tracking stocks. Effective June 4, 2015, the name of the "Liberty Interactive common stock" was changed to the "QVC Group common stock."

A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Prior to the Transactions, Qurate Retail had two tracking stocks, QVC Group common stock and Liberty Ventures common stock, which were intended to track and reflect the economic performance of Qurate Retail's QVC Group and Ventures Group, respectively. While the QVC Group and the Ventures Group had separate collections of businesses, assets and liabilities attributed to them, no group was a separate legal entity and therefore no group could own assets, issue securities or enter into legally binding agreements. Holders of tracking stock had no direct claim to the group's stock or assets and

were not represented by separate boards of directors. Instead, holders of tracking stock were stockholders of the parent corporation, with a single board of directors and subject to all of the risks and liabilities of the parent corporation.

On March 9, 2018, Qurate Retail completed the transactions contemplated by the Agreement and Plan of Reorganization (as amended, the “Reorganization Agreement,” and the transactions contemplated thereby, the “Transactions”) among General Communication, Inc. (“GCI”), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Qurate Retail (“LI LLC”). Pursuant to the Reorganization Agreement, GCI amended and restated its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc.) and effected a reclassification and auto conversion of its common stock. After market close on March 8, 2018, Qurate Retail’s board of directors approved the reattribution of certain assets and liabilities from Qurate Retail’s Ventures Group to its QVC Group, which was effective immediately. The reattributed assets and liabilities included cash, Qurate Retail’s interest in ILG, Inc., certain green energy investments, LI LLC’s exchangeable debentures, and certain tax benefits.

Following these events, Qurate Retail acquired GCI Liberty through a reorganization in which certain Qurate Retail interests, assets and liabilities attributed to the Ventures Group were contributed (the “contribution”) to GCI Liberty in exchange for a controlling interest in GCI Liberty. Qurate Retail and LI LLC contributed to GCI Liberty their entire equity interest in Liberty Broadband, Charter, and LendingTree, Inc. (“LendingTree”), the Evite, Inc. (“Evite”) operating business and other assets and liabilities attributed to Qurate Retail’s Venture Group (following the reattribution), in exchange for (a) the issuance to LI LLC of a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock on March 9, 2018, respectively, (b) cash and (c) the assumption of certain liabilities by GCI Liberty.

Following the contribution, Qurate Retail effected a tax-free separation of its controlling interest in the combined company (the “GCI Liberty Split-Off”), GCI Liberty, to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock, in which each outstanding share of Series A Liberty Ventures common stock was redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock. Simultaneous with the closing of the Transactions, QVC Group common stock became the only outstanding common stock of Qurate Retail, and thus QVC Group common stock ceased to function as a tracking stock. On April 9, 2018, Liberty Interactive Corporation was renamed Qurate Retail, Inc. On May 23, 2018, Qurate Retail amended its charter to eliminate the tracking stock capitalization structure and reclassify each share of QVC Group common stock into one share of the corresponding series of new common stock of Qurate Retail. Throughout this annual report we refer to our Series A and Series B common stock as “Qurate Retail common stock” and “QVC Group common stock.” In July 2018, the Internal Revenue Service (“IRS”) completed its review of the GCI Liberty Split-Off and informed Qurate Retail that it agreed with the nontaxable characterization of the transactions. Qurate Retail received an Issue Resolution Agreement from the IRS documenting this conclusion.

Qurate Retail viewed LendingTree, Evite and Liberty Broadband as separate components and evaluated them separately for discontinued operations presentation. Based on a quantitative analysis, the split-off of Qurate Retail’s interest in Liberty Broadband had a major effect on Qurate Retail’s operations. Accordingly, Qurate Retail’s interest in Liberty Broadband is presented as a discontinued operation. The disposition of Evite and LendingTree as part of the GCI Liberty Split-Off did not have a major effect on Qurate Retail’s historical results nor is it expected to have a major effect on Qurate Retail’s future operations. Accordingly, Evite and LendingTree are not presented as discontinued operations.

* * * * *

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding business, product and marketing strategies; COVID-19 (as defined below); QRG Initiatives (as defined below); new service offerings; revenue growth at QVC; synergies; the recoverability of goodwill and other intangible assets; projected sources and uses of cash; repayment of debt; fluctuations in interest rates and foreign currency exchange rates; and the anticipated impact of certain contingent

liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements under Item 1. "Business," Item 1A. "Risk-Factors," Item 2. "Properties," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

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

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, 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. When considering such forward-looking statements, you should keep in mind the factors described in Item 1A, "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

Description of Business

The following table identifies our subsidiaries:

Consolidated Subsidiaries

QVC, Inc.
Zulily, LLC
Cornerstone Brands, Inc.

QVC

On December 29, 2017, Qurate Retail completed the acquisition of the remaining 62% ownership interest of HSN in an all-stock transaction. On December 31, 2018, Qurate Retail transferred our 100% ownership interest in HSN to QVC, Inc. through a transaction among entities under common control. References throughout this Annual Report to "QVC" refer to QVC, Inc., which includes HSN, QVC U.S. and QVC International. On October 17, 2018, Qurate Retail announced a series of initiatives designed to better position its HSN and QVC U.S. businesses (the "QRG Initiatives"). As a result of changes in internal reporting from the QRG Initiatives, during the first quarter of 2019 the Company changed its reportable segments to combine HSN and QVC U.S. into one reportable segment called "QxH."

QVC curates and sells a wide variety of consumer products via highly engaging, video-rich, interactive shopping experiences distributed to approximately 218 million worldwide households each day, through its broadcast networks. QVC also reaches audiences through its websites (including QVC.com, HSN.com and others), its virtual multichannel video programming distributors (including Hulu+, Live TV, AT&T TV and as of January 2021, YouTube TV); its applications via streaming video (Facebook Live, Roku, Apple TV, and Amazon Fire), its mobile applications, its social pages and over-the-air broadcasters. QVC believes it is a global leader in video retailing, e-commerce, mobile commerce and social commerce, with operations based in the U.S., Germany, Japan, the U.K. and Italy. QVC's operating strategies are to (i) Curate special products at compelling values; (ii) Extend video reach and relevance; (iii) Reimagine daily digital discovery; (iv) Expand and engage its passionate community; and (v) Deliver joyful customer service. In addition, QVC is exploring opportunities to evolve the International operating model to pursue growth opportunities in a more leveraged way across markets. For the year ended December 31, 2020, approximately 92% of its worldwide shipped sales were from repeat and reactivated customers (i.e., customers who made a purchase from QVC during the prior twelve months and customers who previously made a purchase from QVC but not during the prior twelve months). In the same period, QVC attracted approximately 4.7 million new customers and the global e-commerce operation comprised \$6.4 billion, or 56.2%, of its consolidated net revenue for the year ended December 31, 2020.

QVC operates fifteen distribution centers and eight call centers worldwide. In 2020, QVC's work force consisted of approximately 22,200 employees who handled approximately 115 million customer calls, shipped approximately 239 million units globally and served approximately 16.5 million unique customers. QVC believes its long-term relationships with major U.S. television distributors, including cable operators (e.g., Comcast, Charter and Cox), satellite television providers (e.g., DISH Network and DIRECTV) and telecommunications companies (e.g., Verizon and AT&T), provide it with broad distribution, favorable channel positioning and significant competitive advantages. QVC believes that its significant market share, brand awareness, outstanding customer service, repeat customer base, flexible payment options, international reach and scalable infrastructure distinguishes QVC from its competitors.

QxH

QxH's programming is distributed in the U.S., 20 hours per day of live programming, 364 days per year, to approximately 94 million television households and is distributed to approximately 99% of households subscribing to

services offered by television distributors. QxH's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full time basis, including the main QVC and HSN channels as well as the additional channels of QVC2, QVC3, and HSN2. These additional channels offer viewers access to a broader range of QxH programming options as well as more relevant programming for viewers in different time zones. QxH also has over-the-air broadcasting in designated U.S. markets that can be accessed by any household with a digital antenna in such markets, regardless of whether it subscribes to a paid television service. This allows QxH to reach customers who previously did not have access to the program through other television platforms.

QxH's programming is also available through QVC.com and HSN.com (collectively, QVC's "Websites"), as well as virtual multichannel video programming distributors (including Hulu+ Live TV, AT&T TV and as of January 2021, YouTube TV), applications via streaming video (Facebook Live, Roku, Apple TV, and Amazon Fire), mobile applications, social pages and over-the-air broadcasters (collectively, QVC's "Digital Platforms"). QxH's Digital Platforms enable consumers to purchase goods offered on its broadcast programming along with a wide assortment of products that are available only on its Websites. QxH's Websites and other Digital Platforms are natural extensions of its business model, allowing customers to engage in its shopping experience wherever they are, with live or on-demand content customized to the device they are using. In addition, its Websites and mobile applications allow shoppers to browse, research, compare and perform targeted searches for products, read customer reviews, control the order-entry process and conveniently access their account. For the year ended December 31, 2020, approximately 85% of new QxH customers made their first purchase through QxH's Digital Platforms. QxH's Digital Platform revenue as a percentage of total QxH net revenue has increased from 55.6% in 2018 to 59.8% in 2020. QxH, including its Digital Platforms, contributed \$8.5 billion, or 74%, of consolidated QVC net revenue, \$1,128 million of operating income and \$1,547 million of Adjusted OIBDA (defined in Part II, Item 7 of this report) for the year ended December 31, 2020.

QVC International

QVC International brings the QVC shopping experience to approximately 124 million households outside the U.S., primarily in Germany, Austria, Japan, the U.K., the Republic of Ireland and Italy. Similar to QxH, QVC's international business engages customers via multiple platforms, including broadcast networks, websites, mobile applications and social pages. QVC International product sourcing teams select products tailored to the interests of each local market. For the year ended December 31, 2020, QVC International, including its Digital Platforms generated \$3.0 billion, or 26%, of consolidated QVC net revenue, \$439 million of operating income and \$510 million of Adjusted OIBDA and QVC International's Digital Platform usage generated \$1,359 million, or 45.8%, of its total international net revenue.

Merchandise

QVC's global merchandise mix features: (i) home, (ii) beauty, (iii) apparel, (iv) accessories, (v) electronics and (vi) jewelry. Many of its brands are exclusive, while others are created by well-known designers. QVC's global sales mix is provided in the table below:

Product category	Years ended December 31,		
	2020	2019	2018
Home	42%	38%	38%
Beauty	18%	18%	18%
Apparel	14%	16%	16%
Accessories	11%	11%	11%
Electronics	10%	11%	11%
Jewelry	5%	6%	6%
Total	100%	100%	100%

Unlike traditional brick-and-mortar retailers with inventories across a network of stores, QVC is able to quickly adapt its offerings in direct response to changes in its customers purchasing patterns. QVC utilizes a test and re-order model to determine initial customer demand. Through constant monitoring, QVC manages its product offerings to maximize net revenue and fulfill current demand in large growth segments where it can gain a greater share of its customers'

purchases. QVC's merchandising team is dedicated to continually researching, pursuing and launching new products and brands. With a mandate to deliver hard-to-find value, its merchants find and curate collections of high quality goods from manufacturers with the scale to offer sufficient supply to QVC's existing and future customers. QVC maintains strong relationships with its vendors, which are attracted by the showcasing and story-telling elements of its programming, and the volume of sales during featured presentations.

QVC purchases, or obtains on consignment, products from U.S. and foreign manufacturers and wholesalers, often on favorable terms based upon the volume of the transactions. QVC has attracted some of the world's most respected consumer brands as well as celebrities, entrepreneurs and designers to promote these brands. Brand leaders such as HP, Dooney & Bourke, Dyson, Skechers and Philosophy reach a broad audience while product representatives share the stories behind these brands. QVC has agreements with celebrities, entrepreneurs and designers such as Isaac Mizrahi, Curtis Stone and Giuliana Rancic enabling it to provide entertaining and engaging programming that develops a lifestyle bond with its customers. These celebrity personalities and product representatives often provide pre-appearance publicity for their QVC products on their own social pages and broadcast shows, enhancing demand during their QVC appearances. QVC presents and promotes across its networks, websites, mobile applications and social platforms, allowing shoppers to engage with QVC on multiple platforms and devices.

Video Distribution

QVC distributes its programming via satellite and optical fiber, to cable television and direct-to-home satellite system operators for retransmission to its subscribers in the U.S., Germany, Japan, the U.K., Italy and neighboring countries. QVC also transmits its programming over digital terrestrial broadcast television to viewers throughout Italy, Germany, and the U.K. and to viewers in certain geographic regions in the U.S. In the U.S., QVC uplinks its digital programming transmissions using a third-party service, or internal resources. The transmissions are uplinked to protected, non-preemptible transponders on U.S. satellites. "Protected" status means that, in the event of a transponder failure, the signal will be transferred to a spare transponder or, if none is available, to a preemptible transponder located on the same satellite or, in certain cases, to a transponder on another satellite owned by the same service provider if one is available at the time of the failure. "Non-preemptible" status means that, in the event of a transponder failure, QVC's transponders cannot be preempted in favor of a user of a failed transponder, even another user with "protected status." The international business units each obtain uplinking services from third parties and transmit their programming to non-preemptible transponders on international satellites and terrestrial transmitters. The transponder service agreements for the U.S. transponders expire at the earlier of the end of the lives of the satellites or the service agreements. The service agreements for QxH expire between 2023 and 2025. The service agreements for QVC International transponders and terrestrial transmitters expire between 2021 and 2029.

QVC continually seeks to expand and enhance its broadcast and e-commerce platforms, as well as to further its international operations and multimedia capabilities. QVC offers native high definition ("HD") programming in addition to standard definition programming, which provides additional channel locations and allows QVC to utilize a typically wider screen with crisper and more colorful images to present a larger "storefront," which QVC believes captures the attention of channel "surfers" and engages its customers. In the U.S., QVC's HD programming reaches approximately 77 million households. QVC continues to develop and launch features to further enrich the viewing experience.

Affiliation Agreements

QVC enters into long-term affiliation agreements with certain of its television distributors who downlink its programming and distribute the programming to customers. QVC's affiliation agreements with distributors have termination dates ranging from 2021 to 2024. QVC's ability to continue to sell products to its customers is dependent on its ability to maintain and renew these affiliation agreements in the future. Although QVC is typically successful in obtaining and renewing these agreements, it does not have distribution agreements with some of the distributors that carry its programming. QVC is currently providing programming without affiliation agreements to distributors representing approximately 6% of its QVC channel distribution and 1% of its HSN channel distribution. Some of its international programming may continue to be carried by distributors after the expiration dates on its affiliation agreements with such distributors have passed.

In return for carrying QVC's signals, each programming distributor for its U.S. distribution receives an allocated portion, based upon market share, of up to 5% of the net sales of merchandise sold via the television programs and from certain Internet sales to customers located in the programming distributor's service areas. In some cases, pay television operators receive additional compensation in the form of commission guarantees in exchange for their commitments to deliver a specified number of subscribers, channel placement incentives and advertising insertion time. QVC International programming distributors predominantly receive an agreed-upon annual fee, a monthly or yearly fee per subscriber regardless of the net sales, a variable percentage of net sales or some combination of the above arrangements.

In addition to sales-based commissions or per-subscriber fees, QVC also makes payments to distributors primarily in the U.S. for carriage and to secure channel positioning within a broadcast area or within the general entertainment area on the distributor's channel lineup. QVC believes that a portion of its sales are attributable to purchases resulting from channel "surfing" and that a channel position near broadcast networks and more popular cable networks increases the likelihood of such purchases. As technology evolves, QVC will continue to monitor optimal channel placement and attempt to negotiate agreements with its distributors to maximize the viewership of its television programming.

Demographics of customers

QVC enjoys a very loyal customer base, as demonstrated by the fact that for the twelve months ended December 31, 2020, approximately 86% of its shipped sales came from repeat customers (i.e., customers who made a purchase from QVC during the prior twelve months), who spent an average of \$1,327 each during this period. An additional 8% of shipped sales in that period came from new customers and the remaining 6% of shipped sales came from reactivated customers (i.e., customers who previously made a purchase from QVC, but not during the prior twelve months).

QVC experienced strong customer growth across all markets during 2020. Consolidated customer count increased by approximately 9% for the year ended December 31, 2020. On a trailing twelve month basis, total consolidated customers were approximately 16.5 million which includes 11.6 million QxH customers and 4.9 million QVC International customers. QVC believes its core customer base represents an attractive demographic target market. Based on internal customer data for QxH, approximately 44% of its 11.6 million customers for the twelve months ended December 31, 2020 were women between the ages of 35 and 64.

Ordering and fulfillment

QVC takes a majority of its orders via its websites and via mobile applications on iPhone, iPad, Apple Watch, Android and other devices. QxH and QVC International customers placed approximately 40% and 34%, respectively, of all orders directly through their mobile devices in 2020.

QVC has three customer contact centers in the US and five international customer contact centers that can direct calls, e-mail contacts and social contacts from one center to the other as volume mandates. Many markets also utilize home agents to handle calls, allowing staffing flexibility for peak hours. In addition, QVC utilizes computerized interactive voice response order systems for telephonic orders, which handle approximately 25% of all orders taken on a worldwide basis. QxH has eleven distribution centers and QVC International has four distribution centers. QVC's distribution centers and drop ship partners shipped, on average, 463,000 units per day at QxH and 192,000 units per day at QVC International during 2020. Refer to Item 2. "Properties" for further details.

QVC has built a scalable operating infrastructure focused on sustaining efficient, flexible and cost-effective sale and distribution of its products. Since its physical store locations are minimal, QVC requires lower inventory levels and capital expenditures compared to traditional brick-and-mortar retailers. In recent years, QVC has made and continues to make significant investments in its distribution centers that it believes will accommodate its foreseeable growth needs. Further, since QVC has no set "floor plan" and can closely manage inventory levels at its centralized warehouses, QVC believes it has the flexibility to analyze and react quickly to changing trends and demand by shifting programming time and product mix. QVC's cost structure is highly variable, which QVC believes allows it to consistently achieve attractive margins relative to brick-and-mortar retailers.

Third party carriers transport QVC's packages from its distribution centers to its customers. In each market where QVC operates, it has negotiated long-term contracts with shipping companies, which in certain circumstances provides for favorable shipping rates.

Competition

QVC operates in a rapidly evolving and highly competitive retail business environment. QVC has numerous and varied competitors at the national and local levels, ranging from large department stores to specialty shops, e-commerce retailers, direct marketing retailers, wholesale clubs, discount retailers, infomercial retailers, and mail-order and catalog companies. Some of QVC's competitors, such as Amazon and Walmart, have a significantly greater web-presence. QVC believes that the principal competitive factors for its web-commerce operations are high-quality products, brand recognition, selection, value, convenience, price, website performance, customer service and accuracy of order shipment.

QVC believes that QxH is a leader in video shopping, e-commerce, mobile commerce and social commerce by curating quality products at outstanding values, providing exceptional customer service, establishing favorable channel positioning and multiple touchpoints across digital platforms and generating repeat business from its core customer base and that it also compares favorably in terms of sales to general, non-video based retailers due to its extensive customer reach and efficient cost structure. QxH's closest video shopping competitor is ShopHQ and QVC International operations face similar competition in their respective markets, such as Jupiter Shop Channel in Japan, HSE (formerly referred to as HSE 24) in Germany, Austria, and Italy, and Ideal World in the U.K.

QVC also competes for access to customers and audience share with other providers of broadcast, digital and hard copy entertainment and content. The price and availability of other programming and the conversion to digital programming platforms may unfavorably affect the placement of its programming in the channel line-ups of its distributors, and may affect its ability to obtain distribution agreements with small cable distributors. Competition from other programming also affects the compensation that must be paid to distributors for carriage. Principal competitive factors for QVC include (i) value, quality and selection of merchandise; (ii) customer experience, including customer service and speed, cost and reliability of fulfillment and delivery services; and (iii) convenience and accessibility of sales channels.

Intellectual Property

QVC regards its tradenames, service marks, patents, copyrights, domain names, trade dress, trade secrets, proprietary technologies and similar intellectual property as critical to its success. QVC relies on a combination of tradename, patent and copyright law, trade-secret protection, and confidentiality and/or license agreements with its employees, customers, suppliers, affiliates and others to protect these proprietary rights. QVC has registered, or applied for the registration of, a number of tradenames, service marks, patents, copyrights and domain names through U.S. and foreign governmental authorities and vigorously protects its proprietary rights against infringement.

Domestically, QVC has registered tradenames and service marks including, but not limited to its brand names and logo, "QVC," "Quality Value Convenience," "Find What You Love, Love What You Find," the "Q Logo," and "Q" and tradenames for its proprietary products sold such as "Arte D'Oro," "Cook's Essentials," "Denim & Co.," "Diamonique," "Nature's Code," "Northern Nights" and "Ultrafine Silver." Similarly, foreign registrations have been obtained for many tradenames and service marks for its brand names, logo and propriety products including, but not limited to, "QVC," the "Q Logo," "Q," "Cook's Essentials," "Denim & Co.," "Diamonique" and "Northern Nights."

HSN has numerous tradename registrations or pending applications in the United States which help to expand HSN's brand awareness. These registrations and applications include the "HSN" brand name and the "HSN logo" as well as registrations for HSN's proprietary products and services, including, but not limited to, "HSN Shop By Remote," "Technibond," and "Concierge Collection."

QVC considers the "QVC" and "HSN" names the most significant tradenames and service marks it holds because of their impact on market awareness across all of its geographic markets and on customers' identification with QVC. As with all domestic tradenames or service marks, QVC's tradename and service mark registrations in the U.S. are for a ten

year period and are renewable every ten years, prior to their respective expirations, as long as the tradenames or service marks are used in the regular course of trade.

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 21% and 24% of its global revenue in each of the first three quarters of the year and 32% of its global revenue in the fourth quarter of the year.

Zulily

On October 1, 2015, we acquired 100% of Zulily. Zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles every day. The Zulily website was launched in January 2010. Through its app, mobile and desktop experiences, Zulily helps its customers discover new and unique products at great values that they would likely not find elsewhere. Zulily's merchandise includes women's, children's and men's apparel and other products such as home, accessories and beauty products. Zulily sources its merchandise from thousands of vendors, including emerging brands and smaller boutique vendors, as well as larger national brands. Zulily has built a large scale and uniquely curated shopping destination.

Every morning, Zulily launches a variety of flash sales events. These events feature thousands of product styles from different vendors and typically last for 72 hours. Product offerings are typically only available for a limited time and in a limited quantity, creating urgency to browse, discover and purchase.

Before Zulily launches an event, Zulily obtains photographs of the merchandise and its editorial team writes about the merchandise based on the product details provided by the vendor. Zulily strives to offer the lowest price points for its customers, with the average item offered for a significant discount off the manufacturer's suggested or comparison retail price. Zulily then uses its proprietary technology, data analytics and personalization tools to segment its audience, offering each customer a curated and optimized shopping experience that features brands, products and events that it believes are most relevant for that customer.

Zulily acquires new customers through a diverse set of paid and unpaid marketing channels, including affiliate channels and partners, customer referrals, direct navigation, display advertising, key word search campaigns, search engine optimization, social media and television ads. Core to its business model is that Zulily acquires customers via paid and unpaid sources, and then drives engagement and repeat purchases from those customers over a long period of time through diversified marketing channels.

Continual innovation through investment in technology is core to Zulily's business. Zulily uses its technology platform to improve the experience of its customers and vendors, increase the purchase frequency and average order size and optimize the efficiency of its business operations. Zulily's technology team is focused on rapid innovation through advanced agile software development processes. Investment in machine learning and data science helps place the right product in front of the right customer at the right time. Zulily's scalable platform uses custom-built and third-party technologies to support its specific customer and vendor requirements, including handling significant spikes in site traffic and transactions on a daily basis, and the rapid and complex order supply chain needs that are unique to Zulily's flash sales and minimal inventory model. Zulily believes it can quickly scale its infrastructure to accommodate significantly higher volumes of site traffic, customers, orders and the overall growth in its business.

To best serve its customers and vendors, Zulily has a custom, fully integrated fulfillment infrastructure consisting of receiving, sorting, inventory management and repackaging systems which are driven by proprietary fulfillment management software. Zulily's supply chain solution efficiently handles the small-to-medium lot sizes and high inventory turnover required by constantly changing, limited-time product offerings. Zulily operates a minimal inventory, intermediary model where it typically takes customer orders before purchasing inventory from vendors. As a result, Zulily is able to offer a much larger selection of products to customers and to generate greater sales for vendors, who are able to match a broader range of their product supply to actual customer demand. In addition, Zulily also offers third party

fulfillment services to its vendors which allows vendors to store their inventory in Zulily's warehouses and fulfill orders for Zulily's events or other retail channels and has helped reduce shipping times to Zulily customers.

Zulily views its target market broadly and competes with any retailer where its customers shop. It faces significant competition from both online and offline retailers, competing on: product curation and selection, personalization, price, convenience, ease of use, consumer experience, vendor satisfaction and shipping time and cost.

Zulily relies on laws and regulations, contractual restrictions, copyrights, and tradenames to protect its intellectual property and proprietary rights. Zulily's employees and contractors also typically enter into agreements to assign to Zulily the inventions and content they produce in performing their jobs. Zulily controls access to confidential information by entering into confidentiality agreements with its employees, contractors and third parties, such as vendors, service providers, individuals and entities that may be exploring a business relationship with Zulily. Despite the protection of general intellectual property law and its contractual restrictions, it may be possible for a third party to copy or otherwise obtain and use Zulily's intellectual property without Zulily's authorization.

Zulily has registered numerous Internet domain names related to its business. In addition, Zulily pursues the registration of its tradenames in the U.S. and certain other locations outside of the U.S.; however, effective intellectual property protection or enforcement may not be available in every country in which Zulily's products and services are made available in the future. In the U.S. and certain other countries, Zulily has registered or has applications pending for its key tradenames, including: Zulily, the Zulily design mark and designs associated with its mobile applications and branded social channels.

Zulily's results are impacted by a pattern of elevated sales volume during the holiday shopping season in the fourth quarter. The fourth quarter accounted for approximately 30.7% and 28.8% of Zulily's revenue for the years ended December 31, 2020 and 2019, respectively.

Cornerstone

Cornerstone consists of a portfolio of aspirational home and apparel brands. Although there is some overlap in the product offerings, the home brands are comprised of Ballard Designs, Frontgate, and Grandin Road. Garnet Hill focuses primarily on apparel and accessories and is categorized as an apparel brand. There are also 21 retail and outlet stores located throughout the United States.

Frontgate features premium, high quality indoor (including bed, bath, kitchen, dining and living room) and outdoor (including patio, garden and pool) furnishings and accessories. Ballard Designs features European-inspired bed, bath, dining, outdoor and office furnishings and accessories, as well as rugs, shelving and architectural accents for the home. Grandin Road offers an affordable style assortment of products ranging from occasional furniture, accessories, holiday décor and outdoor furniture.

New editions of full-color catalogs are mailed to customers several times each year, with a total annual circulation in 2020 of approximately 166 million catalogs. The timing and frequency of catalog circulation varies by brand and depends upon a number of factors, including the timing of the introduction of new products, marketing campaigns and promotions and inventory levels, among other factors. Branded catalogs are designed in-house, which enables each individual brand to control the process.

Cornerstone also operates websites for each of its featured brands, such as BallardDesigns.com, Frontgate.com, GarnetHill.com, and GrandinRoad.com. These websites serve as additional storefronts for products featured in related print catalogs, as well as provide customers with additional content and product assortments to support and enhance their shopping experience. Additional content provided by these websites, which differs across the various websites, includes decorating tips, measuring information, online design centers, gift registries and travel centers, as well as a feature that allows customers to browse the related catalog online.

The Cornerstone brands differentiate themselves by offering customers an assortment of innovative proprietary and branded apparel and home products. In many cases, Cornerstone seeks to secure exclusive distribution rights for certain

products. Cornerstone employs in-house designers and partners with leading manufacturers and designers to aid in the development of its unique, exclusive product assortment. The Cornerstone brands use their respective websites and e-mail marketing to promote special offers, including cross-promotions for other Cornerstone brands. Cornerstone believes that these affiliations enhance the awareness of the Cornerstone brands among consumers as well as strengthen its various brands overall. Cornerstone has also been extending its distributed commerce platform through both its experiential and more traditional retail and outlet stores, as a marketing tool to increase demand in the overall regions where the stores reside.

Regulatory Matters

Programming and Interactive Television Services

Although QVC, a wholly owned subsidiary, markets and sells consumer products through a variety of outlets, it does so, in large part, through live video programming services distributed by cable television systems, satellite systems and over-the-air broadcasters. Consequently, regulation of programming services and the entities that distribute them can affect QVC. In the U.S., the Federal Communications Commission (“FCC”) regulates broadcasters, the providers of satellite communications services and facilities for the transmission of programming services, the cable television systems and other multichannel video programming distributors (“MVPDs”) that distribute such services, and, to some extent, the availability of the programming services themselves through its regulation of program licensing. Cable television systems in the U.S. are also regulated by municipalities or other state and local government authorities. Regulatory carriage requirements also could adversely affect the number of channels available to QVC.

Regulation of Program Licensing. The Cable Television Consumer Protection and Competition Act of 1992 (the “1992 Cable Act”) directed the FCC to promulgate regulations regarding the sale and acquisition of cable programming between MVPDs (including cable operators) and satellite-delivered programming services in which a cable operator has an attributable interest. The 1992 Cable Act and implementing regulations generally prohibit a cable operator that has an attributable interest in a satellite programmer from improperly influencing the terms and conditions of sale to unaffiliated MVPDs. Further, the 1992 Cable Act requires that such affiliated programmers make their programming services available to cable operators and competing MVPDs such as multi-channel multi-point distribution systems and direct broadcast satellite system (“DBS”) distributors on terms and conditions that do not unfairly discriminate among distributors, and the FCC has established complaint enforcement and damages remedy procedures. FCC rules attribute the ownership interests in Charter and the cable operator subsidiaries of the former GCI Liberty, Inc. of Liberty Broadband, and Liberty Latin America Ltd.’s ownership interest in Liberty Cablevision of Puerto Rico LLC to us, thereby subjecting us and satellite-delivered programming services in which we have an interest to the program access rules. Our subsidiary QVC is subjected to program access rules as a result of the foregoing attributable interests under FCC rules. We are also subject to the program access rules as a condition of FCC approval of Qurate Retail’s transaction with News Corporation in 2008.

In 2014, the FCC released a notice of proposed rulemaking seeking comment on a proposal to revise the definition of MVPD in its rules to include services, such as Internet-based services, that make available for purchase by viewers, multiple linear streams of video programming, regardless of the technology used to distribute the programming. However, the FCC has never adopted rules pursuant to that proposal. If the FCC were to adopt its proposed definition and determine that the program access rules apply to such MVPDs, QVC potentially would be required to negotiate with, and license its programming services to, such MVPDs and to comply with other related regulatory requirements.

Regulation of Carriage of Programming. Under the 1992 Cable Act, the FCC has adopted regulations prohibiting cable operators from requiring a financial interest in a programming service as a condition to carriage of such service, coercing exclusive rights in a programming service or favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete. The FCC has established program carriage complaint rules. Our subsidiary QVC is subjected to program carriage rules as a result of our attributable interests under FCC rules discussed above.

Regulation of Ownership. The 1992 Cable Act required the FCC, among other things, (1) to prescribe rules and regulations establishing reasonable limits on the number of channels on a cable system that will be allowed to carry programming in which the owner of such cable system has an attributable interest and (2) to consider the necessity and appropriateness of imposing limitations on the degree to which MVPDs (including cable operators) may engage in the

creation or production of video programming. Although the FCC adopted regulations limiting carriage by a cable operator, the United States Court of Appeals for the District of Columbia Circuit (“D.C. Circuit”) vacated the channel occupancy limits adopted by the FCC and remanded the rule to the FCC for further consideration in 2001. In response to the D.C. Circuit’s decision, the FCC subsequently issued further notices of proposed rulemaking to consider channel occupancy limitations, but has not adopted any rules.

Regulation of Carriage of Broadcast Stations. The 1992 Cable Act granted broadcasters a choice of must carry rights or retransmission consent rights. The rules adopted by the FCC generally provided for mandatory carriage by cable systems of all local full-power commercial television broadcast signals selecting must carry rights and, depending on a cable system’s channel capacity, non-commercial television broadcast signals. Such statutorily mandated carriage of broadcast stations coupled with the provisions of the Cable Communications Policy Act of 1984, which require cable television systems with 36 or more “activated” channels to reserve a percentage of such channels for commercial use by unaffiliated third parties and permit franchise authorities to require the cable operator to provide channel capacity, equipment and facilities for public, educational and government access channels, could adversely affect QVC by limiting the carriage of such services in cable systems with limited channel capacity.

Closed Captioning Regulation. The Telecommunications Act of 1996 also required the FCC to establish rules and an implementation schedule to ensure that video programming is fully accessible to the hearing impaired through closed captioning. The rules adopted by the FCC require substantial closed captioning, with only limited exemptions. Regulations adopted by the FCC pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 require, among other things, that video programming owners to send caption files for IP delivered video programming to video programming distributors and providers along with program files. In 2014, the FCC adopted closed captioning quality standards regarding captioning accuracy, synchronicity, completeness and placement, and captioning best practices for programmers. In 2016, the FCC amended its closed captioning regulations to assign captioning compliance responsibility to programmers jointly with distributors, and to adopt certain registration, certification and complaint procedures applicable to programmers. The video programmer registration and compliance certification requirements of the amended rules have not yet become effective. As a result of these captioning requirements, QVC may incur additional costs for closed captioning.

Internet Services

Our online commerce businesses are subject, both directly and indirectly, to various domestic and foreign laws and governmental regulations. Certain of these businesses engaged in the provision of goods and services over the Internet must comply with federal and state laws and regulations applicable to online communications and commerce. For example, the Children’s Online Privacy Protection Act (“COPPA”) prohibits web sites from collecting personally identifiable information online from children under age 13 without parental consent and imposes a number of operational requirements. The Federal Trade Commission (“FTC”) has adopted regulations implementing COPPA. Certain email activities are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, commonly known as the CAN-SPAM Act. The CAN-SPAM Act regulates the sending of unsolicited commercial email by requiring the email sender, among other things, to comply with specific disclosure requirements and to provide an “opt-out” mechanism for recipients. Both of these laws include statutory penalties for non-compliance. The Digital Millennium Copyright Act limits, but does not eliminate, liability for listing or linking to third party websites that may include content that infringes on copyrights or other rights so long as our Internet businesses comply with the statutory requirements. Various states also have adopted laws regulating certain aspects of Internet communications. In 2016, Congress enacted a permanent moratorium on state and local taxes on Internet access and commerce.

Our online commerce businesses also are subject to laws governing the collection, use, retention, security and transfer of personally-identifiable information about their users. In particular, the collection and use of personal information by companies has received increased regulatory scrutiny on a global basis. The enactment, interpretation and application of user data protection laws are in a state of flux, and the interpretation and application of such laws may vary from country to country. For example, the European Union’s (“E.U.”) General Data Protection Regulation (“GDPR”) which established new data laws that give customers additional rights and impose additional restrictions and penalties on companies for illegal collection and misuse of personal information, took effect in May 2018. Further, in 2015, the Court of Justice of the E.U. invalidated the “Safe Harbor Framework,” which had allowed companies to collect and process

personal data in E.U. nations for use in the U.S. The E.U.-U.S. Privacy Shield which replaced the Safe Harbor Framework became fully operational on August 1, 2016, provided a mechanism to comply with data protection requirements when transferring personal data from the E.U. to the U.S. On July 16, 2020, the Court of Justice of the European Union invalidated the E.U.-U.S. Privacy Shield, and imposed new obligations on the use of Standard Contractual Clauses ("SCCs") - another key mechanism to allow data transfers between the U.S. and the E.U. It is unclear when the U.S. and the E.U. will adopt a new data framework to replace the E.U.-U.S. Privacy Shield. The European Commission has proposed draft revised SCCs, which may be adopted in 2021. The European Commission proposed new regulations in 2017 regarding privacy and electronic communications, which remain pending, including additional regulation of the Internet tracking tools known as "cookies." Finally, countries in other regions, most notably Asia, Eastern Europe and Latin America, are increasingly implementing new privacy regulations, resulting in additional compliance burdens and uncertainty as to how some of these laws will be enforced.

In the U.S., the FTC has proposed a privacy policy framework, and Congress may consider legislation that would require organizations that suffer a breach of security related to personal information to notify owners of such information. Many states have adopted laws requiring notification to users when there is a security breach affecting personal data, such as California's Information Practices Act. California also has enacted the California Consumer Privacy Act of 2018 ("CCPA"), which, among other things, allows California consumers to request that certain companies disclose the types of personal information collected by such companies. The CCPA became effective on January 1, 2020. The California Attorney General has issued regulations and guidance regarding the law. In November 2020, California voters approved the California Privacy Rights Act of 2020 ("CPRA"), which amends and extends the CCPA and establishes the California Privacy Protection Agency to implement and enforce consumer privacy laws. Most of the CPRA's provisions become effective on January 1, 2023. Complying with these different national and state privacy requirements may cause the Company to incur substantial costs. In addition, the Company generally has and posts on its websites privacy policies and practices regarding the collection, use and disclosure of user data. A failure to comply with such posted privacy policies or with the regulatory requirements of federal, state, or foreign privacy laws could result in proceedings or actions by governmental agencies or others (such as class action litigation) which could adversely affect the Company's business. Technical violations of certain privacy laws can result in significant penalties, including statutory penalties. In 2012, the FCC amended its regulations under the Telephone Consumer Protection Act ("TCPA"), which could subject our Internet businesses to increased liability for certain telephonic communications with customers, including but not limited to text messages to mobile phones. Under the TCPA, plaintiffs may seek actual monetary loss or statutory damages of \$500 per violation, whichever is greater, and courts may treble such damage awards for willful or knowing violations. Data collection, privacy and security are growing public concerns. If consumers were to decrease their use of our Internet businesses' websites to purchase products and services, such businesses could be harmed. Congress, individual states and foreign authorities may consider additional online privacy legislation.

Goods sold over the Internet also must comply with traditional regulatory requirements, such as the FTC requirements regarding truthful and accurate claims. Other Internet-related laws and regulations enacted in the future may cover issues such as defamatory speech, copyright infringement, pricing and characteristics and quality of products and services. The future adoption of such laws or regulations may slow the growth of commercial online services and the Internet, which could in turn cause a decline in the demand for the services and products of our online commerce businesses and increase their costs of doing business or otherwise have an adverse effect on their businesses, operating results and financial conditions. Moreover, the applicability to commercial online services and the Internet of existing laws governing issues such as property ownership, libel, personal privacy and taxation is uncertain and could expose these companies to substantial liability.

In 2015, the FCC adopted open Internet rules that reclassified wireline and wireless broadband services as Title II common carrier services and regulate broadband services offered by Internet service providers ("ISPs") under Title II, Title III and Section 706 of the Telecommunications Act of 1996. Among other things, the regulations prohibited ISPs from: (1) blocking access to, or impairing or degrading, legal content, applications, services or non-harmful devices; and (2) favoring selected Internet traffic in exchange for consideration. In 2017, the FCC adopted a Declaratory Ruling, Report and Order and Order ("2017 Order") that, among other things, eliminates these prohibitions. The 2017 Order does require ISPs to disclose information to consumers regarding practices such as throttling, paid prioritization and affiliated prioritization. In 2019, the D.C. Circuit ruled on numerous appeals by interested parties and largely upheld the 2017 Order. However, the D.C. Circuit vacated that portion of the 2017 Order that preempted inconsistent state and local regulations

and remanded the 2017 Order for further consideration of its effects on public safety, pole attachment regulation and the Lifeline support program. On October 27, 2020, the FCC adopted a report and order on remand which affirmed its prior conclusions regarding these issues. The change in administration and the new Congress may lead to new regulation and/or legislation regarding the open Internet rules.

Proposed Changes in Regulation

The regulation of programming services, cable television systems, DBS providers, Internet services, online sales and other forms of product marketing is subject to the political process and has been in constant flux over the past decade. Further material changes in the law and regulatory requirements must be anticipated and there can be no assurance that our business will not be adversely affected by future legislation, new regulation or deregulation.

Competition

Our businesses that engage in video and online commerce compete with traditional brick-and-mortar and online retailers ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, such as mail order and catalog companies, and discount retailers. Due to the nature of these businesses there is not a single or small group of competitors that own a significant portion of the overall market share. However, some of these competitors, such as Amazon and Walmart, have a significantly greater web-presence than our e-commerce subsidiaries and equity affiliates. We believe that the principal competitive factors in the markets in which our electronic commerce businesses compete are high-quality products, brand recognition, selection, value, convenience, price, website performance, customer service and accuracy of order shipment. Our businesses that offer services through the Internet compete with businesses that offer their own services directly through the Internet as well as with traditional offline providers of similar services. We believe that the principal competitive factors in the markets in which our businesses that offer services through the Internet engage are selection, price, availability of inventory, convenience, brand recognition, accessibility, customer service, reliability, website performance, and ease of use.

Human Capital

Headcount. As described above, our Company is party to a Services Agreement with LMC, pursuant to which 84 LMC corporate employees provide certain management services to the Company for a determined fee. As a result, our Company is not responsible for the hiring, retention and compensation of these individuals (except that our Company does grant equity incentive awards to these individuals). However, our Company directly benefits from the efforts undertaken by LMC to attract and retain talented employees. LMC strives to create a diverse, inclusive and supportive workplace, with opportunities for its employees to grow and develop in their careers, supported by competitive compensation, benefits and health and wellness programs, and by programs that build connections between its employees and their communities. Our Company fully supports these efforts.

Additionally, as of December 31, 2020, our consolidated subsidiaries had an aggregate of approximately 26,424 full and part-time employees. Employment levels fluctuate due to seasonal factors affecting our business. Additionally, our consolidated subsidiaries utilize independent contractors and temporary staffing agency personnel to supplement their workforce, particularly on a seasonal basis. We believe that our employee relations are good and a key factor in our workforce strategy.

Diversity, Equity, & Inclusion (“DEI”). We are committed to fostering an inclusive culture that ensures fairness and a sense of belonging for our employees, business partners and the customer experiences we offer by leveraging diversity in all its forms to deliver on our promise to continuously exceed expectations. Our DEI commitments focus on the following areas: representation, leadership accountability, culture, consumers & marketplace, community impact, and transparency. We serve a broad and diverse range of customers around the world and we strive to understand the lives they lead in order to deliver authentic customer experiences with meaningful curated products. For this reason, we embrace the benefits that the diverse backgrounds, perspectives and experiences of our employees bring to our culture and the decisions we make. We aim to ensure that we consistently apply a lens of inclusion and equity in our processes and decisions relating to our employees, business partners, products, and customer experiences. We are taking steps to help employees discover new perspectives, build empathy, have critical conversations about race, and support each other. We have launched and

expanded Team Member Resource Groups to promote employee connections, career development, community impact and consumer and marketplace growth. We are delivering our DEI training to all employees via online modules, videos, and e-learning experiences. We are also continuing our efforts to attract and grow diverse talent and suppliers, offer inclusive product assortments, and ensure broad representation in our marketing, digital, and on-air activities.

Employee Engagement and Enablement. To improve employee engagement and enablement, our consolidated subsidiaries conduct an annual employee engagement survey and various pulse surveys throughout the year on topics such as company direction, leadership, culture, performance and rewards, and change management. The results of these surveys are used by management to improve the overall employee experience and retention, as well as help to inform our approach to company programs and practices.

Health and Safety. As a result of the spread of COVID-19, most local, state and federal governmental agencies have imposed travel restrictions and local quarantines or stay at home restrictions to contain the spread. In an effort to minimize the risk of COVID-19 to employees working for our consolidated subsidiaries and the communities in which they operate, the Company mandated that all non-essential employees work from home. For employees who need to perform their jobs on-site, including warehouse and studio production teams at our consolidated subsidiaries, the Company took precautions to protect their health and safety. This included reducing the number of people on-site to allow for more social distancing; limiting visitors and screening all people who come into the Company's work sites; in addition to elevated cleaning protocols in alignment with the recommended protocols from the Centers for Disease Control and Prevention. Our consolidated subsidiaries have also taken measures to support their employees' ability to make a living. In addition to offering flexible hours and expanding work-at-home policies, our consolidated subsidiaries have made changes to their attendance policies and are offering additional paid time off options to support certain COVID-19 related absences. Additionally, our consolidated subsidiaries have expanded programs to support their employees, including alternative work arrangements to help families juggling competing work and personal challenges, greater access to home care help, added resources to support mental health, and paid special bonuses for many employees, among a number of other initiatives.

Available Information

All of our filings with the SEC, including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings are available on our Internet website free of charge generally within 24 hours after we file such material with the SEC. Our website address is www.qurate.com.

Our corporate governance guidelines, code of business conduct and ethics, compensation committee charter, nominating and corporate governance committee charter, and audit committee charter are available on our website. In addition, we will provide a copy of any of these documents, free of charge, to any shareholder who calls or submits a request in writing to Investor Relations, Qurate Retail, Inc., 12300 Liberty Boulevard, Englewood, Colorado 80112, Tel. No. (866) 876-0461.

The information contained on our website and the websites of our subsidiaries and affiliated businesses mentioned throughout this report are not incorporated by reference herein.

Item 1A. Risk Factors

The risks described below and elsewhere in this annual report are not the only ones that relate to our businesses or our capitalization. The risks described below are considered to be the most material. However, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our businesses. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Risks Related to Our Financial Condition and Business

Our subsidiary QVC depends on the television distributors that carry its programming, and no assurance can be given that QVC will be able to maintain and renew its affiliation agreements on favorable terms or at all. QVC currently distributes its programming through affiliation or transmission agreements with many television service providers, including, but not limited to, Comcast, AT&T/DIRECTV, Charter, DISH Network, Verizon, and Cox in the U.S., Vodafone Kabel Deutschland GmbH, Media Broadcast GmbH, SES ASTRA, SES Platform Services GmbH, Telekom Deutschland GmbH, Unitymedia GmbH, Tele Columbus and Primacom in Germany, Jupiter Telecommunications, Ltd., Sky Perfect and World Hi-Vision Channel, Inc. in Japan, A1 Telekom Austria AG and UPC Telekabel Wien GmbH in Austria, British Sky Broadcasting, Freesat, Freeview and Virgin Media in the U.K., and Mediaset, Hot Bird and Sky Italia in Italy. QVC's affiliation agreements with its distributors are scheduled to expire between 2021 and 2024.

As part of normal course renewal discussions, occasionally QVC has disagreements with its distributors over the terms of its carriage, such as channel placement or other contract terms. If not resolved through business negotiation, such disagreements could result in litigation or termination of an existing agreement. Termination of an existing agreement resulting in the loss of distribution of QVC's programming to a material portion of its television households may adversely affect its growth, net revenue and earnings.

The renewal negotiation process for affiliation agreements is typically lengthy. In some cases, renewals are not agreed upon prior to the expiration of a given agreement while the programming continues to be carried by the relevant distributor without an effective agreement in place. QVC does not have distribution agreements with some of the cable operators that carry its programming. In total, QVC is currently providing programming without affiliation agreements to distributors representing approximately 6% of its QVC U.S. distribution, and approximately 1% of its HSN distribution. Some of QVC's international programming may continue to be carried by distributors after the expiration dates on its affiliation agreements with such distributors have passed.

QVC may be unable to obtain renewals with its current distributors on acceptable terms, if at all. QVC may also be unable to successfully negotiate affiliation agreements with new or existing distributors to carry its programming and no assurance can be given that they will be successful in negotiating renewals with these distributors or that the financial and other terms of these renewals will be acceptable. Although QVC considers its current levels of distribution without written agreement to be ordinary course, no assurance can be given that QVC will be successful in negotiating renewals with all these operators or that the financial and other terms of renewal will be on acceptable terms. The failure to successfully renew or negotiate new affiliation agreements covering a material portion of television households on acceptable terms could result in a discontinuation of carriage that may adversely affect its viewership, growth, net revenue and earnings.

The COVID-19 pandemic is negatively impacting our business, key financial and operating metrics, and results of operations in numerous ways that remain unpredictable. In December 2019, a novel coronavirus, COVID-19, was reported to have surfaced in Wuhan, China and has subsequently spread across the world, including to countries in which QxH, QVC International, Zulily and Cornerstone operate. As a result of the spread of COVID-19, most local, state and federal governmental agencies have imposed travel restrictions and local quarantines or stay at home restrictions to contain the spread, which has caused a significant disruption to the global economy. Ongoing or heightened resurgences of COVID-19 in the future or the occurrence of another disaster or crisis could recreate and/or exacerbate the risks and adverse impacts described below. In response to these restrictions and in an effort to minimize the risk of COVID-19 to employees and the communities in which our businesses' operate, our businesses' mandated that all non-essential employees work from home

and QVC has reduced the number of employees who are allowed on production sets and has implemented increased cleaning protocols, social distancing measures and temperature screenings for those employees who enter into certain facilities. In some cases, the move to a work from home arrangement for QVC's non-essential employees will be permanent, which may result in the reduction of office space. QVC has also mandated that all essential employees who do not feel comfortable coming to work will not be required to do so. As a result of these resource constraints, QVC included fewer hours of live programming on some of its secondary channels and has experienced some delays in shipping at certain fulfillment centers. As a result, QVC's ability to create new content has decreased, and our businesses have had to limit the number of products they are able to promote. Our businesses' operations could be further disrupted if any of their essential employees were suspected or confirmed of having COVID-19 or other illnesses and such illness required our businesses' to quarantine some or all such employees or disinfect their locations. In certain markets, our businesses' temporarily increased the wages and salaries for those employees deemed essential who do not have the ability to work from home, including production and fulfillment center employees, resulting in additional costs to these businesses company. The inability to control the spread of COVID-19, or the expansion or extension of stay at home restrictions could negatively impact our businesses' results in the future.

Government restrictions may also have an adverse impact on our businesses' supply chain due to factory closures and labor shortages, resulting in shipping delays and other resource constraints related to the products our businesses import and those our businesses produce domestically. As a result, manufacturers and vendors may be unable to produce and deliver the products our businesses sell, either on a timely basis or at all. Additionally, these factory closures and labor shortages may result in our manufacturers and vendors experiencing financial difficulties, including bankruptcy, or otherwise ceasing to do business with us. The inability of manufacturers and vendors to meet our businesses' supply needs in a timely manner, or at all, could cause us to shift product promotion to items which are available, but possibly not in demand, which could have a negative impact on sales. Delays by manufacturers and vendors could also result in delays to delivery dates to our businesses' customers, which could result in the cancellation of orders, customers' refusal to accept deliveries, a reduction in purchase prices and ultimately, termination of customer relationships. While we believe our businesses can manage their exposure to these risks, we cannot be certain that they will be able to identify alternative sources for their products without delay or without greater cost to them. Although we and our businesses are assessing the impact of these and other macroeconomic trends related to the pandemic, the extent to which COVID-19 impacts our results and financial condition will depend on future developments, such as any new information that may emerge concerning the severity of COVID-19, new strains of the virus and the actions to contain and treat its impacts, among others. There can be no assurance that we will be able to accurately predict or plan for any long term effects on our businesses, and thus the ultimate impact of the pandemic on our businesses, financial condition and result of operations remains uncertain.

These government restrictions, including stay at home restrictions, as well as the various actions we have taken in response to COVID-19, may adversely impact our ability to comply with various legal and contractual obligations and may expose us to increased litigation, including labor and employment claims, breach of contract claims and consumer claims by our customers. Our insurance coverage may not be applicable to, or sufficient to cover, all claims, costs, and damages we may incur as a result of these COVID-19 related claims, which would result in our bearing these costs and which could have a material adverse effect on our business, financial condition and results of operations.

In addition, there are several potential adverse impacts of COVID-19 that could cause a material negative impact to our financial results, including our capital and liquidity, for 2021 and beyond. These include the impacts of any recession and other uncertainties with respect to the continuity of government stimulus programs implemented in response to COVID-19; and increased currency volatility resulting in adverse currency rate fluctuations. While the impact is currently uncertain, the inability to control the spread of COVID-19 could cause any one of these adverse impacts, or combination of adverse impacts, to have a material impact on our financial results.

Further, the extent of the impact of the COVID-19 pandemic on our businesses remains fluid and the likelihood of an impact on us that could be material increases the longer the virus impacts activity levels in the locations in which we operate. In particular, the widespread distribution, acceptance and effectiveness of vaccines is highly uncertain and cannot be predicted at this time. Delays in the widespread distribution of vaccines, or lack of public acceptance, could lead people to continue to self-isolate and not participate in the economy at prepandemic levels for a prolonged period of time. Further, even if vaccines are widely distributed and accepted, there can be no assurance that the vaccines will ultimately be

successful in limiting or stopping the spread of COVID-19. Even after the COVID-19 pandemic subsides, the U.S. economy and other major global economies may experience a recession, and we anticipate our businesses and operations could be materially adversely affected by a prolonged recession in the U.S. and other major markets.

Our businesses are subject to risks of adverse government regulation. Our programming business QVC markets and provides a broad range of merchandise through television shopping programs and proprietary websites. Similarly, our online commerce business Zulily markets and provides a broad range of merchandise and/or services through its proprietary websites. As a result, our businesses are subject to a wide variety of statutes, rules, regulations, policies and procedures in various jurisdictions, including foreign jurisdictions, which are subject to change at any time, including laws regarding consumer protection, data privacy and security, the regulation of retailers generally, the license requirements for television retailers in foreign jurisdictions, the importation, sale and promotion of merchandise and the operation of retail stores and warehouse facilities, as well as laws and regulations applicable to the Internet and businesses engaged in online commerce, such as those regulating the sending of unsolicited, commercial electronic mail and texts. The failure by our businesses to comply with these laws and regulations could result in a revocation of required licenses, fines and/or proceedings by governmental agencies and/or consumers, which could adversely affect our businesses, financial condition and results of operations. Moreover, unfavorable changes in the laws, rules and regulations applicable to our businesses could decrease demand for our businesses' products and services, increase costs and/or subject our businesses to additional liabilities. Similarly, new disclosure and reporting requirements, established under existing or new state, federal or foreign laws, such as regulatory rules regarding requirements to disclose efforts to identify the origin and existence of certain "conflict minerals" or abusive labor practices in portions of QVC's supply chains, could increase the cost of doing business, adversely affecting our results of operations. In addition, certain of these regulations may impact the marketing efforts of our businesses and their brands.

As mentioned above, the manner in which certain of our subsidiaries and business affiliates sell and promote merchandise and related claims and representations made in connection with these efforts is regulated by federal, state and local law, as well as the laws of the foreign countries in which they operate. Certain of our subsidiaries and business affiliates may be exposed to potential liability from claims by purchasers or by regulators and law enforcement agencies, including, but not limited to, claims for personal injury, wrongful death and damage to personal property relating to merchandise sold and misrepresentation of merchandise features and benefits. In certain instances, these subsidiaries and business affiliates have the right to seek indemnification for related liabilities from their respective vendors and may require such vendors to carry minimum levels of product liability and errors and omissions insurance. These vendors, however, may be unable to satisfy indemnification claims, obtain suitable coverage or maintain this coverage on acceptable terms, or insurance may provide inadequate coverage or be unavailable with respect to a particular claim.

In addition, programming services, cable television systems, the Internet, telephony services and satellite service providers are subject to varying degrees of regulation in the U.S. by the FCC and other entities and in foreign countries by similar regulators. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. In the U.S., the change in administration and a new Congress may lead to new regulation and/or legislation in these areas. The application of various sales and use tax provisions under state, local and foreign law to the products and services of our subsidiaries and certain of our business affiliates sold via the Internet, television and telephone is subject to interpretation by the applicable taxing authorities, and no assurance can be given that such authorities will not take a contrary position to that taken by our subsidiaries and certain of our business affiliates, which could have a material adverse effect on their businesses. In addition, there have been numerous attempts at the federal, state and local levels to impose additional taxes on online commerce transactions. Moreover, most foreign countries in which our subsidiaries or business affiliates have, or may in the future make, an investment, regulate, in varying degrees, the distribution, content and ownership of programming services and foreign investment in programming companies and the Internet.

Certain of our businesses are subject to consent decrees issued by the FTC barring them from making deceptive claims for specified weight-loss products and dietary supplements and prohibiting them from making certain claims about specified weight-loss, dietary supplement and anti-cellulite products unless they have competent and reliable scientific evidence to substantiate such claims. Violation of these consent decrees may result in the imposition of significant civil penalties for non-compliance and related redress to consumers and/or the issuance of an injunction enjoining these businesses from engaging in prohibited activities. Further material changes in the law and increased regulatory requirements must be anticipated, and there can be no assurance that our businesses and or any of our assets will not

become subject to increased expenses or more stringent restrictions as a result of any future legislation, new regulation or deregulation.

Our subsidiaries and business affiliates conduct their businesses under highly competitive conditions. Although QVC is one of the nation's largest home shopping networks, it has numerous and varied competitors at the national and local levels, ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, wholesale clubs, discount retailers, infomercial retailers, and Internet retailers. In addition, QVC competes with other televised shopping retailers, such as ShopHQ in the U.S., Shop Channel in Japan, HSE 24 in Germany and Italy, and Ideal World in the U.K., infomercial retailers, Internet retailers, including livestream shopping retailers, and mail-order and catalog companies. QVC also competes for access to customers and audience share with other providers of televised, online and hard copy entertainment and content. Similarly, Zulily and Cornerstone compete with e-commerce businesses such as Amazon.com, Inc. and Alibaba Group, the e-commerce platforms of traditional retailers such as Target Corporation and Wal-Mart Stores, Inc., and online marketplaces such as eBay Inc. Cornerstone also competes with other mail-order and catalog companies. Zulily expects increased competition with companies employing a flash sales model as there are no significant barriers to entry. Competition is characterized by many factors, including assortment, advertising, price, quality, services, accessibility, the attractiveness and ease of use of digital platforms, cost and speed of options for delivery, reputation and credit availability, as well as the financial, technical and marketing expertise of competitors. For example, many of our businesses' competitors have greater resources, longer histories, more customers and greater brand recognition than our businesses do, and competitors may secure better terms from vendors, adopt more aggressive pricing, offer free or subsidized shipping and devote more resources to technology, fulfillment and marketing. In addition, many retailers, especially online retailers with whom our subsidiaries and business affiliates compete, are increasingly offering customers aggressive shipping terms, including free or discounted expedited shipping. As these practices become more prevalent, our subsidiaries and business affiliates may experience further competitive pressures to attract customers and/or to change their shipping programs. Other companies also may enter into business combinations or alliances that strengthen their competitive positions. Such business combinations or alliances may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. This may cause QVC's customers to elect to purchase products from a competitor that they would have historically purchased from QVC, resulting in less revenue to QVC. If our subsidiaries and business affiliates do not compete effectively with regard to these factors, our results of operations could be materially and adversely affected.

Moreover, although our subsidiaries and business affiliates sell a variety of exclusive products, one of the most significant challenges our subsidiaries and business affiliates face is competition on the basis of price. Price is of great importance to most customers, and price transparency and comparability continues to increase, particularly as a result of digital technology. The ability of consumers to compare prices on a real-time basis puts additional pressure on our subsidiaries and business affiliates to maintain competitive prices. In addition, many retailers, especially online retailers with whom our subsidiaries and business affiliates compete, are increasingly offering customers aggressive shipping terms, including free or discounted expedited shipping. As these practices become more prevalent, our subsidiaries and business affiliates may experience further competitive pressures to attract customers and/or to change their shipping programs. Our subsidiaries and business affiliates ability to be competitive on delivery times and shipping costs depends on many factors, and their failure to successfully manage these factors and offer competitive shipping terms could negatively impact the demand for their products and our profit margins.

The sales and operating results of our businesses depend on their ability to attract new customers, retain existing customers and predict or respond to consumer preferences. In an effort to attract and retain customers, these businesses engage in various merchandising and marketing initiatives, which involve the expenditure of money and resources. For example, QVC and Cornerstone have spent, and expect to continue to spend, increasing amounts of money on, and devote greater resources to, certain of these initiatives, particularly in connection with the growth and maintenance of their brands generally, as well as in the continuing efforts of their businesses to increasingly engage customers through online digital marketing. These initiatives, however, may not resonate with existing customers or consumers generally or may not be cost-effective. In addition, costs associated with the production and distribution of television programming (in the case of QVC), paper and printing costs for catalogs (in the case of Cornerstone) and costs associated with digital marketing, including marketing on third-party platforms such as Google and Facebook, have increased and are likely to continue to increase in the foreseeable future and, if significant, could have a material adverse effect to the extent that they do not

result in corresponding increases in net revenue. These companies also continuously develop new retail concepts and adjust their product mix in an effort to satisfy customer demands. Any sustained failure to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on the businesses of these subsidiaries and business affiliates. Consumer spending may be affected by many factors outside of their control, including competition from store-based retailers, mail-order and third-party Internet companies, consumer confidence and preferences, and general economic conditions.

In addition, the stay at home restrictions imposed in response to COVID-19 that led many traditional brick and mortar retailers to temporarily closed their stores have allowed distance retailers, such as QVC and Zulily, to continue operating. As a result, QVC has experienced an increase in new customers and an increase in demand for certain categories, such as home and electronics. However, QVC may not be able to retain these new customers after the pandemic subsides and any increases in demand in product categories during the pandemic may be temporary.

We depend on the continued growth of e-commerce in general and Zulily depends on the flash sales model in particular. The business of selling products over the Internet, particularly on the flash sales model, is dynamic and evolving. The market segment for the flash sales model has grown significantly, and this growth may not be sustainable. If customers cease to find the flash sales model shopping experience fun, entertaining and a good value, or otherwise lose interest in shopping in this manner, Zulily may not acquire new customers at rates consistent with its historical or projected periods, and existing customers' buying patterns and levels may be less than historical or projected rates. If Zulily is unable to successfully deliver emails or mobile alerts to its subscribers, or if subscribers decline to open its emails or mobile alerts, Zulily's net sales and profitability would be adversely affected. In addition, changes in how webmail application providers, such as Google Inc. and Yahoo! Inc., prioritize, filter and deliver email may also reduce the number of subscribers opening Zulily's emails which may also result in a decline in net sales. If the market segment for the flash sales model were to become saturated or decline overall, Zulily may not be able to acquire new customers or engage existing customers, which could adversely affect our financial condition and operating results.

The failure of our subsidiary QVC to maintain suitable placement for its programming or to adapt to changes in consumer behavior driven by online video distribution platforms for viewing content could adversely affect its ability to attract and retain television viewers and could result in a decrease in revenue. QVC is dependent upon the continued ability of its programming to compete for viewers. Effectively competing for television viewers is dependent, in substantial part, on its ability to negotiate and maintain placement of its programming at a favorable channel position, such as in a basic tier or within a general entertainment or general broadcasting tier. Less favorable channel position for QVC's programming, such as placement adjacent to programming that does not complement its programming, a position next to its televised home shopping competitors or isolation in a "shopping" tier could adversely affect QVC's ability to attract television viewers to its programming. In addition, if QVC's programming is carried exclusively by a distributor on a digital programming tier, QVC may experience a reduction in revenue to the extent that the digital programming tier has less television viewer penetration than the basic or expanded basic programming tier. QVC may experience a further reduction in revenue due to increased television viewing audience fragmentation to the extent that not all television sets within a digital cable home are equipped to receive television programming in a digital format.

Changes in consumer behavior driven by online video distribution platforms for viewing content may have an adverse impact on QVC's business. Distribution platforms for viewing content over the internet have been, and will likely continue to be, developed that further increase the competition for viewers of programming. These distribution platforms are driving changes in consumer behavior as consumers seek more control over when, where and how they consume content.

Consumers are increasingly turning to online sources for viewing content, which has and likely will continue to reduce the number of viewers of our television programming. Although QVC has attempted to adapt its offerings to changing consumer behaviors, virtual multichannel video providers, online video distributors and programming networks providing their content directly to consumers over the internet rather than through traditional television services continue to emerge, gain consumer acceptance and disrupt traditional television distribution services, which QVC relies on for the distribution of its television programming.

An increasing number of companies offering streaming services, including some with exclusive high-quality original video programming, as well as programming networks offering content directly to consumers over the internet, have increased the number of entertainment choices available to consumers, which has intensified audience fragmentation. The

increase in entertainment choices adversely affects the viewership of our programming. Additionally, time-shifting technologies, such as video on demand services and DVR and cloud-based recording services, could adversely affect QVC's ability to attract television viewers to its programming.

QVC's future success will depend, in part, on its ability to anticipate and adapt to technological changes and to offer elements of its programming via new technologies in a cost-effective manner that meet customer demands and evolving industry standards. QVC's failure to effectively anticipate or adapt to emerging technologies or competitors or changes in consumer behavior, including among younger consumers, could have an adverse effect on QVC's competitive position, businesses and results of operations.

Any continued or permanent inability of QVC to transmit its programming via satellite would result in lost revenue and could result in lost customers. The success of our subsidiary QVC is dependent upon its continued ability to transmit its programming to television providers from its satellite uplink facilities, and for QVC's distributors to continue to receive its programming at its satellite earth station downlink facilities. These transmissions are subject to FCC regulation and compliance in the U.S. and foreign regulatory requirements in QVC's international operations. In most cases, QVC has entered into long-term satellite transponder leases to provide for continued carriage of its programming on replacement transponders and/or replacement satellites, as applicable, in the event of a failure of either the transponders and/or satellites currently carrying its programming. Although QVC believes that it takes reasonable and customary measures to ensure continued satellite transmission capability and believes that these international transponder service agreements can be renewed (or replaced, if necessary) in the ordinary course of business, termination or interruption of satellite transmissions may occur, particularly if QVC is not able to successfully negotiate renewals or replacements of any of its expiring transponder service agreements in the future.

In order to free up additional spectrum for the provision of next generation commercial wireless broadband services, commonly referred to as 5G, the FCC has adopted rules to reallocate for 5G a portion of the 500 MHz in the 3.7 to 4.2 GHz ("C-Band") spectrum, which is currently used for the delivery of QVC's programming, and other video programming, to its distributors' satellite earth stations. The FCC has established December 5, 2025 as the deadline for the relocation of the C-Band. QVC has worked closely with its satellite uplink and downlink operators in an effort to minimize disruptions to QVC's television programming distribution operations that might result from the conversion of those portions of C-Band to 5G usage. However, QVC can give no assurance that there will not be any disruptions to QVC's television programming distribution operations during this transition.

Our subsidiaries offer their installment payment option on most of their merchandise and, in certain circumstances offer it as the default payment option. The failure of our subsidiaries QVC U.S., QVC International, HSN and Zulily to effectively manage the Easy-Pay, Flexpay, Smart-Pay and revolving credit card programs as applicable, could negatively impact our results of operations. QVC offers an installment payment option in all of its markets other than Japan, which is available on certain merchandise it sells. This installment payment option is called "Easy-Pay" at QVC-U.S. and in the U.K., "Q-Pay" in Germany and Italy, and "Flex-Pay" at HSN. QVC's installment payment option is currently offered on most of its merchandise and for QVC U.S. website and mobile sales and QVC U.K. mobile sales, is set as the default payment option on all products on which it is offered. Full payment for merchandise at the time of sale would require the customer to affirmatively change to that option. QVC's installment payment option, when offered, allows customers to pay for certain merchandise in multiple interest-free monthly installments. When the installment payment option is offered by QVC U.S. and QVC International and elected by the customer (or if the customer inadvertently purchases merchandise using the installment payment option because it was the default payment option), the first installment is typically billed to the customer's credit or debit card upon shipment. Generally, the customer's credit or debit card is subsequently billed in additional monthly installments until the total purchase price of the products has been billed. QVC U.S. and QVC International cannot predict whether customers will pay their installments when due or at all, especially during the duration of the COVID-19 pandemic, regardless of whether the customer would have preferred to pay in one lump-sum but did not opt out of the installment payment option. Accordingly, QVC maintains an allowance for customer bad debts arising from these late and unpaid installments. This provision for customer bad debts is provided as a percentage of accounts receivable based on QVC's historical experience in the period of sale and is included within selling, general and administrative expense. To the extent that customers elect installment payment options at greater rates, or to the extent the number of customers failing to opt out of the default installment payment option increases, QVC would be

required to maintain a greater allowance for customer bad debt and to the extent that installment payment option losses exceed historical levels, our and QVC's results of operations may be negatively impacted.

Zulily offers Smart-pay, a program which customers may pay for certain merchandise in two or three payments. Zulily maintains allowances for estimated losses resulting from the inability of customers to make required payments. Actual losses due to the inability of customers to make required payments may increase in a given period or exceed related estimates. Zulily may experience these losses at greater rates, which will require it to maintain greater allowances for doubtful accounts of estimated losses than it has historically.

Federal and state rules and regulations governing various consumer lending practices apply in the jurisdictions where we operate. Although we do not charge interest or impose finance charges as part of our installment payment option, changes in how these rules are interpreted and applied could result in changes to our installment program, and failure to comply with these rules and regulations could result in the imposition of fines and penalties, any of which could have an adverse effect on our results of operations.

In addition, QVC U.S., HSN and Zulily have agreements with a large consumer financial institution (the "Bank") pursuant to which the Bank provides revolving credit directly to U.S. customers for the sole purpose of purchasing merchandise from QVC U.S., HSN and Zulily with a branded credit card (For QVC U.S. the "Q Card", for HSN the "HSN Credit Card" and for Zulily the "Zulily Credit Card"). We cannot predict the extent to which QVC U.S., HSN and Zulily's customers will use the Q Card, the HSN Credit Card, or the Zulily Credit Card nor the extent that they will make payments on their outstanding balances, especially during the duration of the COVID-19 pandemic. As QVC receives a portion of the net economics from the credit card program, the ability of customers to make payments on their outstanding balances due to circumstances related to the pandemic could result in reduced private label credit card income from the financial institution providing the revolving credit to our customers.

Certain of our subsidiaries and business affiliates may fail to adequately protect their intellectual property rights or may be accused of infringing intellectual property rights of third parties. Our subsidiaries and business affiliates regard their respective intellectual property rights, including service marks, tradenames and domain names, copyrights (including their programming and their websites), trade secrets and similar intellectual property, as critical to their success. These businesses also rely heavily upon software codes, informational databases and other components that make up their products and services. From time to time, these businesses are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of the tradenames, patents, copyrights and other intellectual property rights of third parties. In addition, litigation may be necessary to enforce the intellectual property rights of these businesses, protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect the business, financial condition and results of operations of these businesses and in turn our financial condition and results of operations. The failure of these businesses to protect their intellectual property rights, particularly their proprietary brands, in a meaningful manner or third party challenges to related contractual rights could result in erosion of brand names and limit the ability of these businesses to control marketing on or through the Internet using their various domain names, which could adversely affect the business, financial condition and results of operations of these businesses, as well as the financial condition and results of operations of our company.

Natural disasters, political crises, and other catastrophic events or other events outside of our control may damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending. Our businesses operate regional headquarters and administrative offices, distribution centers and call centers worldwide. If any of these facilities or the facilities of our businesses' vendors or third-party service providers are affected by natural disasters (such as earthquakes, tsunamis, power shortages or outages, floods or monsoons), public health crises (such as pandemics and epidemics), political crises (such as terrorism, war, political instability or other conflict), or other events outside of our businesses' control, our businesses, financial condition and results of operations could be materially adversely affected. In addition, any of these events occurring at our or our businesses' vendors' facilities also could impact our businesses' reputations and their customers' perception of the products they sell, and adversely affect our business, financial condition and results of operations. Moreover, these types of events could negatively impact consumer spending in the impacted regions or depending upon the severity, globally, which could adversely impact our business, financial condition and results of operations.

Risks Related to Technology and Information Security

Rapid technological advances could render the products and services offered by our subsidiaries and our business affiliates obsolete or non-competitive. Our subsidiaries and business affiliates must stay abreast of rapidly evolving technological developments and offerings to remain competitive and increase the utility of their products and services. As their operations grow in size and scope, our subsidiaries and business affiliates must continuously improve and upgrade their systems and infrastructure while maintaining or improving the reliability and integrity of their systems and infrastructure. These subsidiaries and business affiliates must be able to incorporate new technologies into their products and services in order to address the needs of their customers. The emergence of alternative platforms such as mobile and tablet computing devices and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter their markets due to lower up-front technology costs. There can be no assurance that our subsidiaries and business affiliates will be able to compete with advancing technology or be able to maintain existing systems or replace or introduce new technologies and systems as quickly as they would like or in a cost-effective manner, and any failure to do so could result in customers seeking alternative products or service providers, thereby adversely impacting our revenue and operating income.

Our businesses could be negatively affected by changes in third-party digital platform algorithms and dynamics as well as their inability to monetize the resulting web traffic. The success of our online commerce businesses depends on a high degree of website traffic, which is dependent on many factors, including the availability of appealing website content, user loyalty and new user generation from various digital marketing channels that charge a fee. Third-party digital platforms, such as Google and Facebook, frequently update and change the logic that determines the placement and display of results of a user's search, or advertiser content, such that the purchased or algorithmic placement of advertisements or links to the websites of our online commerce businesses can be negatively affected. If a major search engine or third-party digital platform changes its algorithms in a manner that negatively affects their paid advertisement distribution or unpaid search ranking, the business and financial performance of our online commerce businesses would be adversely affected, potentially to a material extent. Additionally, Mobile application distribution platforms, such as Apple's App Store and the Amazon Appstore for Android, may require that third party digital platforms and ecommerce companies present users with an option where the user chooses to opt-in or opt-out of tracking technology used by these third party digital platforms or included in mobile applications. To the extent that users opt-out of tracking technology used by third party digital platforms on which our online commerce businesses advertise or users of our online commerce businesses' applications opt-out of tracking technology included in our online commerce businesses' applications, the ability to monitor and improve customer experience and track the effectiveness of our online commerce businesses' digital marketing strategies would be adversely impacted. Furthermore, the failure of our online commerce businesses to successfully manage their digital marketing strategies could result in a substantial decrease in traffic to their websites, as well as increased costs if they were to replace free traffic with paid traffic. Even if our online commerce businesses are successful in generating a high level of website traffic, no assurance can be given that our online commerce businesses will be successful in achieving repeat user loyalty or that new visitors will explore the offerings on their sites. Monetizing this traffic by converting users to consumers is dependent on many factors, including availability of inventory, consumer preferences, price, ease of use and website quality. No assurance can be given that the fees paid to third-party digital platforms will not exceed the revenue generated by their visitors. Any failure to sustain user traffic or to monetize such traffic could materially adversely affect the financial performance of our online commerce businesses and, as a result, adversely affect our financial results.

System interruption and the lack of integration and redundancy in the systems and infrastructures of our subsidiary QVC and our other online commerce and catalog businesses may adversely affect their ability to, as applicable, operate their businesses, transmit their television programs, operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. The success of our subsidiaries and business affiliates depends, in part, on their ability to maintain the integrity of their transmissions, systems and infrastructures, including the transmission of television programs (in the case of QVC), as well as their websites, information and related systems, call centers and fulfillment facilities. These subsidiaries and business affiliates may experience occasional system interruptions that make some or all transmissions, systems or data unavailable or prevent them from transmitting their signals or efficiently providing services or fulfilling orders, as the case may be. QVC is in the process of implementing new technology systems and upgrading others. The failure to properly implement new systems or delays in implementing new systems could impair the ability of our subsidiaries and business affiliates to provide services and content, fulfill orders and/or process transactions. Each of QVC and Cornerstone also rely on affiliate and third-party computer systems, broadband, transmission and other communications systems and service providers in connection with the transmission of its respective signals, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in its signal transmissions, systems and infrastructures, or any deterioration in the performance of these transmissions, systems and infrastructures, could impair its ability to provide services, fulfill orders and/or process transactions. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, acts of war or terrorism, acts of God and similar events or disruptions may damage or interrupt television transmissions, computer, broadband or other communications systems and infrastructures at any time. These risks are exacerbated by our businesses' move to a more remote workforce in response to the COVID-19 pandemic. Any of these events could cause transmission or system interruption, delays and loss of critical data, and could prevent our subsidiaries and business affiliates from providing services, fulfilling orders and/or processing transactions. While our subsidiaries and business affiliates have backup systems for certain aspects of their operations, these systems are not fully redundant and disaster recovery planning is not sufficient for all possible risks. In addition, some of our subsidiaries and business affiliates may not have adequate insurance coverage to compensate for losses from a major interruption.

The processing, storage, sharing, use, disclosure and protection of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights. In the processing of consumer transactions and managing their employees, our businesses receive, transmit and store a large volume of personally identifiable information and other user data. The processing, storage, sharing, use, disclosure and protection of this information are governed by the privacy and data security policies maintained by these businesses. Moreover, there are federal, state and international laws regarding privacy and the processing, storage, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to changing legislation and regulations, in numerous jurisdictions around the world, which are intended to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. Compliance with these laws and regulations may be onerous and expensive and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. For example, the European Court of Justice in 2015 invalidated the U.S.-E.U. Safe Harbor Framework, which facilitated personal data transfers to the U.S. in compliance with applicable European data protection laws. The E.U.-U.S. Privacy Shield, which replaced the U.S.-E.U. Safe Harbor Framework, and became fully operational on August 1, 2016, provided a mechanism to comply with data protection requirements when transferring personal data from the E.U. to the U.S. On July 16, 2020, the Court of Justice of the European Union invalidated the E.U.-U.S. Privacy Shield, and imposed new obligations on the use of SCCs - another key mechanism to allow data transfers between the U.S. and the E.U. It is unclear when the U.S. and the E.U. will adopt a new data transfer framework to replace the E.U.-U.S. Privacy Shield. The European Commission has proposed draft revised SCCs, which may be adopted in 2021. Further, the General Data Protection Regulation, which became effective on May 25, 2018, gives consumers in the E.U. additional rights and imposes additional restrictions and penalties on companies for illegal collection and misuse of personal information. The E.U. is continuing to consider whether to adopt new regulations regarding privacy and electronic communications that would complement the GDPR, including additional regulation of the Internet tracking tools known as "cookies." In the absence of such new regulations, European data regulators are indicating their intent to take greater enforcement efforts with respect to the use of cookies. The "Brexit" withdrawal of the United Kingdom ("UK") from the E.U. may cause transfers of personal data from the E.U. to the UK to be subject to increased regulations that would impede the continued sharing of E.U. personal data with the UK. California has enacted the California Consumer Privacy Act of 2018 ("CCPA"), which, among other things, allows California consumers to request that certain companies disclose the types of personal information collected by such companies. The

CCPA took effect on January 1, 2020. The California Attorney General has issued regulations and guidance regarding the law. In November 2020, California voters approved the California Privacy Rights Act of 2020 (“CPRA”), which amends and expands the CCPA and establishes the California Privacy Protection Agency to implement and enforce consumer privacy laws. Most of the CPRA’s provisions become effective on January 1, 2023. Other states in the U.S. are also separately proposing laws to regulate privacy and security of personal data. QVC’s, Cornerstone’s and Zulily’s failure, and/or the failure by the various third party vendors and service providers with which QVC, Cornerstone and Zulily do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations, or changes in applicable laws and regulations, or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage QVC’s, Cornerstone’s and Zulily’s reputations and the reputation of their third party vendors and service providers, discourage potential users from trying their products and services and/or result in fines and/or proceedings by governmental agencies and/or consumers, any one or all of which could adversely affect QVC’s, Cornerstone’s and Zulily’s business, financial condition and results of operations and, as a result, our company. In addition, we, our subsidiaries or our business affiliates may not have adequate insurance coverage to compensate for losses.

Our businesses may experience difficulty in the ongoing development, implementation and customer acceptance of applications for personal electronic devices, which could harm their business. Although our online commerce businesses have developed services and applications to address user and consumer interaction with website content on personal electronic devices, such as smartphones and tablets, the ways in which consumers use or rely on these personal electronic devices is continually changing. If the services or applications we develop in response to changes in consumer behavior are less effective or are not accepted by consumers, our online commerce businesses may experience difficulty attracting and retaining traffic and, in turn, advertisers, on these platforms. Any failure to attract and retain traffic on these personal electronic devices could materially adversely affect the financial performance of our online commerce businesses and, as a result, adversely affect our financial results. Additionally, as new devices and new platforms are continually being released, it is difficult to predict the challenges that may be encountered in developing versions of our online commerce businesses’ offerings for use on these alternative devices, and our online commerce businesses may need to devote significant resources to the creation, support, and maintenance of their services on such devices. To the extent that revenue generated from advertising placed on smartphone computing devices becomes increasingly more important to their businesses and they fail to adequately evolve and address this market, their business and financial performance could be negatively impacted.

Our businesses are subject to security risks, including security breaches and identity theft. Through their operations, sales, marketing activities, and use of third-party information, our businesses collect and store certain non-public personal information that customers provide to purchase products, enroll in promotional programs, register on websites, or otherwise communicate to them. This may include phone numbers, driver license numbers, contact preferences, personal information stored on electronic devices, and payment information, including credit and debit card data. Our businesses gather and retain information about employees in the normal course of business. Our businesses may share information about such persons with vendors, contractors and other third-parties that assist with certain aspects of their business. In addition, our businesses’ online operations depend upon the transmission of confidential information over the Internet, such as information permitting cashless payments. Unauthorized parties may attempt to gain access to our businesses’ or our businesses’ vendors’ systems by, among other things, hacking into our businesses’ systems or those of our businesses’ partners or vendors, through fraud or other means of deceiving our businesses’ employees, partners or vendors, burglaries, errors by our or our vendors’ employees, misappropriation of data by employees, vendors or unaffiliated third-parties, or other irregularities that may result in persons obtaining unauthorized access to our businesses’ data. As our businesses have significantly increased the number of employees working remotely due to the COVID-19 pandemic, and as our businesses’ vendors and other business partners move to remote work as well, our businesses and our businesses’ partners may be more vulnerable to cyber attacks. The techniques used to gain such access to our businesses’ or our businesses’ vendors’ information technology systems, our businesses’ data or customers’ data, disable or degrade service, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until launched against a target. Increasingly, unauthorized parties are exploiting access they gain to third party vendors to target companies that do business with these vendors, this may include third party vendors with whom we do business. Our businesses have implemented systems and processes intended to secure their information technology systems and prevent unauthorized access to or loss of sensitive data, but as with all companies, these security measures may not be sufficient for all eventualities and there is no guarantee that they will be adequate to safeguard against all cyber attacks,

system compromises or misuses of data. Although we have not detected a material security breach or cybersecurity incident to date, we have been the target of events of this nature and expect to be subject to similar attacks in the future. Any penetration of network security or other misappropriation or misuse of customer, employee or other personal information, whether at our businesses' or any of our businesses' vendors, could cause interruptions in the operations of our businesses and subject them to increased costs, fines, litigation, regulatory actions and other liabilities. Security breaches could also significantly damage their reputation with their customers and third parties with whom they do business, which could result in lost sales and customer and vendor attrition. Our businesses continue to invest in new and emerging technology and other solutions to protect their retail commerce websites, mobile commerce applications and information systems, but there can be no assurance that these investments and solutions will prevent any of the risks described above. If our businesses are unable to maintain the security of their retail commerce websites and mobile commerce applications, they could suffer loss of sales, reductions in traffic, diversion of management attention, and deterioration of their competitive position and incur liability for any damage to customers whose personal information is unlawfully obtained and used. Our businesses may be required to expend significant additional capital and other resources to protect against and remedy any potential or existing security breaches and their consequences, such as additional infrastructure capacity spending to mitigate any system degradation and the reallocation of resources from development activities. Our businesses also face similar risks associated with security breaches affecting third parties with which they are affiliated or otherwise conduct business. The loss of confidence in our online commerce businesses resulting from any such security breaches or identity theft could adversely affect the business, financial condition and results of operations of our online commerce businesses and, as a result, our company.

Risks Related to Third Parties Suppliers and Vendors

Our programming and online commerce businesses rely on distribution facilities to operate their business, and any damage to one of these facilities, or any disruptions caused by incorporating new facilities into their operations, could have a material adverse impact on their business. Our programming and online commerce businesses operate a limited number of distribution facilities worldwide. Their ability to meet the needs of their customers depends on the proper operation of these distribution facilities. If any of these distribution facilities were to shut down or otherwise become inoperable or inaccessible for any reason, these businesses could suffer a substantial loss of inventory and disruptions of deliveries to their customers. For example, any resurgence of COVID-19 in the areas where these distribution facilities are located, or if these businesses are unable to adequately staff the distribution facilities to meet demand in the future, or if the cost of such staffing is higher than historical or projected costs due to wage increases, regulatory changes, or other factors, could harm our operating results. In addition, they could incur significantly higher costs and longer lead times associated with the distribution of their products during the time it takes to reopen or replace the impacted facility. Any of the foregoing factors could result in decreased sales and have a material adverse effect on our business, financial condition and operating results. In addition, these businesses have been implementing new warehouse management systems to further support their efforts to operate with increased efficiency and flexibility. There are risks inherent in operating in new distribution environments and implementing new warehouse management systems, including operational difficulties that may arise with such transitions. Our businesses may experience shipping delays should there be any disruptions in their new warehouse management systems or warehouses themselves.

In October 2018, we announced that our HSN and QVC U.S. business units would be opening a new distribution facility in Bethlehem, Pennsylvania in 2019 and that we anticipated closing distribution facilities in Lancaster, Pennsylvania, Roanoke, Virginia, and Greeneville, Tennessee in 2020. In late 2019, QVC began shipping customer orders from its Bethlehem distribution center, but it is not operating at full capacity. Difficulties experienced in increasing shipping volumes from the Bethlehem distribution center as a result of the package handling equipment or warehouse management systems not performing as anticipated, has caused delays in the Bethlehem distribution center operating at full capacity. Delays in the Bethlehem distribution center operating at full capacity could cause delays in closing other facilities, including the Lancaster, Pennsylvania facility. Delays in closing these facilities or disruptions caused by transitioning order fulfillment operations or returns processing from closing facilities to other facilities may increase operating expenses for these businesses, cause disruptions to their order fulfillment processes and cause delays in delivering product to customers which would result in lost sales, strain relationships with customers, and cause harm to our businesses' reputations, any of which could have a material adverse impact on our business, financial condition and operating results.

Our home television and online commerce businesses rely on independent shipping companies to deliver the products they sell. Our home television and online commerce businesses rely on third party carriers to deliver merchandise from vendors and manufacturers to them and to ship merchandise to their customers. As a result, they are subject to carrier disruptions and delays due to factors that are beyond their control, including employee strikes, inclement weather and regulation and enforcement actions by customs agencies. For example, as a result of COVID-19 many consumers have significantly increased their use of ecommerce which has resulted in a significant increase in the volume of packages handled by third-party carriers, including those our businesses rely on, which could cause our businesses to experience delays in merchandise and cause our businesses' customers to experience delays in their order delivery. Any failure to deliver products to their customers in a timely and accurate manner may damage their reputation and brand and could cause them to lose customers. Enforcement actions by customs agencies can also cause the costs of imported goods to increase, negatively affecting profits. These businesses are also impacted by increases in shipping rates charged by third party carriers, which over the past few years have increased significantly in comparison to historical levels, and it is currently expected that shipping and postal rates will continue to increase. In the case of deliveries to customers, in each market where they operate, they have negotiated agreements with one or more independent, third party shipping companies, which in certain circumstances provide for favorable shipping rates. If any of these relationships were to terminate or if a shipping company was unable to fulfill its obligations under its contract for any reason, these businesses would have to work with other shipping companies to deliver merchandise to customers, which would most likely be at less favorable rates. Other potential adverse consequences of changing carriers include reduced visibility of order status and package tracking, delays in order processing and product delivery, and reduced shipment quality, which may result in damaged products and customer dissatisfaction. Any increase in shipping rates and related fuel and other surcharges passed on to these businesses by their current carriers or any other shipping company would adversely impact profits, given that these businesses may not be able to pass these increased costs directly to customers or offset them by increasing prices without a detrimental effect on customer demand.

Our programming and online commerce businesses depend on their relationships with third party suppliers and vendors and any adverse changes in these relationships could adversely affect our results of operations. An important component of the success of our programming and online commerce businesses is their ability to maintain their existing, as well as build new, relationships with a limited number of local and foreign suppliers, manufacturers and vendors, among other parties. There can be no assurance that our subsidiaries and business affiliates will be able to maintain their existing supplier or vendor arrangements on commercially reasonable terms or at all or, with respect to goods sourced from foreign markets, if the supply costs will remain stable. In addition, our subsidiaries and business affiliates cannot guarantee that goods produced and delivered by third parties will meet applicable quality standards, which is impacted by a number of factors, some of which are not within the control of these parties. Adverse changes in existing relationships or the inability to enter into new arrangements with these parties on favorable terms, if at all, could result in lost sales or cause a failure to meet customer expectations and timely delivery of products, which could in turn have a significant adverse effect on our results of operations.

The unanticipated loss of certain larger vendors or the consolidation of our programming and online commerce businesses' vendors could negatively impact their sales and profitability on a short term basis. It is possible that one or more of the larger vendors for our programming and online commerce businesses could experience financial difficulties, including bankruptcy, or otherwise could elect to cease doing business with our businesses. While these businesses have periodically experienced the loss of a major vendor, if multiple major vendors ceased doing business with these businesses, or did not perform consistently with past practice, this could have a material adverse impact on our business, financial condition and operating results. Further, there has been a trend among these vendors towards consolidation in recent years that may continue. This consolidation could exacerbate the foregoing risks and increase these vendors' bargaining power and their ability to demand terms that are less favorable to our businesses.

Risks Related to the Seasonality of Our Business

Certain of our businesses face significant inventory risk. Certain of our businesses are exposed to significant inventory risks that may adversely affect their operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, changes in consumer demand, consumer spending patterns, changes in consumer tastes with respect to their products, spoilage, and other factors. For example, the COVID-19

pandemic has resulted in significant changes to daily life, working arrangements, and social events, which has impacted the type of products our businesses' consumers seek to purchase. There is significant uncertainty over potential changes in consumer behavior and shopping patterns as the COVID-19 pandemic continues and as different regions experience heightened resurgences. These businesses endeavor to accurately predict these trends and avoid overstocking or understocking products they sell. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. In addition, when these businesses begin selling a new product, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components may require significant lead-time and prepayment and they may not be returnable. These businesses carry a broad selection and significant inventory levels of certain products, such as consumer electronics, and at times they may be unable to sell products in sufficient quantities or to meet demand during the relevant selling seasons. Any one of the inventory risk factors set forth above may adversely affect their operating results.

The seasonality of certain of our businesses places increased strain on their operations. The net revenue of our home television and online commerce businesses in recent years indicates that these businesses are seasonal due to a higher volume of sales in certain months or calendar quarters or related to particular holiday shopping. For example, in recent years, QVC has earned, on average, between 21% and 24% of its global revenue in each of the first three quarters of the year and 32% of its global revenue in the fourth quarter of the year. Similarly, our subsidiary Cornerstone experiences higher sales volume during the second and fourth quarters of the year. Our subsidiary Zulily experiences a stronger third quarter during the back-to-school shopping season and stronger fourth quarter due to the holiday shopping season. If the vendors for these businesses are not able to provide popular products in sufficient amounts (for example, due to the illness or absenteeism of the vendors' workforces, government mandated shutdown orders, impaired financial conditions or other reasons resulting from the COVID-19 pandemic) such that these businesses fail to meet customer demand, it could significantly affect their revenue and future growth. The supply of such products may not return to pre-COVID-19 levels, and if so, product supplies may return to pre-COVID-19 levels at different times, and our efforts to ensure popular products are in stock may not be successful. If too many customers access the websites of these businesses within a short period of time due to increased demand, our businesses may experience system interruptions that make their websites unavailable or prevent them from efficiently fulfilling orders, which may reduce the volume of goods they offer or sell and the attractiveness of their products and services. In addition, they may be unable to adequately staff their fulfillment networks and customer service centers during these peak periods and delivery and other third party shipping (or carrier) companies may be unable to meet the seasonal demand. Risks described elsewhere in this Part I, Item 1A relating to fulfillment network optimization and inventory are magnified during periods of high demand. To the extent these businesses pay for holiday merchandise in advance of certain holidays (e.g., in the case of QVC, in August through November of each year), their available cash may decrease, resulting in less liquidity.

Risks Related to Management and Key Personnel

The success of our home television and online commerce businesses depends in large part on their ability to recruit and retain key personnel capable of executing their unique business models. Our home television and online commerce subsidiaries and business affiliates have business models that require them to recruit and retain key employees, including management, with the skills necessary for a unique business that demands knowledge of the general retail industry, television production, direct to consumer marketing and fulfillment and the Internet. We cannot assure you that if these subsidiaries and business affiliates experience turnover of these key employees they will be able to recruit and retain acceptable replacements because the market for such employees is very competitive and limited. As previously announced, Michael A. George, President and Chief Executive Officer of Qurate Retail and QVC, intends to retire on December 31, 2021. Although a search is underway for Mr. George's successor, no assurance can be given as to when a suitable replacement will be found.

We have overlapping directors and officers with Liberty Media Corporation ("LMC"), Liberty TripAdvisor Holdings, Inc. ("TripAdvisor Holdings"), Liberty Broadband, and Liberty Media Acquisition Corporation ("LMAC"), which may lead to conflicting interests. As a result of certain transactions that occurred between 2011 and 2018 that resulted in the separate corporate existence of our company, LMC, TripAdvisor Holdings and Liberty Broadband as well as the initial public offering of LMC's subsidiary, LMAC, in January 2021, all of the executive officers of Qurate Retail also serve as executive officers of LMC, TripAdvisor Holdings, Liberty Broadband and LMAC and there are overlapping

directors. Other than LMC's ownership of LMAC's sponsor, which beneficially owns 20% of LMAC's outstanding common stock as of January 26, 2021, none of the foregoing companies has any ownership interest in any of the others. Our executive officers and the members of our company's board of directors have fiduciary duties to our stockholders. Likewise, any such persons who serve in similar capacities at LMC, TripAdvisor Holdings, Liberty Broadband or LMAC have fiduciary duties to that company's stockholders. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting more than one of the companies to which they owe fiduciary duties. For example, there may be the potential for a conflict of interest when our company, LMC, TripAdvisor Holdings, Liberty Broadband or LMAC looks at acquisitions and other corporate opportunities that may be suitable for each of them. Moreover, most of our company's directors and officers own LMC, TripAdvisor Holdings, Liberty Broadband and/or LMAC stock and equity awards. These ownership interests could create, or appear to create, potential conflicts of interest when the applicable individuals are faced with decisions that could have different implications for our company, LMC, TripAdvisor Holdings, Liberty Broadband and/or LMAC. Any potential conflict that qualifies as a "related party transaction" (as defined in Item 404 of Regulation S-K under the Securities Act of 1933, as amended) is subject to review by an independent committee of the applicable issuer's board of directors in accordance with its corporate governance guidelines. Each of Liberty Broadband, TripAdvisor Holdings and LMAC has renounced its rights to certain business opportunities and their respective restated certificate of incorporation contains provisions deeming directors and officers not in breach of their fiduciary duties in certain cases for directing a corporate opportunity to another person or entity (including LMC, TripAdvisor Holdings, Liberty Broadband and LMAC) instead of such company. Any other potential conflicts that arise will be addressed on a case-by-case basis, keeping in mind the applicable fiduciary duties owed by the executive officers and directors of each issuer. From time to time, we may enter into transactions with LMC, TripAdvisor Holdings, Liberty Broadband or LMAC and/or their subsidiaries or other affiliates. There can be no assurance that the terms of any such transactions will be as favorable to our company, LMC, TripAdvisor Holdings, Liberty Broadband or LMAC or any of their respective subsidiaries or affiliates as would be the case where there is no overlapping officer or director.

Risks Related to Economic Conditions

Certain of our subsidiaries and business affiliates have operations outside of the U.S. that are subject to numerous operational and financial risks. Certain of our subsidiaries and business affiliates have operations in countries other than the U.S. that are subject to the following risks inherent in international operations:

- fluctuations in currency exchange rates;
- longer payment cycles for sales in foreign countries that may increase the uncertainty associated with recoverable accounts;
- recessionary conditions and economic instability, including fiscal policies that are implementing austerity measures in certain countries, which are affecting overseas markets;
- limited ability to repatriate funds to the U.S. at favorable tax rates;
- potentially adverse tax consequences;
- export and import restrictions, changes in tariffs, trade policies and trade relations;
- increases in taxes and governmental royalties and fees;
- the ability to obtain and maintain required licenses or certifications, such as for web services and electronic devices, that enable us to operate our businesses in foreign jurisdictions;
- changes in foreign and U.S. laws, regulations and policies that govern operations of foreign-based companies;
- changes to general consumer protection laws and regulations;
- difficulties in staffing and managing international operations as a result of distance, language and cultural differences; and
- threatened and actual terrorist attacks, political unrest in international markets and ongoing military action around the world that may result in disruptions of service that are critical to QVC's international businesses.

Moreover, in many foreign countries, particularly in certain developing economies, it is not uncommon to encounter business practices that are prohibited by certain regulations, such as the Foreign Corrupt Practices Act and similar laws.

Although certain of our subsidiaries and business affiliates have undertaken compliance efforts with respect to these laws, their respective employees, contractors and agents, as well as those companies to which they outsource certain of their business operations, may take actions in violation of their policies and procedures. Any such violation, even if prohibited by the policies and procedures of these subsidiaries and business affiliates or the law, could have certain adverse effects on the financial condition of these subsidiaries and business affiliates. Any failure by these subsidiaries and business affiliates to effectively manage the challenges associated with the international operation of their businesses could materially adversely affect their, and hence our, financial condition.

Significant developments stemming from U.S. trade policy or Brexit could have a material adverse effect on our businesses. There is uncertainty as to the actions that may be taken under a new Biden Administration with respect to U.S. trade policy with China. The imposition of any new U.S. tariffs on Chinese imports or the taking of other actions against China in the future, and any responses by China, could impair our ability to meet customer demand and could result in lost sales or an increase in our cost of merchandise, which would have a material adverse impact on our business and results of operations.

Additionally, the Brexit process and negotiations have created political and economic uncertainty, particularly in the U.K. and the E.U., and this uncertainty may last for years. On June 23, 2016, the U.K. held a referendum in which voters approved, on an advisory basis, an exit from the E.U. The U.K. formally left the E.U. on January 31, 2020. This began a transition period that ran until December 31, 2020. On January 1, 2021, the U.K. left the E.U. Customs Union and Single Market, as well as all E.U. policies and international agreements. On December 24, 2020, the European Commission reached a trade agreement with the U.K. on the terms of its future cooperation with the E.U. (the “Trade Agreement”). The Trade Agreement offers U.K. and E.U. companies preferential access to each other’s markets, ensuring imported goods that satisfy applicable point of origin rules (that is, that U.K. or E.U. goods are wholly produced or significantly worked in the U.K. or E.U., as applicable) will be free of tariffs and quotas; however, economic relations between the U.K. and the E.U. will now be on more restrictive terms than existed previously. For example, packages sent to and from the U.K., will need to satisfy new customs requirements and obtain applicable transit documents which may result in delays exporting items to customers outside of the U.K. and delays importing products into the U.K. that are shipped to us by our vendors. At this time, we cannot predict that the Trade Agreement and any future agreements on economic relations between the U.K. and the E.U. will have on our businesses and our customers, and it is possible that new terms may adversely affect our operations and financial results.

The potential impacts, if any, of the considerable uncertainty relating to Brexit or the terms of the new economic and security relationship between the U.K. and the E.U. on the free movement of goods, services, people and capital between the U.K. and the E.U., customer behavior, economic conditions, interest rates, currency exchange rates, availability of capital or other matters are unclear. Our business could be affected with respect to these matters during this period of uncertainty, and perhaps longer. In particular, our business could be negatively affected by new trade agreements between the U.K. and other countries, including the U.S., and by the possible imposition of trade or other regulatory barriers, including the imposition of tariffs, in the U.K. which could result in shipping delays and shortages or increased costs of products sold by our business. Additionally, the U.K. economy and consumer demand in the U.K., including for our products, could be negatively impacted. Further, various geopolitical forces related to Brexit may impact the global economy, the European economy and our business, including, for example, due to other E.U. member states where we have operations proposing referendums to, or electing to, exit the E.U. These possible negative impacts, and others resulting from the U.K.’s withdrawal from the E.U., may adversely affect our operating results.

Weak economic conditions worldwide may reduce consumer demand for our businesses’ products and services. Prolonged economic uncertainty in various regions of the world in which our subsidiaries and business affiliates operate could adversely affect demand for our businesses’ products and services since a substantial portion of our businesses’ revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets may 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 China, Japan and Europe deteriorate, customers of our subsidiaries and business affiliates may respond by suspending, delaying, or reducing their discretionary spending. A suspension, delay or reduction in discretionary spending could adversely affect our revenue. Accordingly, our ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments decline. Such weak economic conditions may also inhibit the expansion of our subsidiaries and

business affiliates into new European and other markets. We currently are unable to predict the extent of any of these potential adverse effects.

Changes in trade policies resulting from forced labor and human rights abuses in China may adversely impact our businesses and operating results. Recently there have been heightened tensions in relations between Western nations and China. The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and trade policies towards China. For example, on January 19, 2021, the U.S. State Department declared that China’s human rights abuses in China’s Xinjiang Uyghur Autonomous Region (“XUAR”) is a “genocide” against ethnic Uyghur Muslims. Currently, there are two bills pending before the Congress of the United States purporting to address the use of forced labor in the XUAR. If either or both of these bills, or similar bills in the U.S. or any of the other markets in which we operate, are enacted into law, a presumptive ban could be imposed on the import of goods to the United States that are made, wholly or in part, in the XUAR or by persons that participate in certain programs in the XUAR that entail the use of forced labor. The U.S. Customs and Border Protection (“CBP”) issued a region-wide withhold release order (“WRO”), effective January 13, 2021, pursuant to which the CBP will detain cotton products produced in the XUAR. The WRO applies to, among other things, cotton grown in the XUAR and to all products made in whole or in part using such cotton, regardless of where the downstream products are produced, and importers are responsible for ensuring the products they are attempting to import do not exploit forced labor at any point in their supply chain, including the production or harvesting of the raw material. As a result of the WRO, products imported into the U.S. could be held by the CBP based on a suspicion that they originated from the XUAR or that they may have been produced by Chinese suppliers accused of participating in forced labor, pending the importer providing satisfactory evidence to the contrary. Such process could result in a delay or complete inability to import such goods, which could result in inventory shortages and lost sales. Additionally, the United States Treasury Department placed sanctions on China’s Xinjiang Production and Construction Corporation (“XPCC”) for serious human rights abuses against ethnic minorities in the XUAR. The XUAR is the source of large amounts of cotton and textiles for the global apparel supply chain and XPCC controls many of the cotton farms and much of the textile industry in the region. Although our businesses do not knowingly do business with XPCC, our businesses could be subject to penalties, fines or sanctions if any of the vendors from which they purchase goods is found to have dealings, directly or indirectly with XPCC or entities it controls. Even if our businesses were not subject to penalties, fines or sanctions, if products we source are linked in any way to XPCC, our businesses’ reputations could be damaged. Our businesses may also incur expenses for the review pertaining to these matters and the cost of remediation and other changes to products, processes or sources of supply as a consequence of such verification activities. In the event of a significant disruption or unavailability in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our businesses’ vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. In addition, prices of purchased finished products also depend on wage rates in the regions where our businesses’ vendors’ contract manufacturers are located, as well as freight costs from those regions. Fluctuations in wage rates required by legal or industry standards could increase our businesses’ costs. Increases in raw material costs or wage rates, unless sufficiently offset by our pricing actions, may cause a decrease in our businesses’ profitability and negatively impact our businesses’ sales volume. For additional risks arising from changes in U.S. tariffs on Chinese imports or other actions against China and retaliatory responses by China, see “*Significant developments stemming from U.S. trade policy or Brexit could have a material adverse effect on our businesses.*”

Risks Related to Our Indebtedness and Common Stock

Our subsidiary QVC has significant indebtedness, which could limit its flexibility to respond to current market conditions, restrict its business activities and adversely affect its financial condition. As of December 31, 2020, QVC had total secured debt, other than its finance lease obligations, consisting of \$4,448 million of secured indebtedness under its existing notes, in each case, secured by a first priority lien on all shares of its capital stock, and an additional \$2.93 billion of unused capacity under its senior secured credit facility. Additionally, in December 2020, QVC Global Corporate Holdings, LLC a subsidiary of QVC, became the primary co-obligor of the \$218 million principal amount of LI LLC’s 3.5% Senior Exchangeable Debentures due 2031, which had a fair value of \$393 million at December 31, 2020. In addition, QVC had \$168 million of finance lease obligations and \$220 million of operating lease liabilities. QVC may incur significant additional indebtedness in the future. If new indebtedness is added to QVC’s current debt levels, the related risks that it now faces could intensify. The indebtedness of QVC, combined with other financial obligations and contractual commitments, could among other things:

- increase QVC’s vulnerability to general adverse economic and industry conditions;

- require a substantial portion of QVC's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness;
- limit QVC's ability to use cash flow or obtain additional financing for future working capital, capital expenditures or other general corporate purposes, which reduces the funds available to it for operations and any future business opportunities;
- limit flexibility in planning for, or reacting to, changes in its business and the markets in which it operates;
- competitively disadvantage QVC compared with competitors that have less debt;
- limit QVC's ability to borrow additional funds or to borrow funds at rates or on other terms that it finds acceptable; and
- expose QVC to the risk of increased interest rates because certain of QVC's borrowings, including borrowings under its credit facility, are at variable interest rates.

In addition, it is possible that QVC may need to incur additional indebtedness in the future in the ordinary course of business. If new debt is added to its current debt levels, the risks described above could intensify. If QVC experiences adverse effects on its financial condition as a result of their indebtedness, our financial performance could be adversely affected as well.

QVC may need to refinance its indebtedness. Although QVC expects to refinance or otherwise repay its indebtedness, it may not be able to refinance its indebtedness on commercially reasonable terms or at all. The financial terms or covenants of any new credit facility, notes or other indebtedness may not be as favorable as those under its senior secured credit facility and its existing notes. QVC's ability to complete a refinancing of its senior secured credit facility and its existing notes prior to their respective maturities will depend on its financial and operating performance, its credit rating with rating agencies, as well as a number of conditions beyond its control. For example, if disruptions in the financial markets were to exist at the time that it intended to refinance this indebtedness, it might be restricted in its ability to access the financial markets. If QVC is unable to refinance its indebtedness, its alternatives would include negotiating an extension of the maturities of its senior secured credit facility and its existing notes with the lenders and seeking or raising new equity capital. If QVC were unsuccessful, the lenders under its senior secured credit facility and the holders of its existing notes could demand repayment of the indebtedness owed to them on the relevant maturity date, which could adversely affect its and our financial condition.

Covenants in QVC's debt agreements restrict its business in many ways. QVC's senior secured credit facility and the indentures governing its notes contain various covenants that limit its ability and/or its restricted subsidiaries' ability to, among other things:

- incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons;
- pay dividends or make distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase debt;
- make loans, investments and capital expenditures;
- enter into agreements that restrict distributions from its subsidiaries;
- sell assets and capital stock of its subsidiaries;
- enter into sale and leaseback transactions;
- enter into certain transactions with affiliates;
- consolidate or merge with or into, or sell substantially all of its assets to, another person; and
- designate its subsidiaries as unrestricted subsidiaries.

In addition, QVC's senior secured credit facility contains restrictive covenants and requires it to maintain a specified leverage ratio. QVC's ability to meet this leverage ratio test can be affected by events beyond its control, and it may be unable to meet those tests. A breach of any of these covenants could result in a default under QVC's senior secured credit facility, which in turn could result in a default under the indentures governing its notes. Upon the occurrence of an event of default under QVC's senior secured credit facility, the lenders could elect to declare all amounts outstanding under its senior secured credit facility to be immediately due and payable and terminate all commitments to extend further credit. If QVC were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that

indebtedness. QVC's senior secured credit facility, its notes and certain future indebtedness are secured by a first priority perfected lien in all shares of its capital stock. If the lenders and counterparties under QVC's senior secured credit facility, its notes and certain future indebtedness accelerate the repayment of obligations, it may not have sufficient assets to repay such obligations. QVC's borrowings under its senior secured credit facility are, and are expected to continue to be, at variable rates of interest and expose it to interest rate risk. If interest rates increase, QVC's debt service obligations on the variable rate indebtedness will also increase even though the amount borrowed remains the same, and QVC's net income would decrease.

A substantial portion of our consolidated debt is held above the operating subsidiary level, and we could be unable in the future to obtain cash in amounts sufficient to service that debt and our other financial obligations. As of December 31, 2020, our wholly-owned subsidiary LI LLC had \$1,986 million principal amount of publicly-traded debt outstanding. LI LLC is also a co-obligor on the 3.5% Senior Exchangeable Debentures due 2031 in the principal amount of \$218 million as of December 31, 2020. LI LLC is a holding company for all of our subsidiaries and investments. Our ability to meet the financial obligations of LI LLC and our other financial obligations will depend on our ability to access cash. Our sources of cash include our available cash balances, net cash from operating activities, dividends and interest from our investments, availability under credit facilities at the operating subsidiary level, monetization of our public investment portfolio and proceeds from asset sales. There are no assurances that we will maintain the amounts of cash, cash equivalents or marketable securities that we maintained over the past few years. The ability of our operating subsidiaries to pay dividends or to make other payments or advances to us or LI LLC depends on their individual operating results, any statutory, regulatory or contractual restrictions to which they may be or may become subject and the terms of their own indebtedness, including QVC's credit facility and bond indentures. The agreements governing such indebtedness restrict sales of assets and prohibit or limit the payment of dividends or the making of distributions, loans or advances to stockholders and partners. Neither we nor LI LLC will generally receive cash, in the form of dividends, loans, advances or otherwise, from our business affiliates. See *"We do not have the right to manage our business affiliates, which means we are not able to cause those business affiliates to act in a manner that we deem desirable"* above.

We have disposed of certain of the reference shares underlying the exchangeable debentures of LI LLC, which exposes us to liquidity risk. LI LLC currently has outstanding multiple tranches of exchangeable debentures in the aggregate principal amount of \$1,194 million as of December 31, 2020. LI LLC is also a co-obligor on the 3.5% Senior Exchangeable Debentures due 2031 in the principal amount of \$218 million as of December 31, 2020. Under the terms of these exchangeable debentures, the holders may elect to require LI LLC to exchange the debentures for the value of a specified number of the underlying reference shares, which LI LLC may honor through delivery of reference shares, cash or a combination thereof. Also, LI LLC is required to distribute to the holders of its exchangeable debentures any cash, securities (other than publicly traded securities, which would themselves become reference shares) or other payments made by the issuer of the reference shares in respect of those shares. The principal amount of the debentures will be reduced by the amount of any such required distributions other than regular cash dividends. LI LLC has disposed of some of the reference shares underlying certain of these exchangeable debentures. For example, in connection with the Transactions, our company contributed its entire equity interest in Charter Communications, Inc. to GCI Liberty, which was subsequently acquired by Liberty Broadband. Shares of Charter serve as the underlying reference shares for the 1.75% Exchangeable Debentures. Pursuant to agreements entered into in connection with the Transactions and Liberty Broadband's acquisition of GCI Liberty, there is an indemnification obligation from Liberty Broadband to LI LLC for certain payments made to a holder of the 1.75% Exchangeable Debentures that pertains to the holder's ability to exercise its exchange right according to the terms of the 1.75% Exchangeable Debentures on or before October 5, 2023. However, we cannot give any assurance as to whether Liberty Broadband will fulfill its indemnification obligations pursuant to the indemnification agreement.

As a result of LI LLC having disposed of these reference shares, any exercise of the exchange right by, or required distribution of cash, securities or other payments to, holders of such debentures will require that LI LLC fund the required payments from its own resources, which will depend on the availability of cash or other sources of liquidity to LI LLC at that time. Additionally, in the event all reference shares underlying a series of exchangeable debentures are liquidated or otherwise cease to be outstanding without replacement, there is a possibility that the treatment of tax matters associated with that series could change. This may include acceleration of tax liabilities that are recorded as deferred tax liabilities in our financial statements, in amounts that would be significant.

Transactions in our common stock by our insiders could depress the market price of our common stock. Sales of or hedging transactions such as collars relating to our shares by John C. Malone, a director of our company, Gregory B. Maffei, our Chairman of the Board, or Michael George, our Chief Executive Officer, or any of our other directors or executive officers could cause a perception in the marketplace that our stock price has peaked or that adverse events or trends have occurred or may be occurring at our company. This perception can result notwithstanding any personal financial motivation for these insider transactions. As a result, insider transactions could depress the market price for shares of one or more series of our common stock.

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our stockholders. Certain provisions of our restated charter and bylaws may discourage, delay or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- authorizing a capital structure with multiple series of common stock, a Series B common stock that entitles the holders to ten votes per share, a Series A common stock that entitles the holder to one vote per share, and a Series C common stock that except as otherwise required by applicable law, entitles the holder to no voting rights;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of stockholders;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of the stockholders;
- establishing advance notice requirements for nominations of candidates for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- requiring stockholder approval by holders of at least 66 2/3% of our aggregate voting power or the approval by at least 75% of our board of directors with respect to certain extraordinary matters, such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated charter; and
- the existence of authorized and unissued stock, including "blank check" preferred stock, which could be issued by our board of directors to persons friendly to our then current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of our company.

John C. Malone, a director of our company, beneficially owns shares representing the power to direct approximately 41% of the aggregate voting power in our company, due to his beneficial ownership of approximately 94% of the outstanding shares of our Series B Qurate Retail common stock as of January 31, 2021.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our corporate headquarters in Englewood, Colorado under a facilities agreement with LMC. All of our other real or personal property is owned or leased by our subsidiaries and business affiliates.

QxH owns its corporate headquarters and operations center in West Chester, Pennsylvania which consists of office space and includes executive offices, video broadcast studios, showrooms, broadcast facilities and administrative offices. QxH owns call centers in San Antonio, Texas and Chesapeake, Virginia. QxH owns a multi-functional building in St. Petersburg, Florida. QxH owns distribution centers in Lancaster, Pennsylvania; Piney Flats, Tennessee; Suffolk, Virginia; Rocky Mount, North Carolina; Florence, South Carolina; and Ontario, California and leases a distribution center in Bethlehem, Pennsylvania.

QVC International owns call centers in Bochum and Kassel, Germany; and Chiba-Shi, Japan. QVC International owns distribution centers in Chiba, Japan; and Hückelhoven, Germany. Additionally, QVC International owns multi-functional buildings in Knowsley, United Kingdom; Chiba, Japan; Brugherio, Italy; and Dusseldorf, Germany, and leases a multi-functional building in London, U.K.

Zulily leases its corporate headquarters in Seattle, Washington, fulfillment centers in Lockbourne, Ohio, McCarran, Nevada, Bethlehem, Pennsylvania, and corporate offices in Gahanna, Ohio and Shenzhen, China.

Cornerstone owns an office in Franconia, New Hampshire. Cornerstone leases its fulfillment centers in Butler and Warren Counties in Ohio and Phoenix, Arizona. It also leases other properties consisting of administrative offices, 21 retail stores and outlets in various locations throughout the United States.

Our other subsidiaries and business affiliates own or lease the fixed assets necessary for the operation of their respective businesses, including office space, transponder space, headends, cable television and telecommunications distribution equipment and telecommunications switches.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Each series of the common stock of Qurate Retail, Inc. (formerly named Liberty Interactive Corporation, "Qurate Retail," the "Company," "we," "us" and "our") trades on the Nasdaq Global Select Market. Our Series A and Series B QVC Group common stock traded on the Nasdaq Global Select Market under the symbols "QVCA" and "QVCB," respectively. On May 23, 2018, the Company filed its restated certificate of incorporation, which (i) eliminated the tracking stock capitalization structure of the Company and (ii) reclassified each outstanding share of our Series A and Series B QVC Group common stock into one share of our Series A and Series B common stock, respectively. Following the reclassification, our Series A and Series B common stock continued trading on the Nasdaq Global Select Market, but under the symbols "QRTEA" and "QRTEB." Stock price information for securities traded on the Nasdaq Global Select Market can be found on the Nasdaq's website at www.nasdaq.com. Although the reclassification resulted in stock name and related ticker symbol changes, historical information for our Series B QVC Group common stock refers to such stock herein as our Series B common stock. The following table sets forth the range of high and low sales prices of shares of our Series B common stock for the years ended December 31, 2020 and 2019. Although our Series B common stock is traded on the Nasdaq Global Select Market, an established public trading market does not exist for the stock, as it is not actively traded.

	Qurate Retail	
	Series B (QRTEB)	
	High	Low
2019		
First quarter	\$ 22.37	15.91
Second quarter	\$ 17.50	11.62
Third quarter	\$ 14.62	10.10
Fourth quarter	\$ 10.62	7.84
2020		
First quarter	\$ 6.04	2.39
Second quarter	\$ 5.96	3.32
Third quarter	\$ 28.46	5.60
Fourth quarter	\$ 12.00	6.78

Holdings

As of January 31, 2021, there were 2,335 and 67 record holders of our Series A and Series B Qurate Retail common stock, respectively. The foregoing numbers of record holders do not include the number of stockholders whose shares are held nominally by banks, brokerage houses or other institutions, but include each such institution as one shareholder.

Dividends

On August 21, 2020, Qurate Retail announced that an authorized committee of its Board of Directors had declared a special dividend (the "Special Dividend") on each outstanding share of its Series A and Series B common stock consisting of (i) cash in the amount of \$1.50 per common share, for an aggregate cash dividend of approximately \$626 million, and (ii) 0.03 shares of newly issued 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), having an initial liquidation price of \$100 per share of Preferred Stock, with cash paid in lieu of fractional shares. The distribution ratio for the Preferred Stock portion of the Special Dividend was equivalent to \$3.00 in initial liquidation preference per common share, for an aggregate issuance of approximately \$1.3 billion aggregate liquidation preference. The dividend was distributed on September 14, 2020 to holders of record of Qurate Retail's Series A and Series B common stock. Holders of the Preferred Stock are entitled to receive quarterly cash dividends at a fixed rate of 8.0% per year on a cumulative basis, beginning December 15, 2020 and thereafter on each of March 15, June 15,

September 15 and December 15 during the term. The Preferred Stock is non-voting, except in limited circumstances as required by law, and subject to a mandatory redemption on March 15, 2031.

On November 20, 2020, Qurate Retail announced that an authorized committee of its Board of Directors declared a special cash dividend in the amount of \$1.50 per common share, for an aggregate dividend of approximately \$625 million, payable in cash on December 7, 2020 to stockholders of record of the Company's Series A and Series B common stock at the close of business on November 30, 2020.

Aside from the above mentioned dividends, we have not paid any cash dividends on our common stock. Payment of cash dividends, if any, in the future will be determined by our board of directors in light of our earnings, financial condition and other relevant considerations. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources."

Securities Authorized for Issuance Under Equity Compensation Plans

Information required by this item is incorporated by reference to our definitive proxy statement for our 2021 Annual Meeting of Stockholders.

Purchases of Equity Securities by the Issuer

Share Repurchase Programs

In May 2019, the board authorized the repurchase of \$500 million of Series A or Series B Qurate Retail common stock.

Period	Series A Qurate Retail Common Stock (QRTEA)			Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be purchased Under the Plans or Programs
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	
October 1 - 31, 2020	—	\$ —	—	\$ 497 million
November 1 - 30, 2020	1,149,206	\$ 11.36	1,149,206	\$ 484 million
December 1 - 31, 2020	5,372,576	\$ 10.57	5,372,576	\$ 427 million
Total	<u>6,521,782</u>		<u>6,521,782</u>	

There were no repurchases of Series B Qurate Retail common stock or Preferred Stock during the three months ended December 31, 2020.

2,537 shares of Series A Qurate Retail common stock and 45 shares of Preferred Stock were surrendered by certain of our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock during the three months ended December 31, 2020.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 consolidated financial statements and the notes thereto. Additionally, see note 2 in the accompanying consolidated financial statements for an overview of new accounting standards that we have adopted or that we plan to adopt that have had or may have an impact on our financial statements.

Overview

We own controlling and non-controlling interests in a broad range of video and online commerce companies. Our largest businesses and reportable segments are QxH (QVC U.S. and HSN) and QVC International. QVC, Inc. ("QVC"), which includes QxH and QVC International, markets and sells a wide variety of consumer products in the United States ("U.S.") and several foreign countries via highly engaging video-rich, interactive shopping experiences. Zulily, LLC ("Zulily") is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched every day, and is a reportable segment. Our "Corporate and other" category includes our consolidated subsidiary Cornerstone Brands, Inc. ("Cornerstone"), along with various cost and equity method investments. See discussion below for the entities that were included in Corporate and other in prior periods.

Prior to the Transactions (described and defined below), the Company utilized tracking stocks in its capital structure. A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Qurate Retail had two tracking stocks—QVC Group common stock and Liberty Ventures common stock, which were intended to track and reflect the economic performance of Qurate Retail's businesses, assets and liabilities attributed to the QVC Group and the Ventures Group, respectively. The QVC Group was comprised of the Company's wholly-owned subsidiaries QVC, Zulily, HSN and Cornerstone among other assets and liabilities. The Ventures Group was comprised of businesses not included in the QVC Group including Evite, Inc. ("Evite") and our interests in Liberty Broadband Corporation ("Liberty Broadband"), LendingTree, Inc. ("LendingTree"), investments in Charter Communications, Inc. ("Charter") and ILG, Inc. ("ILG"), among other assets and liabilities (which were all included in the Corporate and other category). The Company's results are attributed to the QVC Group and the Ventures Group through March 9, 2018.

On March 9, 2018, Qurate Retail completed the transactions contemplated by the Agreement and Plan of Reorganization (as amended, the "Reorganization Agreement," and the transactions contemplated thereby, the "Transactions") among General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Qurate Retail ("LI LLC"). Pursuant to the Reorganization Agreement, GCI amended and restated its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc. ("GCI Liberty")) and effected a reclassification and auto conversion of its common stock. After market close on March 8, 2018, Qurate Retail's board of directors approved the reattribution of certain assets and liabilities from Qurate Retail's Ventures Group to its QVC Group, which was effective immediately. The reattributed assets and liabilities included cash, Qurate Retail's interest in ILG, certain green energy investments, LI LLC's exchangeable debentures, and certain tax benefits.

Following these events, Qurate Retail acquired GCI Liberty through a reorganization in which certain Qurate Retail interests, assets and liabilities attributed to the Ventures Group were contributed (the "contribution") to GCI Liberty in exchange for a controlling interest in GCI Liberty. Qurate Retail and LI LLC contributed to GCI Liberty their entire equity interest in Liberty Broadband, Charter, and LendingTree, the Evite operating business and other assets and liabilities attributed to Qurate Retail's Venture Group (following the reattribution), in exchange for (a) the issuance to LI LLC of a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock

equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock on March 9, 2018, respectively, (b) cash and (c) the assumption of certain liabilities by GCI Liberty.

Following the contribution, Qurate Retail effected a tax-free separation of its controlling interest in the combined company (the “GCI Liberty Split-Off”), GCI Liberty, to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock, in which each outstanding share of Series A Liberty Ventures common stock was redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock. Simultaneous with the closing of the Transactions, QVC Group common stock became the only outstanding common stock of Qurate Retail, and thus QVC Group common stock ceased to function as a tracking stock. On April 9, 2018, Liberty Interactive Corporation was renamed Qurate Retail, Inc. On May 23, 2018, Qurate Retail amended its charter to eliminate the tracking stock capitalization structure and reclassify each share of QVC Group common stock into one share of the corresponding series of new common stock of Qurate Retail. Throughout this annual report, we refer to our Series A and Series B common stock as “Qurate Retail common stock” and “QVC Group common stock.” In July 2018, the Internal Revenue Service (“IRS”) completed its review of the GCI Liberty Split-Off and informed Qurate Retail that it agreed with the nontaxable characterization of the transactions. Qurate Retail received an Issue Resolution Agreement from the IRS documenting this conclusion.

On October 17, 2018, Qurate Retail announced a series of initiatives designed to better position its HSN and QVC U.S. businesses (“QRG Initiatives”). As part of the QRG Initiatives, QVC will close its fulfillment centers in Lancaster, Pennsylvania and Roanoke, Virginia and leased a new fulfillment center in Bethlehem, Pennsylvania, that commenced in 2019 (see note 8 to the accompanying consolidated financial statements). Expenditures related to the QRG Initiatives are recorded as part of transaction related costs. Qurate Retail recorded transaction related costs of \$41 million during the year ended December 31, 2018, which primarily related to severance as a result of the QRG Initiatives. Also, as a result of changes in internal reporting from the QRG Initiatives, during the first quarter of 2019 the Company changed its reportable segments to combine HSN and QVC U.S. into one reportable segment called “QxH.”

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

In response to these stay at home restrictions, QVC has mandated that non-essential employees work from home, has reduced the number of employees who are allowed on its production set and has implemented increased cleaning protocols, social distancing measures and temperature screenings for those employees who enter into certain facilities. In some cases, the move to a work from home arrangement for QVC’s non-essential employees will be permanent, which may result in the reduction of office space. QVC has also mandated that all essential employees who do not feel comfortable coming to work will not be required to do so. As a result of these resource constraints, QVC included fewer hours of live programming on some of its secondary channels and has experienced some delays in shipping at certain fulfillment centers. In certain markets, QVC temporarily increased the wages and salaries for those employees deemed essential who do not have the ability to work from home, including production and fulfillment center employees. QVC has also paid a one-time work from home allowance to its employees during the second quarter of 2020. While the temporary increase in wages and salaries has been terminated in most of QVC’s facilities, the inability to control the spread of COVID-19, or the expansion or extension of these stay at home restrictions could negatively impact QVC’s results in the future.

The stay at home restrictions imposed in response to COVID-19 required many traditional brick and mortar retailers to temporarily close their stores, but allowed distance retailers, including QVC, to continue operating. As a result, beginning at the end of March 2020, QVC observed an increase in new customers and an increase in demand for certain categories, such as home. However, QVC may not be able to retain these new customers after the pandemic subsides and any increase in demand in its product categories during the pandemic may be temporary.

Zulily has seen increased freight surcharges from China due to COVID-19 and in concert with QVC has made work accommodations in its fulfillment centers which has resulted in an increase in labor expense. Zulily has also incurred additional expenses to deep cleanse its fulfillment centers and office buildings, coupled with a work-from-home allowance

to reimburse its employees for home office and associated technology costs as a result of COVID-19. In addition, Zulily management cut all travel expenses, and reduced capital expenditures due to uncertainty created by COVID-19.

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

Further, the extent of the impact of the COVID-19 pandemic on our businesses remains fluid and the likelihood of an impact on us that could be material increases the longer the virus impacts activity levels in the locations in which we operate. In particular, the widespread distribution, acceptance and effectiveness of vaccines is highly uncertain and cannot be predicted at this time. Delays in the widespread distribution of vaccines, or lack of public acceptance, could lead people to continue to self-isolate and not participate in the economy at pre-pandemic levels for a prolonged period of time. Further, even if vaccines are widely distributed and accepted, there can be no assurance that the vaccines will ultimately be successful in limiting or stopping the spread of COVID-19. Even after the COVID-19 pandemic subsides, the U.S. economy and other major global economies may experience a recession, and we anticipate our businesses and operations could be materially adversely affected by a prolonged recession in the U.S. and other major markets.

Disposals

As a result of the GCI Liberty Split-Off, Qurate Retail viewed LendingTree, Evite and Liberty Broadband as separate components and evaluated them separately for discontinued operations presentation. Based on a quantitative analysis, the split-off of Qurate Retail's interest in Liberty Broadband had a major effect on Qurate Retail's operations. Accordingly, Qurate Retail's interest in Liberty Broadband is presented as a discontinued operation. The disposition of Evite and LendingTree as part of the GCI Liberty Split-Off did not have a major effect on Qurate Retail's historical results nor is it expected to have a major effect on Qurate Retail's future operations. Accordingly, Evite and LendingTree are not presented as discontinued operations.

Strategies and Challenges

Televised Shopping Businesses. The goal of QVC is to extend its leadership in video commerce, e-commerce, mobile commerce and social commerce by continuing to create the world's most engaging shopping experiences, combining the best of retail, media, and social, highly differentiated from traditional brick-and-mortar stores or transactional e-commerce. QVC provides customers with curated collections of unique products, made personal and relevant by the power of storytelling. QVC curates experiences, conversations and communities for millions of highly discerning shoppers, and also curates large audiences, across its many platforms, for its thousands of brand partners.

QVC intends to employ several strategies to achieve these objectives. Among these strategies are to (i) Curate special products at compelling values; (ii) Extend video reach and relevance; (iii) Reimagine daily digital discovery; (iv) Expand and engage its passionate community; and (v) Deliver joyful customer service. In addition, QVC is exploring opportunities to evolve the International operating model to pursue growth opportunities in a more leveraged way across markets.

Future net revenue growth will primarily depend on sales growth from e-commerce, mobile platforms and applications via streaming video, additions of new customers from households already receiving QVC's broadcast programming, and increased spending from existing customers. 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

services; (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; (iv) QVC's ability to source new and compelling products; and (v) general economic conditions.

In July 2020, QVC implemented a planned workforce reduction with the goal of making the organizational structure streamlined and more efficient. As part of the workforce reduction, QVC has decided to eliminate live hours on QVC2 in the U.S. and other secondary channels within the international segment.

The current economic uncertainty in various regions of the world in which our subsidiaries and affiliates operate could adversely affect demand for their products and services since a substantial portion of their revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets have recently experienced disruptions, including increased volatility and diminished liquidity and credit availability. If economic and financial market conditions in the United States ("U.S.") or other key markets, including Japan and Europe, continue to be uncertain or deteriorate, 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 businesses' ability to increase or maintain revenue and earnings could be adversely affected to the extent that relevant economic environments decline. Such weak economic conditions may also inhibit QVC's expansion into new European and other markets. The Company is currently unable to predict the extent of any of these potential adverse effects.

The Brexit process and negotiations have created political and economic uncertainty, particularly in the U.K. and the E.U., and this uncertainty may last for years. On June 23, 2016, the U.K. held a referendum in which voters approved, on an advisory basis, an exit from the E.U. The U.K. formally left the E.U. on January 31, 2020. This has resulted in a transition period that ran until December 31, 2020. On January 1, 2021, the U.K. left the E.U. Customs Union and Single Market, as well as all E.U. policies and international agreements. On December 24, 2020, the European Commission reached a trade agreement with the U.K. on the terms of its future cooperation with the E.U. (the "Trade Agreement"). The Trade Agreement offers U.K. and E.U. companies preferential access to each other's markets, ensuring imported goods that satisfy applicable point of origin rules (that is, that U.K. or E.U. goods are wholly produced or significantly worked in the U.K. or E.U., as applicable) will be free of tariffs and quotas; however, economic relations between the U.K. and the E.U. will now be on more restrictive terms than existed previously. For example, packages sent to and from the U.K., will need to satisfy new customs requirements and obtain applicable transit documents which may result in delays exporting items to customers outside of the U.K. and delays importing products into the U.K. that are shipped to QVC by its vendors. At this time, QVC cannot predict that the Trade Agreement and any future agreements on economic relations between the U.K. and the E.U. will have on its businesses and its customers, and it is possible that new terms may adversely affect QVC's operations and financial results.

There is uncertainty as to the actions that may be taken under a new Biden Administration with respect to U.S. trade policy with China. The imposition of any new U.S. tariffs on Chinese imports or the taking of other actions against China in the future, and any responses by China, could impair QVC's ability to meet customer demand and could result in lost sales or an increase in its cost of merchandise, which would have a material adverse impact on its business and results of operations.

Zulily. Zulily's goal is to be part of its customers' daily routine, allowing them to visit Zulily sites and discover a selection of fresh, new and affordable merchandise curated for them every morning. Zulily intends to employ the following strategies to achieve these goals and objectives: (i) acquire new customers; (ii) increase customer loyalty and repeat purchasing; (iii) add new vendors and strengthen existing vendor relationships; (iv) invest in mobile platform and channels with which its customers want to engage; and (v) invest in low cost supply chain systems in the U.S. and cross border.

Zulily has limited contractual assurances of continued supply, pricing or access to new products, and vendors could change the terms upon which they sell to Zulily or discontinue selling to Zulily for future sales at any time. As Zulily grows, continuing to identify a sufficient number of new emerging brands and smaller boutique vendors may become more and more of a challenge. If Zulily is not able to identify and effectively promote these new brands, it may lose customers to competitors. Even if Zulily identifies new vendors, it may not be able to purchase desired merchandise in sufficient quantities or on acceptable terms in the future, and products from alternative sources, if any, may be of a lesser quality or

more expensive than those from existing vendors. An inability to purchase suitable merchandise on acceptable terms or to source new vendors could have an adverse effect on Zulily's business.

To support its large and diverse base of vendors and its flash sales model that requires constantly changing products, Zulily must incur costs related to its merchandising team, photography studios and creative personnel. As Zulily grows, it may not be able to continue to expand its product offerings in a cost-effective manner. In addition, the variety in size and sophistication of Zulily's vendors presents different challenges to its infrastructure and operations. Zulily's emerging brands and smaller boutique vendors may be less experienced in manufacturing and shipping, which may lead to inconsistencies in quality, delays in the delivery of merchandise or additional fulfillment cost. Zulily's larger national brands may impose additional requirements or offer less favorable terms than smaller vendors related to margins and inventory ownership and risk and may also be unable to ship products timely.

Results of Operations—Consolidated

General. We provide in the tables below information regarding our Consolidated Operating Results and Other Income and Expense, as well as information regarding the contribution to those items from our principal reportable segments. The "Corporate and other" category consists of our consolidated subsidiary Cornerstone, along with various cost and equity method investments. For a more detailed discussion and analysis of the financial results of the principal reporting segments, see "Results of Operations - Businesses" below.

Operating Results

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
<i>Revenue</i>			
QxH	\$ 8,505	8,277	8,544
QVC International	2,967	2,709	2,738
Zulily	1,636	1,571	1,817
Corporate and other	1,070	901	973
Inter-segment eliminations	(1)	—	(2)
Consolidated Qurate Retail	<u>\$ 14,177</u>	<u>13,458</u>	<u>14,070</u>
<i>Operating Income (Loss)</i>			
QxH	\$ 1,128	973	1,161
QVC International	439	354	351
Zulily	(12)	(1,091)	(95)
Corporate and other	17	(52)	(93)
Consolidated Qurate Retail	<u>\$ 1,572</u>	<u>184</u>	<u>1,324</u>
<i>Adjusted OIBDA</i>			
QxH	\$ 1,547	1,536	1,630
QVC International	510	446	429
Zulily	83	48	108
Corporate and other	58	(1)	(13)
Consolidated Qurate Retail	<u>\$ 2,198</u>	<u>2,029</u>	<u>2,154</u>

Revenue. Our consolidated revenue increased 5.3% and decreased 4.3% for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year periods.

QVC International, QxH and Zulily revenue increased \$258 million, \$228 million, and \$65 million, respectively, during the year ended December 31, 2020, as compared to the same period in the prior year. See "[Results of Operations - Businesses](#)" below for a more complete discussion of the results of operations of QVC and Zulily. Corporate and other revenue increased \$169 million for the year ended December 31, 2020, as compared to the corresponding period in the prior year due to an increase in Cornerstone revenue of \$169 million as a result of strong customer response in the home category due to increased demand for home furnishings, interior décor and outdoor living items.

QxH, Zulily and QVC International revenue decreased \$267 million, \$246 million and \$29 million during the year ended December 31, 2019 compared to the same period in the prior year. See "[Results of Operations - Businesses](#)" below for a more complete discussion of the results of operations of QVC and Zulily. Corporate and other revenue decreased \$72 million for the year ended December 31, 2019, as compared to the corresponding prior year period due to a decrease in Cornerstone revenue of \$70 million due to the shutdown of one of the home brands in Cornerstone's portfolio during the fourth quarter of 2018.

Operating income (loss). Our consolidated operating income increased \$1,388 million and decreased \$1,140 million for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year periods.

Zulily operating losses decreased \$1,079 million for the year ended December 31, 2020, as compared to the corresponding prior year period, primarily due to no impairment of intangible assets at Zulily compared to the impairment taken in the prior year. QxH and QVC International operating income increased \$155 million and \$85 million, respectively, for the year ended December 31, 2020, compared to the same period in the prior year. See "[Results of Operations - Businesses](#)" below for a more complete discussion of the results of operations of QVC and Zulily. Operating income for Corporate and other improved \$69 million for the year ended December 31, 2020, as compared to the corresponding period in the prior year, due to a reduction in operating losses at Cornerstone as a result of strong home category revenue and product margin performance.

Zulily operating losses increased \$996 million for the year ended December 31, 2019, as compared to the corresponding prior year period, primarily due to the impairment of intangible assets at Zulily during the third quarter of 2019. QxH and QVC International operating income decreased \$188 million and increased \$3 million, respectively, for the year ended December 31, 2019, as compared to the corresponding prior year period. See "[Results of Operations - Businesses](#)" below for a more complete discussion of the results of operations of QVC and Zulily. Operating losses for Corporate and other improved \$41 million for the year ended December 31, 2019, as compared to the corresponding prior year period, primarily due to a reduction in operating losses at Cornerstone as a result of the shutdown of one of the home brands in Cornerstone's portfolio during the fourth quarter of 2018, along with the elimination of corporate costs at the Liberty Ventures Group due to the GCI Liberty Split-Off in 2018.

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

The following table provides a reconciliation of Operating income (loss) to Adjusted OIBDA.

	Year ended December 31,		
	2020	2019	2018
	amounts in millions		
Operating income (loss)	\$ 1,572	184	1,324
Depreciation and amortization	562	606	637
Stock-based compensation	64	71	88
Impairment of intangible assets	—	1,167	33
Transaction related costs	—	1	72
Adjusted OIBDA	<u>\$ 2,198</u>	<u>2,029</u>	<u>2,154</u>

Consolidated Adjusted OIBDA increased \$169 million and decreased \$125 million for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year periods.

QVC International, Zulily and QxH Adjusted OIBDA increased \$64 million, \$35 million and \$11 million for the year ended December 31, 2020, respectively, as compared to the corresponding prior year period. See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of QVC and Zulily. Corporate and other Adjusted OIBDA increased \$59 million for the year ended December 31, 2020, as compared to the corresponding period in the prior year due to higher Adjusted OIBDA at Cornerstone due to strong home category revenue and product margin performance.

QxH and Zulily Adjusted OIBDA decreased \$94 million and \$60 million, respectively, for the year ended December 31, 2019, as compared to the same period in the prior year. QVC International Adjusted OIBDA increased \$17 million for the year ended December 31, 2019, as compared to the same period in the prior year, primarily due to the closure of QVC's operations in France in March of 2019. Adjusted OIBDA losses related to QVC France were \$6 million and \$32 million for the years ended December 31, 2019 and December 31, 2018, respectively. See "Results of Operations - Businesses" below for a more complete discussion of the results of operations of QVC and Zulily. Corporate and other Adjusted OIBDA increased \$12 million for the year ended December 31, 2019, as compared to the corresponding period in the prior year due to higher Adjusted OIBDA at Cornerstone due to the impacts of the shutdown of one of the home brands in Cornerstone's portfolio discussed above and improved performance in the businesses' home segment, and the elimination of corporate costs at the Liberty Ventures Group due to the GCI Liberty Split-Off.

Other Income and Expense

Components of Other Income (Expense) are presented in the table below.

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
Interest expense	\$ (408)	(374)	(381)
Share of earnings (losses) of affiliate, net	(156)	(160)	(162)
Realized and unrealized gains (losses) on financial instruments, net	(110)	(251)	76
Gains (losses) on transactions, net	224	(1)	1
Tax sharing income (expense) with Liberty Broadband	(39)	(26)	32
Other, net	(32)	6	(7)
Other income (expense)	<u>\$ (521)</u>	<u>(806)</u>	<u>(441)</u>

Interest expense. Interest expense increased \$34 million and decreased \$7 million for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year periods. The increase for the year ended December 31, 2020 is due to QVC refinancing its borrowings on its senior secured credit facility with newly issued

senior secured notes, which have higher interest rates, as well as dividends incurred and paid related to the Preferred Stock during the period recorded through interest expense due to the accounting treatment, partially offset by lower outstanding debt balances due to repayment of amounts outstanding on QVC's senior secured credit facility. The decrease for the year ended December 31, 2019 is due to lower average debt balances during 2019 compared to the prior year as well as a reduction in the variable interest rate on QVC's bank credit facilities compared to the prior year.

Share of earnings (losses) of affiliates. Share of losses of affiliates decreased \$4 million and \$2 million during the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year periods. The decrease in 2020 is due to fewer losses related to the Company's alternative energy solutions entities compared to the prior year, almost completely offset by an increase in share of losses due to an other than temporary impairment of QVC's China equity method investment. The decrease in 2019 was due to the fact that the prior year included losses related to the Company's former investment in FTD Companies, Inc. ("FTD"), partially offset by increased losses at the Company's alternative energy solution entities due to continued investment in such ventures. These entities typically operate at a loss and the Company records its share of such losses but have favorable tax attributes and credits, which are recorded in the Company's tax accounts.

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

	<u>Years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	amounts in millions		
Equity securities	\$ (1)	(22)	155
Exchangeable senior debentures	(277)	(337)	(3)
Indemnification asset	143	123	(70)
Other financial instruments	25	(15)	(6)
	<u>\$ (110)</u>	<u>(251)</u>	<u>76</u>

The changes in these accounts are due primarily to market factors and changes in the fair value of the underlying stocks or financial instruments to which these relate. The decrease in losses for the year ended December 31, 2020 as compared to the corresponding prior year period was primarily due to a decrease in unrealized losses on the Company's exchangeable senior debentures driven by less growth in stock prices of the securities underlying the debentures than the prior year, a decrease in unrealized losses related to derivative instruments, a decrease in unrealized losses related to equity securities, and an increase in unrealized gains on the indemnification asset. The decrease for the year ended December 31, 2019 as compared to the corresponding prior year period was primarily driven by a decrease in the unrealized gain on the investment in Charter and the contribution of Charter shares to GCI Liberty in the GCI Liberty Split-Off, a decrease in unrealized gains on the investment in ILG due to the purchase of ILG by Marriott Vacations Worldwide during the third quarter of 2018 and subsequent sale of this investment, and an increase in unrealized losses on exchangeable debt, partially offset by an unrealized gain on the indemnification asset as a result of the GCI Liberty Split-Off.

Gains (losses) on transactions, net. Gains on transactions, net, increased \$225 million and decreased \$2 million for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year periods. The increase in gain on transactions, net for the year ended December 31, 2020 is due the sale of one of the Company's alternative energy investments during the third quarter of 2020. The Company received total cash consideration of \$272 million and recorded a gain of \$224 million on the sale of the alternative energy investment.

Tax sharing income (expense) with Liberty Broadband. Due to the GCI Liberty Split-Off, the Company entered into a tax sharing agreement with GCI Liberty, which was assumed by Liberty Broadband in the fourth quarter of 2020 due to a merger between the companies. As a result, the Company recognized tax sharing expense of \$39 million and \$26 million for the years ended December 31, 2020 and 2019, respectively, and tax sharing income of \$32 million for the year ended December 31, 2018.

Other, net. Other, net decreased \$38 million and increased \$13 million for the years ended December 31, 2020 and 2019, respectively, when compared to the corresponding prior year period. The decrease in other, net for the year ended

December 31, 2020, as compared to the same period in the prior year, is primarily due to a loss on extinguishment of debt of \$40 million primarily related to the retirement of the QVC 5.125% Senior Secured Notes due 2022. The activity captured in Other, net is primarily attributable to gains (losses) on early extinguishment of debt, foreign exchange gains (losses) and interest income.

Income taxes. The Company had an income tax benefit of \$211 million, an income tax benefit of \$217 million and income tax expense of \$60 million for the years ended December 31, 2020, 2019 and 2018, respectively. Our effective tax rate for the years ended December 31, 2020, 2019 and 2018 was 20.1%, 34.9% and 6.8% respectively. For the year ended December 31, 2020, the Company recorded an income tax benefit. The current year tax benefit was primarily driven by the impacts of a corporate realignment and tax credits generated by alternative energy investments. See notes 7 and 9 to the accompanying consolidated financial statements for more information related to the corporate realignment.

In 2019 the effective tax rate was higher than the U.S. federal tax of 21% primarily due to tax benefits from tax credits and incentives generated by our alternative energy investments and tax benefits from losses generated in 2019 that were eligible for carryback to tax years with federal income tax rates greater than the U.S. statutory tax rate of 21%, partially offset by a goodwill impairment that is not deductible for tax purposes and an increase in the valuation allowance against certain deferred tax assets. In 2018 the effective tax rate was lower than the U.S. federal tax of 21% primarily due to tax benefits from tax credits and incentives generated by our alternative energy investments, a reduction in the Company's state effective tax rate used to measure deferred taxes resulting from the GCI Liberty Split-Off in March 2018, and a reduction in the Company's state effective tax rate used to measure deferred taxes resulting from a state law change during the second quarter.

Net earnings (loss). We had net earnings of \$1,262 million, net losses of \$405 million, and net earnings of \$964 million for the years ended December 31, 2020, 2019 and 2018, respectively. The change in net earnings (loss) was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Liquidity and Capital Resources

As of December 31, 2020 substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, other government securities or government guaranteed funds, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, equity issuances, dividend and interest receipts, proceeds from asset sales, debt (including availability under QVC's bank credit facilities, as discussed in note 7 of the accompanying consolidated financial statements), and cash generated by the operating activities of our wholly-owned subsidiaries. Cash generated by the operating activities of our subsidiaries is only a source of liquidity to the extent such cash exceeds the working capital needs of the subsidiaries and is not otherwise restricted such as, in the case of QVC and Zulily, due to a requirement that a leverage ratio (calculated in accordance with the terms of the document governing such indebtedness which was an exhibit to the Annual Report on Form 10-K for the year ended December 31, 2019) of less than 3.5 must be maintained. As of December 31, 2020 the Company's leverage ratio was 2.0.

During the year, the Company's issuer debt credit rating was lowered from BB to BB- and QVC's issue-level rating on secured debt was lowered from BBB- to BB+ by S&P Global Ratings. All other credit ratings remained unchanged. Qurate Retail and its subsidiaries are in compliance with their debt covenants as of December 31, 2020.

As of December 31, 2020, Qurate Retail's liquidity position consisted of the following:

	Cash and cash equivalents	
	amounts in millions	
QVC	\$	682
Zulily		6
Corporate and other		118
Total Qurate Retail	<u>\$</u>	<u>806</u>

To the extent that the Company recognizes any taxable gains from the sale of assets, we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. Additionally, we have \$2.93 billion available for borrowing under the QVC Bank Credit Facility at December 31, 2020. As of December 31, 2020, QVC had approximately \$380 million of cash and cash equivalents held in foreign subsidiaries that is available for domestic purposes with no significant tax consequences upon repatriation to the U.S. QVC accrues taxes on the unremitted earnings of its international subsidiaries. Approximately 63% 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 & Co, LTD.

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

Cash Flow Information	Years ended December 31,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	amounts in millions		
Net cash provided (used) by operating activities	\$ 2,455	1,284	1,273
Net cash provided (used) by investing activities	\$ (161)	(600)	47
Net cash provided (used) by financing activities	\$ (2,181)	(661)	(1,574)

During the year ended December 31, 2020, Qurate Retail's primary uses of cash were payment of cash dividends to common stockholders of \$1.3 billion, net debt repayments of \$779 million, capital expenditures of \$257 million, investments in and loans to equity method investments of \$119 million and repurchases of common stock of \$70 million, partially offset by proceeds from dispositions of investments of \$271 million, which primarily related to the sale of an investment in an alternative energy company accounted for as an equity method investment.

The projected uses of Qurate Retail's cash in the next year, outside of normal operating expenses (inclusive of tax payments), are the costs to service outstanding debt, \$344 million for estimated interest payments on outstanding debt, including corporate level and other subsidiary debt, anticipated capital improvement spending of approximately \$270 million, the repayment of certain debt obligations, the potential buyback of common stock under the approved share buyback program, payment of dividends to the holders of the Preferred Stock, other forms of capital returns to investors and additional investments in existing or new businesses. The Company also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities. The Company expects that cash on hand and cash provided by operating activities in future periods and outstanding borrowing capacity will be sufficient to fund projected uses of cash.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

In connection with agreements for the sale of assets by our company, we may retain liabilities that relate to events occurring prior to the sale, such as tax, environmental, litigation and employment matters. We generally indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to a liability retained by us. These types of indemnification obligations may extend for a number of years. We are unable to estimate the maximum potential liability for these types of indemnification obligations as the sale agreements may not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be

determined at this time. Historically, we have not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification obligations.

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

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations, excluding uncertain tax positions as it is undeterminable when payments will be made, is summarized below.

	Payments due by period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years
<i>amounts in millions</i>					
<i>Consolidated contractual obligations</i>					
Long-term debt (1)	\$ 6,654	11	772	1,224	4,647
Interest payments (2)	4,695	344	682	548	3,121
Finance and operating lease obligations	700	106	184	130	280
Preferred Stock (3)	2,277	100	200	200	1,777
Purchase orders and other obligations (4)	2,922	2,848	51	13	10
Total	<u>\$ 17,248</u>	<u>3,409</u>	<u>1,889</u>	<u>2,115</u>	<u>9,835</u>

- (1) Amounts are reflected in the table at the outstanding principal amount, assuming the debt instruments will remain outstanding until the stated maturity date, and may differ from the amounts stated in our consolidated balance sheet to the extent debt instruments (i) were issued at a discount or premium or (ii) have elements which are reported at fair value in our consolidated balance sheets. Amounts do not assume additional borrowings or refinancings of existing debt.
- (2) Amounts (i) are based on our outstanding debt at December 31, 2020, (ii) assume the interest rates on our variable rate debt remain constant at the December 31, 2020 rates and (iii) assume that our existing debt is repaid at maturity.
- (3) This amount reflects the annual 8.0% dividend on shares of Preferred Stock outstanding as of December 31, 2020 and redemption of the Preferred Stock on March 15, 2031.
- (4) Amounts include open purchase orders for inventory and non-inventory purchases along with other contractual obligations

Critical Accounting Estimates

The preparation of our financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Listed below are the accounting estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported. All of these accounting estimates and assumptions, as well as the resulting impact to our financial statements, have been discussed with the audit committee of our board of directors.

Fair Value Measurements

Financial Instruments. We record a number of assets and liabilities in our consolidated balance sheets at fair value on a recurring basis, including equity securities, financial instruments and our exchangeable senior debentures. 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. We use quoted market prices, or Level 1 inputs, to value our Fair Value Option (as defined below) securities. As of December 31, 2020 and 2019, we had no Level 1 Fair Value Option securities.

Level 2 inputs, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. We use quoted market prices to determine the fair value of our exchangeable senior debentures. However, these debentures are not traded on active markets as defined in GAAP, so these liabilities fall in Level 2. As of December 31, 2020, the principal amount and carrying value of our exchangeable debentures were \$1,412 million and \$1,750 million, respectively.

Level 3 inputs are unobservable inputs for an asset or liability. We currently have no Level 3 financial instrument assets or liabilities.

Non-Financial Instruments. Our non-financial instrument valuations are primarily comprised of our annual assessment of the recoverability of our goodwill and other nonamortizable intangible assets, such as tradenames and our evaluation of the recoverability of our other long-lived assets upon certain triggering events, and our determination of the estimated fair value allocation of net tangible and identifiable intangible assets acquired in business combinations. If the carrying value of our long-lived assets exceeds their undiscounted cash flows, we are required to write the carrying value down to fair value. Any such writedown is included in impairment of long-lived assets in our consolidated statements of operations. A high degree of judgment is required to estimate the fair value of our long-lived assets. We may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. We may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in our estimation techniques, any value ultimately derived from our long-lived assets may differ from our estimate of fair value. As each of our operating segments has long-lived assets, this critical accounting policy affects the financial position and results of operations of each segment.

As of December 31, 2020, the intangible assets not subject to amortization for each of our significant reportable segments were as follows:

	<u>Goodwill</u>	<u>Tradenames</u>	<u>Total</u>
	amounts in millions		
QxH	\$ 5,228	2,878	8,106
QVC International	921	—	921
Zulily	477	290	767
Corporate and other	12	—	12
	<u>\$ 6,638</u>	<u>3,168</u>	<u>9,806</u>

We perform our annual assessment of the recoverability of our goodwill and other non-amortizable intangible assets during the fourth quarter of each year, or more frequently, if events or circumstances indicate impairment may have occurred. We utilize a qualitative assessment for determining whether a quantitative goodwill and other non-amortizable intangible asset impairment analysis is necessary.

The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the quantitative goodwill impairment test. In evaluating goodwill on a qualitative basis the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considers fair value determinations for certain

reporting units that have been made at various points throughout the current and prior years for other purposes. In 2019, an impairment of \$440 million was recorded to Zulily's goodwill. There were no goodwill impairments in 2020 and 2018. In 2019 and 2018, impairments of \$147 million and \$30 million, respectively, were recorded to HSN's tradenames. Also in 2019, an impairment of \$580 million was recorded to Zulily's tradename. There were no impairments of other intangible assets in 2020.

Retail Related Adjustments and Allowances. QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in our consolidated statements of operations. For the years ended December 31, 2020, 2019 and 2018, sales returns represented 15.6%, 17.3% and 17.4% of QVC's gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of QVC's inventory at the end of a reporting period based on, among other factors, the average inventory balance for the preceding 12 months and historical experience with liquidated inventory. The change in the reserve is included in cost of retail sales in our consolidated statements of operations. As of December 31, 2020, QVC's inventory was \$1,119 million, which was net of the obsolescence reserve of \$170 million. As of December 31, 2019, inventory was \$1,214 million, which was net of the obsolescence reserve of \$145 million. QVC's allowance for credit losses is calculated as a percent of accounts receivable at the end of a reporting period, and the change in such allowance is recorded as a provision for credit losses in Selling, general, and administrative ("SG&A") expenses in our consolidated statements of operations. As of December 31, 2020, QVC's trade accounts receivable were \$1,602 million, net of the allowance for credit losses of \$124 million. As of December 31, 2019, trade accounts receivable were \$1,813 million, net of the allowance for credit losses of \$123 million. Each of these estimates requires management judgment and may not reflect actual results.

Income Taxes. We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions that we enter into. Based on these judgments we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on our financial position.

Results of Operations—Businesses

QVC

QVC is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications.

In the U.S., QVC's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC 2, QVC 3, HSN and HSN2. QxH programming is also available on its websites (QVC.com and HSN.com); virtual multichannel video programming distributors (including Hulu + Live TV, AT&T TV and as of January 2021, YouTube TV); applications via streaming video (Facebook Live, Roku, Apple TV and Amazon Fire); mobile applications; social pages and over-the-air broadcasters.

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

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

QVC's operating results were as follows:

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
Net revenue	\$ 11,472	10,986	11,282
Cost of sales	(7,418)	(7,148)	(7,248)
Operating expenses	(786)	(768)	(881)
SG&A expenses (excluding stock-based compensation and transaction related costs)	(1,211)	(1,088)	(1,094)
Adjusted OIBDA	2,057	1,982	2,059
Impairment of intangible assets	—	(147)	(30)
Stock-based compensation	(37)	(39)	(46)
Depreciation and amortization	(453)	(468)	(411)
Transaction related costs	—	(1)	(60)
Operating income	<u>\$ 1,567</u>	<u>1,327</u>	<u>1,512</u>

Net revenue was generated from the following geographical areas:

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
QxH	\$ 8,505	8,277	8,544
QVC International	2,967	2,709	2,738
	<u>\$ 11,472</u>	<u>10,986</u>	<u>11,282</u>

QVC's consolidated net revenue increased 4.4% and decreased 2.6% for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior years. The 2020 increase of \$486 million in net revenue was primarily comprised of a 2.6% increase in units sold, a \$172 million decrease in estimated product returns, primarily driven by QxH, a \$22 million increase in shipping and handling revenue across all markets except Italy and \$54 million in favorable foreign exchange rates, which was partially offset by a slight decline in average selling price per unit ("ASP").

The 2019 decrease of \$296 million in net revenue was primarily comprised of a 2.7% decrease in units sold, \$69 million in unfavorable foreign exchange rates and a \$41 million decrease in shipping and handling revenue across all markets, which was partially offset by a 1% increase in ASP driven by the international markets, and a \$49 million decrease in estimated product returns, primarily driven by the decrease in sales volume at QxH.

During the years ended December 31, 2020 and 2019, the changes in revenue and expenses were affected by changes in the exchange rates for the Japanese Yen, the Euro and the U.K. Pound Sterling. 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 QVC's operating results, the term "currency exchange rates" refers to the currency exchange rates QVC uses to convert the operating results for all countries where the functional currency is not the U.S. dollar. QVC calculates the effect of changes in currency exchange rates as the difference between current period activity translated using the prior period's currency exchange rates. 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 QVC in U.S. Dollars and in constant currency was as follows:

	Year ended December 31, 2020			Year ended December 31, 2019		
	U.S. dollars	Foreign Currency Exchange Impact	Constant currency	U.S. dollars	Foreign Currency Exchange Impact	Constant currency
QxH	2.8 %	— %	2.8 %	(3.1)%	— %	(3.1)%
QVC International	9.5 %	2.0 %	7.5 %	(1.1)%	(2.6)%	1.5 %

In 2020, the QxH net revenue increase was primarily due to a 1.8% increase in units shipped, a \$171 million decrease in estimated product returns and a \$7 million increase in shipping and handling revenue, partially offset by a 1.3% decline in ASP. For the year ended December 31, 2020, QxH experienced shipped sales growth in home and accessories with declines in all other categories. The decrease in estimated product returns was primarily driven by a shift in product mix to lower return rate categories, partially offset by an increase in sales volume. The increase in shipping and handling revenue was primarily driven by the increase in units shipped and fewer promotional offers. QVC-International net revenue growth in constant currency was primarily due to a 4.6% increase in units shipped, driven by increases in units shipped across all markets, a 1.5% increase in ASP, driven by ASP increases in Germany and the U.K. and a \$15 million increase in shipping and handling revenue driven by increases in all markets except Italy, primarily due to the increase in units shipped. QVC-International experienced shipped sales growth in constant currency in home, beauty and electronics with declines in all other categories.

In 2019, the QxH net revenue decrease was primarily due to a 2.8% decrease in units shipped, a 0.5% decrease in ASP, and an \$18 million decrease in shipping and handling revenue. This decrease was partially offset by a \$65 million decrease in estimated product returns, primarily driven by the decrease in sales volume. QxH experienced shipped sales decline in all categories except electronics. The decrease in net shipping and handling revenue was a result of a decrease in shipping and handling revenue per unit from promotional offers. QVC International net revenue growth in constant currency was primarily due to a 5.1% increase in ASP, including increases in all markets. The increase was partially offset by a decrease of 2.5% in units shipped, primarily driven by Germany, the U.K., and Italy partially offset by increases in Japan, a \$22 million decrease in shipping and handling revenue, primarily in the U.K., and a \$16 million increase in estimated product returns across all markets. QVC International experienced shipped sales growth in constant currency in all categories except electronics and accessories.

QVC's cost of sales as a percentage of net revenue was 64.7%, 65.1% and 64.2% for the years ended December 31, 2020, 2019 and 2018, respectively. The decrease in cost of goods sold as a percentage of revenue in 2020 is primarily due to favorable estimated product returns at QxH and strategic promotional and pricing initiatives, which decreased product costs as a percentage of net revenue across QxH, Japan and Germany, which was partially offset by increased fulfillment costs at QxH, primarily related to increased freight charges. The increase in cost of goods sold as a percentage of revenue in 2019 is primarily due to an increase in product fulfillment costs related to a new fulfillment center in Bethlehem, Pennsylvania and higher freight costs at QxH.

Operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees, and telecommunications expenses. Operating expenses increased \$18 million or 2% and decreased \$113 million or 13% for the years ended December 31, 2020 and 2019, respectively. The increase in 2020 was primarily due to a \$15 million increase in customer service expenses, primarily at QxH, a \$6 million increase in credit card fees at QxH and to a lesser extent, Japan, and a \$5 million increase due to unfavorable exchange rates partially offset by a \$6 million decrease in commissions, primarily at QxH and to a lesser extent, Germany and the U.K., partially offset by Japan. The increase in customer service expenses is primarily driven by increased call volume during the year. The increase in credit card fees is primarily due to increased sales and lower sales penetration of our U.S. Private Label Credit Cards,

which do not charge credit card fees. The decrease in commissions is primarily due to increased digital penetration. The decrease in 2019 was primarily due to a \$92 million decrease in commissions primarily at QxH, a \$13 million decrease in personnel costs, primarily at QxH and to a lesser extent, Italy, Germany and Japan, and a \$5 million decrease due to favorable exchange rates. The decrease in commissions is primarily due to new longer term television distribution rights agreements entered into at HSN, with similar terms to QVC's television distribution agreements, which led to increased capitalization of television distribution rights agreements and favorable terms on commissions.

SG&A expenses (excluding stock compensation and transaction related costs as defined below) include personnel, information technology, provision for credit losses, production costs and marketing and advertising expense. Such expenses increased \$123 million, and were 10.6% of net revenue for the year ended December 31, 2020 as compared to the prior year and decreased \$6 million and were 9.9% of net revenue for the year ended December 31, 2019 as compared to the prior year.

The increase in 2020 was primarily due to a \$111 million increase in personnel costs across all markets, a \$53 million increase in online marketing primarily at QxH and \$7 million in unfavorable exchange rates. These increases were partially offset by a \$34 million decrease in estimated credit losses primarily at QxH and to a lesser extent, Japan, a \$14 million decline in outside services primarily at QxH and a \$10 million decrease in travel expenses across all markets. The increase related to personnel costs was primarily due to an increase to our estimated incentive pay across all markets, and a work from home allowance as a result of COVID-19, which was partially offset by the closure of our operations in France in 2019. The decrease to estimated credit losses was due to favorable adjustments based on actual collections, a decrease in the number of installment counts taken by customers, the implementation of fraud screening and a favorable shift in product category mix. The decrease in travel expenses was primarily due to less travel as a result of COVID-19.

The decrease in 2019 was primarily due to a \$43 million decrease in personnel costs primarily in QxH, France and the U.K. partially offset by increases in Japan, Germany and Italy, and an \$11 million decrease due to favorable exchange rates. The decreases were partially offset by a \$22 million increase in outside services, primarily at QxH and Japan, partially offset by a decrease in Germany, a \$12 million increase in bad debt expense, and a \$16 million increase in online marketing expenses primarily in QxH. The decrease in personnel costs is due to a decrease in wages at QxH as a result of the QRG Initiatives, a decrease in bonus compensation across all markets except for Japan, the termination of a retirement health plan and the closure of QVC's operations in France, partially offset by higher severance across all markets. The increase in bad debt expense for the year ended December 31, 2019 is primarily due to increased Easy Pay usage and the number of installments taken at QxH.

QVC recorded impairment losses of \$147 million and \$30 million for the years ended December 31, 2019 and 2018, respectively, related to the decrease in the fair value of the HSN indefinite-lived tradename as a result of the quantitative assessment that was performed by the Company in each of those years (see note 6 to the accompanying consolidated financial statements). There was no impairment loss recorded by QVC for the year ended December 31, 2020.

QVC recorded \$1 million and \$60 million of transaction related costs for the years ended December 31, 2019 and 2018, respectively. The transaction related costs in 2018 were primarily related to severance payments related to the future closure of QVC's Lancaster, PA fulfillment center and other initiatives to better position its QxH operations as well as the closure of operations in France. No transaction related costs were recorded for the year ended December 31, 2020.

Stock-based compensation includes compensation related to options and restricted stock granted to certain officers and employees. QVC recorded \$37 million, \$39 million and \$46 million of stock-based compensation expense for the years ended December 31, 2020, 2019 and 2018, respectively. There was no significant change for 2020. The decrease in 2019 was primarily due to forfeitures of non-vested options from terminated individuals.

Depreciation and amortization decreased \$15 million and increased \$57 million for the years ended December 31, 2020 and December 31, 2019, respectively. Depreciation and amortization included \$66 million, \$66 million and \$67 million of acquisition related amortization during the years ended December 31, 2020, 2019, and 2018, respectively. For the year ended December 31, 2020, property and equipment depreciation decreased primarily due to the disposition of assets in France in 2019. For the year ended December 31, 2019, channel placement amortization expense increased

primarily due to new television distribution contracts entered into at HSN and software amortization decreased due to the end of useful lives of certain software additions.

Zulily

Zulily's operating results for the last three years were as follows:

	Years ended		
	December 31, 2020	December 31, 2019	December 31, 2018
	amounts in millions		
Net revenue	\$ 1,636	1,571	1,817
Cost of sales	(1,228)	(1,179)	(1,346)
Operating expenses	(44)	(42)	(50)
SG&A expenses (excluding stock-based compensation and transaction related costs)	(281)	(302)	(313)
Adjusted OIBDA	83	48	108
Stock-based compensation	(15)	(15)	(17)
Depreciation and amortization	(80)	(104)	(186)
Impairment of intangible assets	—	(1,020)	—
Operating income (loss)	\$ (12)	(1,091)	(95)

Net revenue consists primarily of sales of women's, children's and men's apparel, children's merchandise and other product categories such as home, accessories and beauty products. Zulily recognizes product sales at the time all revenue recognition criteria has been met, which is generally at shipment. Net revenue represents the sales of these items plus shipping and handling charges to customers and private label credit card income, net of estimated refunds and returns, store credits, and promotional discounts. Net revenue is primarily driven by Zulily's active customers, the frequency with which customers purchase and average order value.

Zulily's consolidated net revenue increased 4.1% and decreased 13.5% for the years ended December 31, 2020 and December 31, 2019, respectively, as compared to the corresponding prior years. The increase in net revenue for the year ended December 31, 2020 was primarily attributed to increases of 4.3% in average sale price and 0.2% in total units shipped driven by increased demand for online shopping and Zulily's merchandise as a result of stay-at-home orders and the temporary closure of brick-and-mortar retail due to COVID-19. The decrease in net revenue for the year ended December 31, 2019 was primarily attributed to a 14.2% decrease in demand.

Zulily's cost of sales as a percentage of net revenue was 75.1%, 75.0% and 74.1% for the years ended December 31, 2020, 2019 and 2018, respectively. Cost of sales as a percentage of net revenue increased for the year ended December 31, 2020 as compared to the year ended December 31, 2019 primarily due to higher shipping costs and increased wages in the fulfilment centers, partially offset by favorable product margin. Cost of sales as a percentage of net revenue increased for the year ended December 31, 2019 as compared to the year ended December 31, 2018 primarily due to increased shipping costs.

Zulily's operating expenses are principally comprised of credit card processing fees and customer service expenses. Operating expenses increased for the year ended December 31, 2020, as compared to the same period in the prior year, driven by increased sales volumes. Operating expenses decreased for the year ended December 31, 2019, as compared to the same period in the prior year, due to a decrease in transaction processing fees as a result of decreased net sales.

Zulily's SG&A expenses include personnel related costs for general corporate functions, marketing and advertising expenses and information technology. As a percentage of net revenue, SG&A decreased from 19.2% to 17.2% for the year ended December 31, 2020 as compared to the year ended December 31, 2019, primarily due to lower marketing spending and more leverage attributable to the increase in sales. As a percentage of net revenue, SG&A increased from

17.2% to 19.2% for the year ended December 31, 2019 as compared to the year ended December 31, 2018, primarily due to deleveraging personnel-related costs.

Zulily's stock-based compensation expense remained flat for the year ended December 31, 2020 as compared to the corresponding period in the prior year. Zulily's stock-based compensation expense decreased slightly for the year ended December 31, 2019, compared to the corresponding period in the prior year, due to the departures of senior leadership including the Chief Merchant.

Zulily's depreciation and amortization expense decreased \$24 million and \$82 million for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior years. The decrease for the year ended December 31, 2020, compared to the same period in the prior year, was primarily due to the amortization of Zulily's customer relationship asset following a utilization pattern assuming greater benefit earlier in the customer relationship life. The decrease for the year ended December 31, 2019, compared to the same period in the prior year, was primarily attributable to intangible assets recognized in purchase accounting that were fully amortized as of the third quarter of 2018.

For discussion of the impairment of intangible assets in 2019, see note 6 of the accompanying consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of December 31, 2020, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted avg interest rate	Principal amount	Weighted avg interest rate
	dollar amounts in millions			
QxH and QVC International	\$ —	— %	\$ 4,668	4.9 %
Corporate and other	\$ —	— %	\$ 1,986	5.3 %

Qurate Retail is exposed to foreign exchange rate fluctuations related primarily to the monetary assets and liabilities and the financial results of QVC's foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. dollars at period-end exchange rates, and the statements of operations are generally translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of stockholders' equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end translations) or realized upon settlement of the transactions. Cash flows from our operations in foreign countries are translated at the average rate for the period. Accordingly, Qurate Retail may experience economic loss and a negative impact on earnings and equity

with respect to our holdings solely as a result of foreign currency exchange rate fluctuations. QVC's reported Adjusted OIBDA for the year ended December 31, 2020 would have been impacted by approximately \$5 million for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

We periodically assess the effectiveness of our derivative financial instruments. With regard to interest rate swaps, we monitor the fair value of interest rate swaps as well as the effective interest rate the interest rate swap yields, in comparison to historical interest rate trends. We believe that any losses incurred with regard to interest rate swaps would be largely offset by the effects of interest rate movements on the underlying debt facilities. These measures allow our management to evaluate the success of our use of derivative instruments and to determine when to enter into or exit from derivative instruments.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements of Qurate Retail are filed under this Item, beginning on page II-27. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 of the Securities and 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 December 31, 2020 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 Company's quarter ended December 31, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Remediation Activities

See "Item 9A. Controls and Procedures - Management's Report on Internal Control Over Financial Reporting" and "Item 9A. Controls and Procedures - Material Weakness in Internal Control" contained in the Company's report on Form 10-K for the fiscal year ended December 31, 2019 (the "2019 Form 10-K") for disclosure of information about the material weakness that was reported as a result of the Company's annual assessment as of December 31, 2019 and remediation plans for that material weakness.

In response to the material weakness identified in Management's Report on Internal Control Over Financial Reporting as set forth in Part II, Item 9A in the 2019 Form 10-K, the Company developed a plan with oversight from the Audit Committee of the Board of Directors of Qurate Retail to remediate the material weakness. The remediation efforts implemented include the following:

- Removed inappropriate IT system access at the Company's German subsidiary;

- Enhanced ITGC control activities to ensure access to certain financially significant systems and data at the Company's German subsidiary is appropriately restricted to authorized personnel; and
- Continued enhanced ITGC risk assessment procedures around higher risk applications to identify potential risk areas that could have an impact on financial reporting

For the quarter ended December 31, 2020, the Company completed the testing and evaluation of the operating effectiveness of the controls and determined that the controls were designed and operating effectively as of December 31, 2020. Accordingly, the Company concluded the previously reported material weakness was remediated as of December 31, 2020.

Management's Report on Internal Control Over Financial Reporting

See page II-23 for Management's Report on Internal Control Over Financial Reporting.

See page II-24 for KPMG LLP's report regarding the effectiveness of the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2020, using the criteria in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2020, the Company's internal control over financial reporting is effective.

The Company's independent registered public accounting firm that audited the consolidated financial statements and related notes in the Annual Report on Form 10-K has issued an audit report on the Company's internal control over financial reporting. Their report appears on page II-24 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Qurate Retail, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Qurate Retail, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Denver, Colorado
February 26, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Qurate Retail, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Qurate Retail, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in note 8 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Sufficiency of audit evidence over revenue

As discussed in note 2 to the consolidated financial statements, and disclosed in the consolidated statements of operations, the Company had \$14,177 million in revenue for the year ended December 31, 2020, of which \$8,505 million related to QxH, \$2,967 million related to QVC International, \$1,636 million related to Zulily, and \$1,069 million of corporate and other revenue. The processing of these revenue streams is reliant upon multiple information technology (IT) systems and the IT systems differ between revenue streams.

We identified the evaluation of the sufficiency of audit evidence over revenue as a critical audit matter. This matter required especially subjective auditor judgment due to the number of revenue streams and the related IT systems utilized throughout the revenue recognition processes. This matter also included evaluating the nature and extent of evidence obtained over each revenue stream, which included the involvement of IT professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the processing and recording of revenue, including the IT systems tested. We evaluated the design and tested the operating effectiveness of certain internal controls related to the processing and recording of revenue. This included manual and automated controls over the IT systems used for the processing and recording of revenue. For certain revenue streams, we assessed the recorded revenue by comparing the total cash received during the year to the revenue recognized, including evaluating the relevance and reliability of the inputs to the assessment. For selected transactions, we compared the amounts recognized for consistency with underlying documentation, including evidence of contracts with customers. In addition, we involved IT professionals with specialized skills and knowledge who assisted in the design and performance of audit procedures related to certain IT systems used by the Company for the processing and recording of revenue. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the relevance and reliability of evidence obtained.

/s/ KPMG LLP

We have served as the Company's auditor since 1995.

Denver, Colorado
February 26, 2021

QURATE RETAIL, INC. AND SUBSIDIARIES**Consolidated Balance Sheets****December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
	<u>amounts in millions</u>	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 806	673
Trade and other receivables, net	1,640	1,854
Inventory, net	1,301	1,413
Indemnification agreement receivable	345	202
Other current assets	473	434
Total current assets	<u>4,565</u>	<u>4,576</u>
Property and equipment, at cost	2,989	2,806
Accumulated depreciation	<u>(1,689)</u>	<u>(1,455)</u>
	<u>1,300</u>	<u>1,351</u>
Intangible assets not subject to amortization (note 6):		
Goodwill	6,638	6,576
Tradenames	<u>3,168</u>	<u>3,168</u>
	<u>9,806</u>	<u>9,744</u>
Intangible assets subject to amortization, net (note 6)	779	955
Other assets, at cost, net of accumulated amortization	<u>549</u>	<u>679</u>
Total assets	<u>\$ 16,999</u>	<u>17,305</u>

(continued)

QURATE RETAIL, INC. AND SUBSIDIARIES**Consolidated Balance Sheets (Continued)****December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
	<u>amounts in millions</u>	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 1,305	1,091
Accrued liabilities	1,418	1,173
Current portion of debt, including \$1,750 million and \$1,557 million measured at fair value (note 7)	1,750	1,557
Other current liabilities	231	180
Total current liabilities	<u>4,704</u>	<u>4,001</u>
Long-term debt	5,186	5,855
Deferred income tax liabilities (note 9)	1,359	1,716
Preferred stock (note 10)	1,249	—
Other liabilities	768	761
Total liabilities	<u>13,266</u>	<u>12,333</u>
<i>Equity</i>		
Stockholders' equity (note 10):		
Series A Qurate Retail common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 382,165,550 shares at December 31, 2020 and 386,691,461 shares at December 31, 2019	4	4
Series B Qurate Retail common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,366,492 shares at December 31, 2020 and 29,278,424 shares at December 31, 2019	—	—
Additional paid-in capital	—	—
Accumulated other comprehensive earnings (loss), net of taxes	72	(55)
Retained earnings	<u>3,522</u>	<u>4,891</u>
Total stockholders' equity	3,598	4,840
Noncontrolling interests in equity of subsidiaries	135	132
Total equity	<u>3,733</u>	<u>4,972</u>
Commitments and contingencies (note 15)		
Total liabilities and equity	<u>\$ 16,999</u>	<u>17,305</u>

See accompanying notes to consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Consolidated Statements Of Operations
Years ended December 31, 2020, 2019 and 2018

	2020	2019	2018
	amounts in millions, except per share amounts		
Total revenue, net	\$ 14,177	13,458	14,070
Operating costs and expenses:			
Cost of retail sales (exclusive of depreciation shown separately below)	9,291	8,899	9,209
Operating expense	867	844	970
Selling, general and administrative, including stock-based compensation and transaction related costs	1,885	1,758	1,897
Impairment of intangible assets and long lived assets	—	1,167	33
Depreciation and amortization	562	606	637
	<u>12,605</u>	<u>13,274</u>	<u>12,746</u>
Operating income	1,572	184	1,324
Other income (expense):			
Interest expense	(408)	(374)	(381)
Share of earnings (losses) of affiliates, net	(156)	(160)	(162)
Realized and unrealized gains (losses) on financial instruments, net (note 5)	(110)	(251)	76
Gains (losses) on transactions, net	224	(1)	1
Tax sharing income (expense) with Liberty Broadband	(39)	(26)	32
Other, net	(32)	6	(7)
	<u>(521)</u>	<u>(806)</u>	<u>(441)</u>
Earnings (loss) from continuing operations before income taxes	1,051	(622)	883
Income tax (expense) benefit (note 9)	211	217	(60)
Earnings (loss) from continuing operations	1,262	(405)	823
Earnings (loss) from discontinued operations, net of taxes (note 4)	—	—	141
Net earnings (loss)	1,262	(405)	964
Less net earnings (loss) attributable to the noncontrolling interests	58	51	48
Net earnings (loss) attributable to Qurate Retail, Inc. shareholders	<u>\$ 1,204</u>	<u>(456)</u>	<u>916</u>
Net earnings (loss) attributable to Qurate Retail, Inc. shareholders:			
Qurate Retail common stock	1,204	(456)	674
Liberty Ventures common stock	—	—	242
	<u>\$ 1,204</u>	<u>(456)</u>	<u>916</u>
Basic net earnings (loss) from continuing operations attributable to Qurate Retail, Inc. shareholders per common share (note 2):			
Series A and Series B Qurate Retail common stock	\$ 2.89	(1.08)	1.46
Series A and Series B Liberty Ventures common stock	\$ NA	NA	1.17
Diluted net earnings (loss) from continuing operations attributable to Qurate Retail, Inc. shareholders per common share (note 2):			
Series A and Series B Qurate Retail common stock	\$ 2.86	(1.08)	1.45
Series A and Series B Liberty Ventures common stock	\$ NA	NA	1.16
Basic net earnings (loss) attributable to Qurate Retail, Inc. shareholders per common share (note 2):			
Series A and Series B Qurate Retail common stock	\$ 2.89	(1.08)	1.46
Series A and Series B Liberty Ventures common stock	\$ NA	NA	2.81
Diluted net earnings (loss) attributable to Qurate Retail, Inc. shareholders per common share (note 2):			
Series A and Series B Qurate Retail common stock	\$ 2.86	(1.08)	1.45
Series A and Series B Liberty Ventures common stock	\$ NA	NA	2.78

See accompanying notes to consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Consolidated Statements Of Comprehensive Earnings (Loss)
Years ended December 31, 2020, 2019 and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	amounts in millions		
Net earnings (loss)	\$ 1,262	(405)	964
Other comprehensive earnings (loss), net of taxes:			
Foreign currency translation adjustments	118	1	(48)
Recognition of previously unrealized losses (gains) on debt, net	(1)	(1)	16
Share of other comprehensive earnings (loss) of equity affiliates	—	—	(2)
Comprehensive earnings (loss) attributable to debt credit risk adjustments (note 7)	17	1	38
Other comprehensive earnings (loss)	134	1	4
Comprehensive earnings (loss)	1,396	(404)	968
Less comprehensive earnings (loss) attributable to the noncontrolling interests	65	52	50
Comprehensive earnings (loss) attributable to Qurate Retail, Inc. shareholders	<u>\$ 1,331</u>	<u>(456)</u>	<u>918</u>

See accompanying notes to consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Consolidated Statements Of Cash Flows
Years ended December 31, 2020, 2019 and 2018

	2020	2019	2018
	amounts in millions		
	(See note 3)		
Cash flows from operating activities:			
Net earnings (loss)	\$ 1,262	(405)	964
Adjustments to reconcile net earnings to net cash provided by operating activities:			
(Earnings) loss from discontinued operations	—	—	(141)
Depreciation and amortization	562	606	637
Impairment of intangible assets	—	1,167	33
Stock-based compensation	64	71	88
Noncash interest expense	7	5	6
Share of (earnings) losses of affiliates, net	156	160	162
Realized and unrealized (gains) losses on financial instruments, net	110	251	(76)
(Gains) losses on transactions, net	(224)	1	(1)
(Gains) losses on extinguishment of debt	40	(1)	24
Deferred income tax expense (benefit)	(356)	(243)	(185)
Other noncash charges (credits), net	8	9	3
Changes in operating assets and liabilities			
Decrease (increase) in accounts receivable	232	(18)	(75)
Decrease (increase) in inventory	133	62	(106)
Decrease (increase) in prepaid expenses and other assets	39	15	(127)
(Decrease) increase in trade accounts payable	185	(122)	56
(Decrease) increase in accrued and other liabilities	237	(274)	11
Net cash provided (used) by operating activities	<u>2,455</u>	<u>1,284</u>	<u>1,273</u>
Cash flows from investing activities:			
Cash proceeds from dispositions of investments	271	—	562
Investment in and loans to cost and equity investees	(119)	(141)	(100)
Capital expenditures	(257)	(325)	(275)
Expenditures for television distribution rights	(56)	(134)	(140)
Net cash provided (used) by investing activities	<u>(161)</u>	<u>(600)</u>	<u>47</u>
Cash flows from financing activities:			
Borrowings of debt	1,300	3,161	4,221
Repayments of debt	(2,079)	(3,274)	(4,395)
Repurchases of Qurate Retail common stock	(70)	(392)	(988)
GCI Liberty Split-Off	—	—	(475)
Withholding taxes on net share settlements of stock-based compensation	(7)	(7)	(29)
Indemnification payment from GCI Liberty, Inc.	—	—	133
Dividends paid to noncontrolling interest	(62)	(40)	(40)
Dividends paid to common and preferred shareholders	(1,251)	—	—
Other financing activities, net	(12)	(109)	(1)
Net cash provided (used) by financing activities	<u>(2,181)</u>	<u>(661)</u>	<u>(1,574)</u>
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	20	(2)	2
Net increase (decrease) in cash, cash equivalents and restricted cash	133	21	(252)
Cash, cash equivalents and restricted cash at beginning of period	681	660	912
Cash, cash equivalents and restricted cash at end of period	<u>\$ 814</u>	<u>681</u>	<u>660</u>

See accompanying notes to consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES
Consolidated Statements Of Equity
Years ended December 31, 2020, 2019 and 2018

	Stockholders' Equity								Noncontrolling interest in equity of subsidiaries	Total equity
	QVC Group		Liberty Ventures		Additional paid-in capital	Accumulated other comprehensive earnings (loss), net of taxes	Retained Earnings			
	Series A	Series B	Series A	Series B						
	amounts in millions									
Balance at January 1, 2018	\$ 5	—	1	—	1,043	(133)	9,068	99	10,083	
Net earnings (loss)	—	—	—	—	—	—	916	48	964	
Other comprehensive earnings (loss)	—	—	—	—	—	2	—	2	4	
Stock-based compensation	—	—	—	—	88	—	—	—	88	
Series A Qurate Retail stock repurchases	(1)	—	—	—	(987)	—	—	—	(988)	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(40)	(40)	
Withholding taxes on net share settlements of stock-based compensation	—	—	—	—	(29)	—	—	—	(29)	
Cumulative effect of accounting change (note 2)	—	—	—	—	—	76	(70)	—	6	
Reattribution of the Ventures Group to Qurate Retail	—	—	(1)	—	1	—	—	—	—	
GCI Liberty Split-Off	—	—	—	—	(4,358)	—	—	11	(4,347)	
Other	—	—	—	—	3	—	—	—	3	
Reclassification	—	—	—	—	4,239	—	(4,239)	—	—	
Balance at December 31, 2018	\$ 4	—	—	—	—	(55)	5,675	120	5,744	
Net earnings (loss)	—	—	—	—	—	—	(456)	51	(405)	
Other comprehensive earnings (loss)	—	—	—	—	—	—	—	1	1	
Stock-based compensation	—	—	—	—	71	—	—	—	71	
Series A Qurate Retail stock repurchases	—	—	—	—	(392)	—	—	—	(392)	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(40)	(40)	
Other	—	—	—	—	(7)	—	—	—	(7)	
Reclassification	—	—	—	—	328	—	(328)	—	—	
Balance at December 31, 2019	\$ 4	—	—	—	—	(55)	4,891	132	4,972	
Net earnings (loss)	—	—	—	—	—	—	1,204	58	1,262	
Other comprehensive earnings (loss)	—	—	—	—	—	127	—	7	134	
Stock-based compensation	—	—	—	—	59	—	—	—	59	
Series A Qurate Retail stock repurchases	—	—	—	—	(70)	—	—	—	(70)	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(62)	(62)	
Distribution of dividends to common and preferred shareholders	—	—	—	—	—	—	(2,541)	—	(2,541)	
Other	—	—	—	—	(21)	—	—	—	(21)	
Reclassification	—	—	—	—	32	—	(32)	—	—	
Balance at December 31, 2020	\$ 4	—	—	—	—	72	3,522	135	3,733	

See accompanying notes to consolidated financial statements.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2020, 2019 and 2018

(1) Basis of Presentation

The accompanying consolidated financial statements include the accounts of Qurate Retail, Inc. (formerly named Liberty Interactive Corporation prior to the Transactions (defined and described below), or "Liberty") and its controlled subsidiaries (collectively, "Qurate Retail," the "Company," "we," "us," and "our") unless the context otherwise requires. All significant intercompany accounts and transactions have been eliminated in consolidation.

Qurate Retail, through its ownership of interests in subsidiaries and other companies, is primarily engaged in the video and online commerce industries in North America, Europe and Asia.

Prior to the Transactions, the Company utilized tracking stocks in its capital structure. A tracking stock is a type of common stock that the issuing company intends to reflect or "track" the economic performance of a particular business or "group," rather than the economic performance of the company as a whole. Qurate Retail had two tracking stocks—QVC Group common stock and Liberty Ventures common stock, which were intended to track and reflect the economic performance of the businesses, assets and liabilities attributed to the QVC Group and the Ventures Group, respectively. The QVC Group was comprised of the Company's wholly-owned subsidiaries QVC, Inc., Zulily, LLC ("Zulily"), HSN, Inc. ("HSN") and Cornerstone Brands, Inc. ("Cornerstone"), among other assets and liabilities. The Ventures Group was comprised of businesses not included in the QVC Group including Evite, Inc. ("Evite") and our interests in Liberty Broadband Corporation ("Liberty Broadband"), LendingTree, Inc. ("LendingTree"), investments in Charter Communications, Inc. ("Charter") and ILG, Inc. ("ILG"), among other assets and liabilities. The Company's results are attributed to the QVC Group and the Ventures Group through March 9, 2018.

On March 9, 2018, Qurate Retail completed the transactions contemplated by the Agreement and Plan of Reorganization (as amended, the "Reorganization Agreement," and the transactions contemplated thereby, the "Transactions") among General Communication, Inc. ("GCI"), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Qurate Retail ("LI LLC"). Pursuant to the Reorganization Agreement, GCI amended and restated its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc. ("GCI Liberty")) and effected a reclassification and auto conversion of its common stock. After market close on March 8, 2018, Qurate Retail's board of directors approved the reattribution of certain assets and liabilities from Qurate Retail's Ventures Group to its QVC Group, which was effective immediately. The reattributed assets and liabilities included cash, Qurate Retail's interest in ILG, certain green energy investments, LI LLC's exchangeable debentures, and certain tax benefits.

Following these events, Qurate Retail acquired GCI Liberty through a reorganization in which certain Qurate Retail interests, assets and liabilities attributed to the Ventures Group were contributed (the "contribution") to GCI Liberty in exchange for a controlling interest in GCI Liberty. Qurate Retail and LI LLC contributed to GCI Liberty their entire equity interest in Liberty Broadband, Charter, and LendingTree, the Evite operating business and other assets and liabilities attributed to Qurate Retail's Venture Group (following the reattribution), in exchange for (a) the issuance to LI LLC of a number of shares of GCI Liberty Class A Common Stock and a number of shares of GCI Liberty Class B Common Stock equal to the number of outstanding shares of Series A Liberty Ventures common stock and Series B Liberty Ventures common stock on March 9, 2018, respectively, (b) cash and (c) the assumption of certain liabilities by GCI Liberty. The following is a reconciliation of the assets and liabilities that were derecognized by the Company (in millions) at the date of the GCI Liberty Split-Off (as defined below):

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018**

Investment in Liberty Broadband	\$	3,822
Investment in Charter		1,866
Corporate Cash		475
Margin Loan		(996)
Deferred Income Tax Liabilities		(550)
Other, net		(270)
	\$	<u>4,347</u>

Following the contribution, Qurate Retail effected a tax-free separation of its controlling interest in the combined company (the “GCI Liberty Split-Off”), GCI Liberty, to the holders of Liberty Ventures common stock in full redemption of all outstanding shares of such stock, in which each outstanding share of Series A Liberty Ventures common stock was redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock. Simultaneous with the closing of the Transactions, QVC Group common stock became the only outstanding common stock of Qurate Retail, and thus QVC Group common stock ceased to function as a tracking stock. On April 9, 2018, Liberty Interactive Corporation was renamed Qurate Retail, Inc. On May 23, 2018, Qurate Retail amended its charter to eliminate the tracking stock capitalization structure and reclassify each share of QVC Group common stock into one share of the corresponding series of new common stock of Qurate Retail. Throughout this annual report, we refer to our Series A and Series B common stock as “Qurate Retail common stock” and “QVC Group common stock.” In July 2018, the Internal Revenue Service (“IRS”) completed its review of the GCI Liberty Split-Off and informed Qurate Retail that it agreed with the nontaxable characterization of the transactions. Qurate Retail received an Issue Resolution Agreement from the IRS documenting this conclusion.

On October 17, 2018, Qurate Retail announced a series of initiatives designed to better position its HSN and QVC U.S. businesses (“QRG Initiatives”). As part of the QRG Initiatives, QVC will close its fulfillment centers in Lancaster, Pennsylvania and Roanoke, Virginia and leased a new fulfillment center in Bethlehem, Pennsylvania, that commenced in 2019 (see note 8). Qurate Retail recorded transaction related costs of \$41 million during the year ended December 31, 2018 related to the QRG Initiatives, which primarily related to severance costs. Also, as a result of changes in internal reporting from the QRG Initiatives, during the first quarter of 2019 the Company changed its reportable segments to combine HSN and QVC U.S. into one reportable segment called “QxH.”

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

Qurate Retail and Liberty Media Corporation (“LMC”) (for accounting purposes a related party of Qurate Retail) entered into certain agreements in order to govern certain of the ongoing relationships between the two companies. These

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

agreements include a reorganization agreement, a services agreement (the “Services Agreement”), a facilities sharing agreement (the “Facilities Sharing Agreement”) and a tax sharing agreement (the “Tax Sharing Agreement”). The Tax Sharing Agreement provides for the allocation and indemnification of tax liabilities and benefits between Qurate Retail and LMC and other agreements related to tax matters.

Qurate Retail is party to on-going discussions with the IRS under the Compliance Assurance Process audit program. The IRS may propose adjustments that relate to tax attributes allocated to and income allocable to LMC. Any potential outcome associated with any proposed adjustments would be covered by the Tax Sharing Agreement and are not expected to have any impact on Qurate Retail's financial position.

Pursuant to the Services Agreement, LMC provides Qurate Retail with general and administrative services including legal, tax, accounting, treasury and investor relations support. See below for a description of an amendment to the Services Agreement entered into in December 2019. Qurate Retail reimburses LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Qurate Retail's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Qurate Retail. Under the Facilities Sharing Agreement, Qurate Retail shares office space with LMC and related amenities at LMC's corporate headquarters. Under these various agreements approximately \$9 million, \$8 million and \$8 million of these allocated expenses were reimbursable from Qurate Retail to LMC for the years ended December 31, 2020, 2019 and 2018, respectively. Qurate Retail had a tax sharing payable with LMC and Liberty Broadband of approximately \$129 million and \$95 million as of December 31, 2020 and 2019, respectively, included in Other liabilities in the consolidated balance sheets.

In December 2019, the Company entered into an amendment to the Services Agreement in connection with LMC's entry into a new employment arrangement with Gregory B. Maffei, the Company's Chairman of the Board (the “Chairman”). Under the amended Services Agreement, components of his compensation would either be paid directly to him by each of the Company, Liberty TripAdvisor Holdings, Inc. (“Liberty TripAdvisor”), GCI Liberty, Inc. (“GCI Liberty”), and Liberty Broadband Corporation (“Liberty Broadband”) (collectively, the “Service Companies”) or reimbursed to LMC, in each case, based on allocations among LMC and the Service Companies set forth in the amended Services Agreement, currently set at 19% for the Company but subject to adjustment on an annual basis upon the occurrence of certain events. The amended Services Agreement provides for a five year employment term which began on January 1, 2020 and ends December 31, 2024, with an aggregate annual base salary of \$3 million (with no contracted increase), an aggregate one-time cash commitment bonus of \$5 million (paid in December 2019), an aggregate annual target cash performance bonus of \$17 million, aggregate annual equity awards of \$17.5 million and aggregate equity awards granted in connection with his entry into his new agreement of \$90 million (the “upfront awards”). A portion of the grants made to our Chairman in the year ended December 31, 2020 related to our Company's allocable portion of these upfront awards.

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

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

On August 21, 2020, Qurate Retail announced that an authorized committee of its Board of Directors had declared a special dividend (the “Special Dividend”) on each outstanding share of its Series A and Series B common stock consisting of (i) cash in the amount of \$1.50 per common share, for an aggregate cash dividend of approximately \$626 million, and (ii) 0.03 shares of newly issued 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

“Preferred Stock”), having an initial liquidation price of \$100 per share of Preferred Stock, with cash paid in lieu of fractional shares. The distribution ratio for the Preferred Stock portion of the Special Dividend was equivalent to \$3.00 in initial liquidation preference per common share, for an aggregate issuance of approximately \$1.3 billion aggregate liquidation preference. The dividend was distributed on September 14, 2020 to holders of record of Qurate Retail’s Series A and Series B common stock. Holders of the Preferred Stock are entitled to receive quarterly cash dividends at a fixed rate of 8.0% per year on a cumulative basis, beginning December 15, 2020 and thereafter on each of March 15, June 15, September 15 and December 15 during the term. The Preferred Stock is non-voting, except in limited circumstances as required by law, and subject to a mandatory redemption on March 15, 2031.

On November 20, 2020, Qurate Retail announced that an authorized committee of its Board of Directors declared a special cash dividend (the “December Special Dividend”) in the amount of \$1.50 per common share, for an aggregate dividend of approximately \$625 million, payable in cash on December 7, 2020 to stockholders of record of the Company’s Series A and Series B common stock at the close of business on November 30, 2020.

During the year ended December 31, 2020, the Company recognized a gain as a result of the sale of one of its alternative energy investments. The Company received total cash consideration of \$272 million and recorded a gain of \$224 million on the sale.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents consist of investments which are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Receivables

Receivables are reflected net of an allowance for doubtful accounts and sales returns. A provision for bad debts is provided as a percentage of accounts receivable based on historical experience in the period of sale and included in selling, general and administrative expense. A provision for vendor receivables are determined based on an estimate of probable expected losses and included in cost of retail sales.

A summary of activity in the allowance for doubtful accounts is as follows:

	<u>Balance</u> <u>beginning</u> <u>of year</u>	<u>Additions</u>		<u>Deductions-</u> <u>write-offs</u>	<u>Balance</u> <u>end of</u> <u>year</u>
		<u>Charged</u> <u>to expense</u>	<u>Other</u>		
		amounts in millions			
2020	\$ 129	92	—	(89)	132
2019	\$ 117	130	4	(122)	129
2018	\$ 92	123	3	(101)	117

Inventory

Inventory, consisting primarily of products held for sale, is stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method. Assessments about the realizability of inventory require the Company to make judgments based on currently available information about the likely

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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method of disposition including sales to individual customers, returns to product vendors, liquidations and the estimated recoverable values of each disposition category. Inventory is stated net of inventory obsolescence reserves of \$181 million and \$152 million for the years ended December 31, 2020 and 2019, respectively.

Investments

All marketable equity and debt securities held by the Company are carried at fair value, generally based on quoted market prices and changes in the fair value of such securities are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statements of operations. The Company elected the measurement alternative (defined as the cost of the security, adjusted for changes in fair value when there are observable prices, less impairments) for its equity securities without readily determinable fair values. The Company had no equity securities for which it elected the fair value option as of December 31, 2020 and 2019.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used, except in situations where the fair value option has been selected. Under the equity method of accounting, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag.

The Company performs a qualitative assessment annually for its equity securities without readily determinable fair values to identify whether an equity security could be impaired. When our qualitative assessment indicates that an impairment could exist, we estimate the fair value of the investment and to the extent the fair value is less than the carrying value, we record the difference as an impairment in the consolidated statements of operations.

Derivative Instruments and Hedging Activities

All of the Company's derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings and are recognized in the statements of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings.

The Company generally enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in accumulated other comprehensive income to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash flow hedge is reported in earnings.

Property and Equipment

Property and equipment consisted of the following:

	December 31, 2020	December 31, 2019
	amounts in millions	
Land	\$ 133	128
Buildings and improvements	1,291	1,204
Support equipment	1,243	1,023
Projects in progress	44	169
Finance lease right-of-use ("ROU") assets	278	282
Total property and equipment	<u>\$ 2,989</u>	<u>2,806</u>

Property and equipment, including significant improvements, is stated at amortized cost, less impairment losses, if any. Depreciation is computed using the straight-line method using estimated useful lives of 2 to 15 years for support equipment and 3 to 20 years for buildings and improvements. Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was \$99 million, \$220 million and \$211 million, respectively.

Intangible Assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Goodwill and other intangible assets with indefinite useful lives (collectively, "indefinite lived intangible assets") are not amortized, but instead are tested for impairment at least annually. Our annual impairment assessment of our indefinite-lived intangible assets is performed during the fourth quarter of each year.

In evaluating goodwill on a qualitative basis, the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it was more likely than not that an indicated impairment exists for any of our reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current year and prior year for other purposes. If based on the qualitative analysis it is more likely than not that an impairment exists, the Company performs the quantitative impairment test.

The quantitative goodwill impairment test compares the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in Qurate Retail's valuation analyses are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

The accounting guidance also permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired. The accounting guidance also allows entities the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to the quantitative impairment test. The entity may resume performing the qualitative assessment in any subsequent period. If the qualitative assessment supports that it is more likely than not that the carrying value of the Company's indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset group is greater than the expected undiscounted cash flows to be generated by such asset group, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups exceeds their fair value. The Company generally measures fair value by considering sale prices for similar asset groups or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Noncontrolling Interests

The Company reports noncontrolling interests of subsidiaries within equity in the balance sheet and the amount of consolidated net income attributable to the parent and to the noncontrolling interest is presented in the statements of operations. Also, changes in ownership interests in subsidiaries in which the Company maintains a controlling interest are recorded in equity.

Foreign Currency Translation

The functional currency of the Company is the U.S. Dollar. The functional currency of the Company's foreign operations generally is the applicable local currency for each foreign subsidiary. Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings in stockholders' equity.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the accompanying consolidated statements of operations and comprehensive earnings (loss) as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions. These realized and unrealized gains and losses are reported in the Other, net line item in the consolidated statements of operations.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

Revenue Recognition

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

	Year ended December 31, 2020				
	QxH	QVC Int'l	Zulily	Corp and other	Total
	in millions				
Home	\$ 3,529	1,199	490	903	6,121
Beauty	1,261	724	73	—	2,058
Apparel	1,170	437	583	166	2,356
Accessories	944	260	394	—	1,598
Electronics	1,069	122	17	—	1,208
Jewelry	363	216	51	—	630
Other revenue	169	9	28	—	206
Total Revenue	<u>\$ 8,505</u>	<u>2,967</u>	<u>1,636</u>	<u>1,069</u>	<u>14,177</u>

	Year ended December 31, 2019				
	QxH	QVC Int'l	Zulily	Corp and other	Total
	in millions				
Home	\$ 3,053	1,010	422	729	5,214
Beauty	1,304	659	53	—	2,016
Apparel	1,291	439	582	172	2,484
Accessories	919	262	416	—	1,597
Electronics	1,142	104	15	—	1,261
Jewelry	402	221	54	—	677
Other revenue	166	14	29	—	209
Total Revenue	<u>\$ 8,277</u>	<u>2,709</u>	<u>1,571</u>	<u>901</u>	<u>13,458</u>

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

	Year ended December 31, 2018				
	QxH	QVC Int'l	Zulily in millions	Corp and other	Total
Home	\$ 3,185	1,023	511	791	5,510
Beauty	1,330	640	50	—	2,020
Apparel	1,325	453	684	180	2,642
Accessories	934	273	472	—	1,679
Electronics	1,134	119	18	—	1,271
Jewelry	474	213	53	—	740
Other revenue	162	17	29	—	208
Total Revenue	<u>\$ 8,544</u>	<u>2,738</u>	<u>1,817</u>	<u>971</u>	<u>14,070</u>

Consumer Product Revenue and Other Revenue. Qurate Retail's revenue includes sales of consumer products in the following categories: home, beauty, apparel, accessories, electronics and jewelry, which are primarily sold through live merchandise-focused televised shopping programs and via our websites and other interactive media, including catalogs.

Other revenue consists primarily of income generated from our company branded credit cards in which a large consumer financial services company provides revolving credit directly to the Company's customers for the sole purpose of purchasing merchandise or services with these cards. In return, the Company receives a portion of the net economics of the credit card program.

Revenue Recognition. Revenue is recognized when obligations with our customers are satisfied; generally this occurs at the time of shipment to our customers consistent with when control of the shipped product passes. The recognized revenue reflects the consideration we expect to receive in exchange for transferring goods, net of allowances for returns.

The Company recognizes revenue related to its company branded credit cards over time as the credit cards are used by Qurate Retail's customers.

Sales, value add, use and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

The Company has elected to treat shipping and handling activities that occur after the customer obtains control of the goods as a fulfillment cost and not as a promised good or service. Accordingly, the Company accrues the related shipping costs and recognizes revenue upon delivery of goods to the shipping carrier. In electing this accounting policy, all shipping and handling activities are treated as fulfillment costs.

The Company generally has payment terms with its customers of one year or less and has elected the practical expedient applicable to such contracts not to consider the time value of money.

Significant Judgments. Qurate Retail's products are generally sold with a right of return and we may provide other credits or incentives, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. The Company has determined that it is the principal in vendor arrangements as the Company can establish control over the goods prior to shipment. Accordingly, the Company records revenue for these arrangements on a gross basis.

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018**

An allowance for returned merchandise is provided as a percentage of sales based on historical experience. Sales tax collected from customers on retail sales is recorded on a net basis and is not included in revenue.

A summary of activity in the allowance for sales returns, is as follows:

	<u>Balance beginning of year</u>	<u>Additions - charged to earnings</u>	<u>Deductions</u>	<u>Balance end of year</u>
		<i>in millions</i>		
2020	\$ 261	2,188	(2,149)	300
2019	\$ 266	2,336	(2,341)	261
2018	\$ 267	2,434	(2,435)	266

Cost of Sales

Cost of sales primarily includes actual product cost, provision for obsolete inventory, buying allowances received from suppliers, shipping and handling costs and warehouse costs.

Stock-Based Compensation

As more fully described in note 12, the Company has granted to its directors, employees and employees of its subsidiaries options, restricted stock and stock appreciation rights relating to shares of Qurate Retail and/or Liberty Ventures common stock ("Qurate Retail common stock") (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an Award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for an Award of liability instruments (such as stock appreciation rights that will be settled in cash) based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date.

Stock compensation expense was \$64 million, \$71 million and \$88 million for the years ended December 31, 2020, 2019 and 2018, respectively, included in selling, general and administrative expense in the accompanying consolidated statements of operations.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the Company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

Earnings (Loss) Attributable to Qurate Retail Stockholders and Earnings (Loss) Per Common Share

Net earnings (loss) attributable to Qurate Retail stockholders is comprised of the following (amounts in millions):

	Years ended December 31,		
	2020	2019	2018
Qurate Retail			
Net earnings (loss) from continuing operations	\$ 1,204	(456)	674
Net earnings (loss) from discontinued operations	\$ NA	NA	NA
Liberty Ventures			
Net earnings (loss) from continuing operations	\$ NA	NA	101
Net earnings (loss) from discontinued operations	\$ NA	NA	141

Basic earnings (loss) per common share ("EPS") is computed by dividing net earnings (loss) attributable to such common stock by the weighted average number of common shares outstanding ("WASO") for the period. Diluted EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented.

Series A and Series B Qurate Retail Common Stock

EPS for all periods through December 31, 2020, is based on the following weighted average shares outstanding. Excluded from diluted EPS for the years ended December 31, 2020, 2019 and 2018 are approximately 28 million, 22 million and 25 million potentially dilutive common shares, respectively, because their inclusion would be antidilutive.

	Years ended December 31,		
	2020	2019	2018
	number of shares in millions		
Basic WASO	416	424	462
Potentially dilutive shares	5	—	3
Diluted WASO	421	424	465

Series A and Series B Liberty Ventures Common Stock

All of the outstanding shares of Liberty Ventures Series A and B common stock were redeemed for GCI Liberty Series A and B common stock as a result of the GCI Liberty Split-Off on March 9, 2018. EPS for the year ended December 31, 2018 is based on basic WASO of 86 million, potentially dilutive shares of 1 million and diluted WASO of 87 million. Excluded from diluted EPS for the year ended December 31, 2018 are less than a million potential common shares because their inclusion would be antidilutive.

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018*****Reclasses and adjustments***

Certain prior period amounts have been reclassified for comparability with the current year presentation.

As a result of repurchases of Series A Qurate Retail common stock, the Company's additional paid-in capital balance was in a deficit position in certain quarterly periods during the years ended December 31, 2020, 2019 and 2018. In order to maintain a zero balance in the additional paid-in capital account, we reclassified the amount of the deficit at December 31, 2020, 2019 and 2018 to retained earnings.

Estimates

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

(3) Supplemental Disclosures to Consolidated Statements of Cash Flows

	<u>Years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	<u>amounts in millions</u>		
Cash paid for acquisitions:			
Fair value of assets acquired	\$ —	—	(11)
Intangible assets subject to amortization	—	—	(4)
Net liabilities assumed	—	—	10
Deferred tax assets (liabilities)	—	—	5
Cash paid (received) for acquisitions, net of cash acquired	<u>\$ —</u>	<u>—</u>	<u>—</u>
Cash paid for interest	<u>\$ 392</u>	<u>360</u>	<u>362</u>
Cash paid for income taxes	<u>\$ 116</u>	<u>175</u>	<u>226</u>
Non-cash capital additions obtained in exchange for liabilities	<u>\$ —</u>	<u>36</u>	<u>—</u>

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

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

	December 31, 2020	December 31, 2019
	in millions	
Cash and cash equivalents	\$ 806	673
Restricted cash included in other current assets	8	8
Total cash, cash equivalents and restricted cash in the consolidated statement of cash flows	<u>\$ 814</u>	<u>681</u>

(4) Disposals

Disposals - Presented as Discontinued Operations

On March 9, 2018, Qurate Retail completed the GCI Liberty Split-Off. At the time of the GCI Liberty Split-Off, GCI Liberty was comprised of, among other things, GCI Liberty's legacy business, Qurate Retail's former interest in Liberty Broadband, Charter and LendingTree, and Qurate Retail's former wholly-owned subsidiary Evite. Qurate Retail viewed Liberty Broadband, LendingTree and Evite as separate components and evaluated them separately for discontinued operations presentation. As Qurate Retail's former interest in Charter was accounted for as an available for sale investment it did not meet the definition of a component for discontinued operation presentation. The disposition of Liberty Broadband was considered significant to the overall financial statements. Accordingly, the accompanying consolidated financial statements of Qurate Retail have been prepared to reflect Qurate Retail's interest in Liberty Broadband as a discontinued operation for the year ended December 31, 2018. The disposition of LendingTree and Evite as part of the GCI Liberty Split-Off does not have a major effect on Qurate Retail's historical or future results. Accordingly, LendingTree and Evite are not presented as discontinued operations in the accompanying consolidated financial statements of Qurate Retail. LendingTree and Evite are included in the Corporate and other segment through March 8, 2018. See "Disposals – Not Presented as Discontinued Operations" below for additional information regarding Evite and LendingTree.

Certain financial information for Qurate Retail's investment in Liberty Broadband, which is included in earnings (loss) from discontinued operations, is as follows (amounts in millions):

	Year ended December 31, 2018
Earnings (loss) before income taxes	\$ 187
Income tax (expense) benefit	\$ (46)

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018**

The combined impact from discontinued operations, discussed above, is as follows:

	Year ended December 31,	
	2018	
Basic earnings (loss) from discontinued operations attributable to Qurate Retail shareholders per common share (note 2):		
Series A and Series B Qurate Retail common stock	\$	NA
Series A and Series B Liberty Ventures common stock	\$	1.64
Diluted earnings (loss) from discontinued operations attributable to Qurate Retail shareholders per common share (note 2):		
Series A and Series B Qurate Retail common stock	\$	NA
Series A and Series B Liberty Ventures common stock	\$	1.62

Disposals – Not Presented as Discontinued Operations

As discussed above, on March 9, 2018, Qurate Retail completed the GCI Liberty Split-Off. Although Liberty Broadband has been presented as a discontinued operation, Evite and LendingTree are not presented as discontinued operations. Included in revenue in the accompanying consolidated statements of operations is \$3 million for the year ended December 31, 2018, related to Evite. Included in net earnings (loss) in the accompanying consolidated statements of operations are losses of \$2 million for the year ended December 31, 2018, related to Evite. Included in net earnings (loss) in the accompanying consolidated statements of operations are earnings of less than a million for the year ended December 31, 2018, related to LendingTree.

(5) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs, 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. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

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

Description	December 31, 2020			December 31, 2019		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in millions					
Cash equivalents	\$ 290	290	—	339	339	—
Indemnification asset (1)	\$ 345	—	345	202	—	202
Debt	\$ 1,750	—	1,750	1,557	—	1,557

(1) The indemnification asset is included in Other current assets on the consolidated balance sheets as of December 31, 2020 and 2019.

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

Pursuant to an indemnification agreement initially entered into by GCI Liberty and assumed by Liberty Broadband in connection with a merger between the two companies, Liberty Broadband has agreed to indemnify LI LLC for certain payments made to holders of LI LLC's 1.75% Exchangeable Debentures due 2046 (the "1.75% Exchangeable Debentures"). An indemnity asset in the amount of \$281 million was recorded upon completion of the GCI Liberty Split-Off. In June 2018, Qurate Retail repurchased 417,759 of the 1.75% Exchangeable Debentures for approximately \$457 million, including accrued interest, and GCI Liberty made a payment under the indemnification agreement to Qurate Retail in the amount of \$133 million. The remaining indemnification to LI LLC for certain payments made to holders of the 1.75% Exchangeable Debentures pertains to the holders' ability to exercise their exchange right according to the terms of the debentures on or before October 5, 2023. Such amount will equal the difference between the exchange value and par value of the 1.75% Exchangeable Debentures at the time the exchange occurs. The indemnification asset recorded in the consolidated balance sheets as of December 31, 2020 represents the fair value of the estimated exchange feature included in the 1.75% Exchangeable Debentures primarily based on observable market data as significant inputs (Level 2). As of December 31, 2020 and 2019, a holder of the 1.75% Exchangeable Debentures does have the ability to exchange and, accordingly, such indemnification asset is included as a current asset in our consolidated balance sheets as of those dates.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
Equity securities	\$ (1)	(22)	155
Exchangeable senior debentures	(277)	(337)	(3)
Indemnification asset	143	123	(70)
Other financial instruments	25	(15)	(6)
	<u>\$ (110)</u>	<u>(251)</u>	<u>76</u>

The Company has elected to account for its exchangeable debt using the fair value option. Changes in the fair value of the exchangeable senior debentures recognized in the consolidated statement of operations are primarily due to market factors primarily driven by changes in the fair value of the underlying shares into which the debt is exchangeable. The Company isolates the portion of the unrealized gain (loss) attributable to the change in the instrument specific credit risk and recognizes such amount in other comprehensive earnings (loss). The change in the fair value of the exchangeable senior debentures attributable to changes in the instrument specific credit risk were gains of \$21 million, \$1 million and \$70 million, net of the recognition of previously unrecognized gains and losses, for the years ended December 31, 2020, 2019, and 2018, respectively. The cumulative change was a gain of \$193 million as of December 31, 2020, net of the recognition of previously unrecognized gains and losses.

(6) Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QxH	QVC International	Zulily	Corporate and Other	Total
		amounts in millions			
Balance at January 1, 2019	\$ 5,228	860	917	12	7,017
Foreign currency translation adjustments	—	(1)	—	—	(1)
Impairment (1)	—	—	(440)	—	(440)
Balance at December 31, 2019	<u>5,228</u>	<u>859</u>	<u>477</u>	<u>12</u>	<u>6,576</u>
Foreign currency translation adjustments	—	62	—	—	62
Balance at December 31, 2020	<u>\$ 5,228</u>	<u>921</u>	<u>477</u>	<u>12</u>	<u>6,638</u>

(1) See discussion of the 2019 impairment below.

Goodwill recognized from acquisitions primarily relates to assembled workforces, website community and other intangible assets that do not qualify for separate recognition.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

As presented in the accompanying consolidated balance sheets, tradenames is the other significant indefinite lived intangible asset.

Intangible Assets Subject to Amortization

Intangible assets subject to amortization are comprised of the following:

December 31, 2020			December 31, 2019		
Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
amounts in millions					
\$ 814	(751)	63	764	(624)	140
3,334	(3,004)	330	3,319	(2,891)	428
1,434	(1,048)	386	1,343	(956)	387
<u>\$ 5,582</u>	<u>(4,803)</u>	<u>779</u>	<u>5,426</u>	<u>(4,471)</u>	<u>955</u>

The weighted average life of these amortizable intangible assets was approximately 9 years at the time of acquisition. However, amortization is expected to match the usage of the related asset and will be on an accelerated basis as demonstrated in table below.

Amortization expense for intangible assets with finite useful lives was \$363 million, \$386 million and \$426 million for the years ended December 31, 2020, 2019 and 2018, respectively. Based on its amortizable intangible assets as of December 31, 2020, Qurate Retail expects that amortization expense will be as follows for the next five years (amounts in millions):

2021	\$ 296
2022	\$ 184
2023	\$ 120
2024	\$ 74
2025	\$ 50

Impairments

As a result of Zulily's deteriorating financial performance during 2019, Zulily initiated a process to evaluate its current business model and long-term business strategy in light of the challenging retail environment. Upon completing the evaluation of Zulily's model and long-term strategy, it was determined during the third quarter of 2019 that an indication of impairment existed for the Zulily reporting unit related to its tradename and goodwill. With the assistance of a third party specialist, the fair value of the tradename was determined using the relief from royalty method (Level 3), and an impairment in the amount of \$580 million was recorded during the third quarter of 2019, in the impairment of intangible assets and long lived assets line item in the consolidated statements of operations. With the assistance of a third party specialist, the fair value of the Zulily reporting unit was determined using a discounted cash flow method (Level 3), and a goodwill impairment in the amount of \$440 million was recorded during the third quarter of 2019, in the impairment of intangible assets and long lived assets line item in the consolidated statements of operations.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

The Company performed a qualitative goodwill impairment analysis during the fourth quarter of 2019 and 2018 and determined that triggering events existed at the HSN reporting unit in both periods due to a variety of factors, primarily HSN's inability to meet its 2019 and 2018 revenue projections. With the assistance of an external valuation expert, the Company determined the estimated business enterprise value of HSN, including its intangible assets and goodwill as of December 31, 2018, and the estimated value of its tradename intangible asset as of December 31, 2019 and December 31, 2018. In 2018 the business enterprise valuation was performed using a combination of a discounted cash flow model using HSN's projections of future operating performance (income approach) and market multiples (market approach) (Level 3). In both periods the tradename valuation was performed using a relief from royalties method, primarily using a discounted cash flow model using HSN's projections of future operating performance (income approach) and applying a royalty rate (market approach) (Level 3). As a result of the analysis, HSN recorded a \$147 million and a \$30 million impairment to its tradename intangible asset as of December 31, 2019 and December 31, 2018, respectively. No impairment of HSN's goodwill was necessary in 2018.

As of December 31, 2020 the Company had accumulated goodwill impairment losses of \$440 million, which was all attributed to the Zulily reporting unit.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

(7) Debt

Debt is summarized as follows:

	Outstanding principal	Carrying value	
	December 31, 2020	December 31, 2020	December 31, 2019
amounts in millions			
Corporate level debentures			
8.5% Senior Debentures due 2029	\$ 287	285	285
8.25% Senior Debentures due 2030	505	502	502
4% Exchangeable Senior Debentures due 2029	430	362	327
3.75% Exchangeable Senior Debentures due 2030	432	346	318
3.5% Exchangeable Senior Debentures due 2031	—	—	422
0.75% Exchangeable Senior Debentures due 2043	—	—	2
1.75% Exchangeable Senior Debentures due 2046	332	649	488
Subsidiary level notes and facilities			
QVC 5.125% Senior Secured Notes due 2022	—	—	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	600	599
QVC 4.75% Senior Secured Notes due 2027	575	575	—
QVC 4.375% Senior Secured Notes due 2028	500	500	—
QVC 5.45% Senior Secured Notes due 2034	400	400	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC 6.375% Senior Secured Notes due 2067	225	225	225
QVC 6.25% Senior Secured Notes due 2068	500	500	500
3.5% Exchangeable Senior Debentures due 2031	218	393	—
QVC Bank Credit Facilities	—	—	1,235
Deferred loan costs	—	(51)	(40)
Total consolidated Qurate Retail debt	<u>\$ 6,654</u>	<u>6,936</u>	<u>7,412</u>
Less debt classified as current		<u>(1,750)</u>	<u>(1,557)</u>
Total long-term debt		<u>\$ 5,186</u>	<u>5,855</u>

Exchangeable Senior Debentures

Each \$1,000 debenture of Liberty Interactive LLC's ("LI LLC") 4% Exchangeable Senior Debentures was exchangeable at the holder's option for the value of 3.2265 shares of Sprint Corporation ("Sprint") common stock and 0.7860 shares of Lumen Technologies, Inc. ("Lumen Technologies") (formerly known as CenturyLink, Inc.) common stock. On April 1, 2020, T-Mobile US, Inc. ("T-Mobile") completed its acquisition of Sprint Corporation ("TMUS/S Acquisition") for 0.10256 shares of T-Mobile for every share of Sprint Corporation. Following the TMUS/S Acquisition, the reference shares attributable to each \$1,000 original principal amount of the 4.0% Senior Exchangeable Debentures due 2029 consist of 0.3309 shares of common stock of T-Mobile, and 0.7860 shares of common stock of Lumen Technologies. LI LLC may, at its election, pay the exchange value in cash, Sprint and Lumen Technologies common stock or a combination thereof. LI LLC, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest. As a result of various principal payments made to holders of

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

the 4% Exchangeable Senior Debentures, the adjusted principal amount of each \$1,000 debenture is \$917 as of December 31, 2020.

Each \$1,000 debenture of LI LLC's 3.75% Exchangeable Senior Debentures was exchangeable at the holder's option for the value of 2.3578 shares of Sprint common stock and 0.5746 shares of Lumen Technologies common stock. Following the TMUS/S Acquisition, each \$1,000 debenture of LI LLC's 3.75% Exchangeable Senior Debentures is exchangeable at the holder's option for the value of 0.2419 shares of T-Mobile common stock and 0.5746 shares of Lumen Technologies common stock. LI LLC may, at its election, pay the exchange value in cash, Sprint and Lumen Technologies common stock or a combination thereof. Qurate Retail, at its option, may redeem the debentures, in whole or in part, for cash equal to the face amount of the debentures plus accrued interest. As a result of various principal payments made to holders of the 3.75% Exchangeable Senior Debentures, the adjusted principal amount of each \$1,000 debenture is \$940 as of December 31, 2020.

In August 2016, Qurate Retail issued \$750 million principal amount of new senior exchangeable debentures due September 2046 which bear interest at an annual rate of 1.75%. Each \$1,000 debenture is exchangeable at the holder's option for the value of 2.9317 shares of Charter Class A common stock. Qurate Retail may, at its election, pay the exchange value in cash, Charter Class A common stock or a combination thereof. The number of shares of Charter Class A common stock attributable to a debenture represents an initial exchange price of approximately \$341.10 per share. On October 5, 2023, Qurate Retail, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the face amount of the debentures plus accrued interest. See note 5 for additional information about these debentures.

As part of a common control transaction with QVC completed in December 2020, QVC Global Corporate Holdings, LLC ("QVC Global"), a subsidiary of QVC, became the primary co-obligor of LI LLC's 3.5% Exchangeable Senior Debentures (the "Motorola Exchangeables"), allowing the Motorola Exchangeables to be serviced direct by cash generated from QVC's foreign operations. Concurrently, LI LLC issued a promissory note to QVC Global with an initial face amount of \$1.8 billion, a stated annual interest rate of 0.48% and a maturity of December 29, 2029. Interest on the promissory note is to be paid annually beginning on December 29, 2021. Each \$1,000 debenture of the Motorola Exchangeables is exchangeable at the holder's option for the value of 5.2598 shares of Motorola Solutions, Inc. ("MSI"). The remaining exchange value is payable, at QVC Global's option, in cash or MSI stock or a combination thereof. QVC Global, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of various principal payments made to holders of the Motorola Exchangeables, the adjusted principal amount of each \$1,000 debenture is \$497 as of December 31, 2020. During the years ended December 31, 2020 and 2019, holders exchanged, under the terms of the Motorola Exchangeables, principal amounts of approximately \$25 million and \$58 million, respectively, and Qurate Retail made cash payments of approximately \$49 million and \$99 million, respectively, to settle the obligations.

Qurate Retail has elected to account for all of its exchangeables using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the statements of operations. Qurate Retail will review the triggering events on a quarterly basis to determine whether a triggering event has occurred to require current classification of certain exchangeables, see additional discussion below.

Qurate Retail has sold, split-off or otherwise disposed of all of its shares of MSI, T-Mobile, Charter and Lumen Technologies common stock which underlie the respective exchangeable senior debentures. Because such exchangeable debentures are exchangeable at the option of the holder at any time and Qurate Retail can no longer use owned shares to redeem the debentures, Qurate Retail has classified for financial reporting purposes the debentures that could be redeemed for cash as a current liability. Exchangeable senior debentures classified as current totaled \$1,750 million at December 31, 2020. Although such amount has been classified as a current liability for financial reporting purposes, the Company

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

believes the probability that the holders of such instruments will exchange a significant principal amount of the debentures prior to maturity is unlikely.

Interest on the Company's exchangeable debentures is payable semi-annually based on the date of issuance. At maturity, all of the Company's exchangeable debentures are payable in cash.

Senior Debentures

Interest on the 8.5% Senior Debentures due 2029 and the 8.25% Senior Debentures due 2030 (collectively, the "Senior Debentures") is payable semi-annually based on the date of issuance. The Senior Debentures are stated net of aggregate unamortized discount and issuance costs of \$5 million at December 31, 2020 and \$4 million at December 31, 2019. Such discount and issuance costs are being amortized to interest expense in the accompanying consolidated statements of operations.

QVC Senior Secured Notes

On August 21, 2014, QVC issued \$600 million principal amount of 4.45% Senior Secured Notes due 2025 at an issue price of 99.860% and \$400 million principal amount 5.45% Senior Secured Notes due 2034 at an issue price of 99.784% (collectively, the "August Notes"). The August Notes are secured by the capital stock of QVC and certain of QVC's subsidiaries and have equal priority to QVC's senior secured credit facility. During prior years, QVC issued \$500 million principal amount of 5.125% Senior Secured Notes due 2022 at par, \$750 million principal amount of 4.375% Senior Secured Notes due 2023 at par and \$300 million principal amount of 5.95% Senior Secured Notes due 2043 at par.

In September 2018, QVC completed a registered debt offering for \$225 million of 6.375% Senior Notes due 2067 (the "2067 Notes"). QVC has the option to call the 2067 Notes after 5 years at par value, plus accrued and unpaid interest.

On November 26, 2019, QVC completed a registered debt offering for \$335 million of the 6.25% Senior Secured Notes due 2068 ("2068 Notes") at par. QVC granted an option for underwriters to purchase up to an additional \$65 million of 2068 Notes which was exercised on December 6, 2019, bringing the aggregate principal borrowed to \$500 million. QVC has the option to call the 2068 Notes after 5 years at par value, plus accrued and unpaid interest.

On February 4, 2020, QVC completed a registered debt offering for \$575 million of the 4.75% Senior Secured Notes due 2027 (the "2027 Notes") at par. Interest on the 2027 Notes is paid semi-annually in February and August, with payments commencing on August 15, 2020. The proceeds were used to partially prepay existing indebtedness under QVC's bank credit facilities.

On August 20, 2020, QVC completed a registered debt offering for \$500 million of the 4.375% Senior Secured Notes due 2028 (the "2028 Notes") at par. Interest on the 2028 Notes will be paid semi-annually in March and September, with payments commencing on March 1, 2021. The proceeds were used in a cash tender offer (the "Tender Offer") to purchase the outstanding \$500 million of 5.125% Senior Secured Notes due 2022 (the "2022 Notes"). QVC also issued a notice of redemption exercising its right to optionally redeem any of the 2022 Notes that remained outstanding following the Tender Offer. As a result of the Tender Offer and the redemption, the Company recorded a loss on extinguishment of debt in the consolidated statements of operations of \$42 million for the year ended December 31, 2020.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

QVC Bank Credit Facilities

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

The payment and performance of the borrowers’ obligations (including Zulily’s obligations) under the Fourth Amended and Restated Credit Agreement are guaranteed by each of QVC’s Material Domestic Subsidiaries (as defined in the Fourth Amended and Restated Credit Agreement). Further, the borrowings under the Fourth Amended and Restated Credit Agreement are secured, *pari passu* with QVC’s existing notes, by a pledge of all of QVC’s equity interests. In addition, the payment and performance of the borrowers’ obligations with respect to the \$400 million tranche available to both QVC and Zulily are also guaranteed by Zulily and secured by a pledge of all of Zulily’s equity interests.

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

Availability under the Fourth Amended and Restated Credit Agreement at December 31, 2020 was \$2.93 billion, including the remaining portion of the \$400 million tranche available to Zulily and net of \$23 million of outstanding standby letters of credit.

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 did not qualify as a cash flow hedge under GAAP, and expired in June 2019. In July 2019, QVC entered into a three-year interest rate swap arrangement with a notional amount of \$125 million. The swap arrangement did not qualify as a cash flow hedge under U.S. GAAP and the fair value of the swap instrument was in a net liability position of \$3 million and less than \$1 million as of December 31, 2020 and 2019, respectively. On December 31, 2018, QVC entered into a thirteen month interest rate swap arrangement that effectively converted \$250 million of its variable rate bank credit facility to a fixed rate of 1.05% which expired in January 2020.

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018*****Debt Covenants***

Qurate Retail and its subsidiaries were in compliance with all debt covenants at December 31, 2020.

Five Year Maturities

The annual principal maturities of Qurate Retail's debt, based on stated maturity dates, for each of the next five years is as follows (amounts in millions):

2021	\$	11
2022	\$	11
2023	\$	761
2024	\$	612
2025	\$	612

Fair Value of Debt

Qurate Retail estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Qurate Retail for debt of the same remaining maturities (Level 2). The 2067 Notes and 2068 Notes are traded on the New York Stock Exchange, and the Company considers them to be actively traded. As such, the 2067 Notes and 2068 Notes are valued based on their trading price (Level 1). The fair value, based on quoted prices of instruments not considered to be active markets, of Qurate Retail's publicly traded debt securities that are not reported at fair value in the accompanying consolidated balance sheets is as follows (amounts in millions):

	December 31,	
	2020	2019
Senior debentures	\$ 892	804
QVC senior secured notes	\$ 4,705	4,011

Due to the variable rate nature, Qurate Retail believes that the carrying amount of its subsidiary debt not discussed above approximated fair value at December 31, 2020.

(8) Leases

Effective January 1, 2019, the Company adopted Accounting Standards Codification Topic 842 ("ASC 842") and elected the transition method that allows for a cumulative-effect adjustment in the period of adoption. ASC 842 requires a company to recognize lease assets and lease liabilities arising from operating leases in the statement of financial position. Additionally, the criteria for classifying a lease as a finance lease versus an operating lease are substantially the same as the previous guidance. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported under the accounting standards in effect for those periods.

The Company elected certain of the available transition practical expedients, including those that permit it to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date. The Company did not elect the hindsight practical expedient, which permits entities to use hindsight in determining the lease term and assessing

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018**

impairment. The most significant impact of the new guidance was the recognition of ROU assets and lease liabilities for operating leases. In addition, the Company elected the practical expedient to account for the lease and non-lease components as a single lease component and will not recognize right-of-use assets or lease liabilities for short-term leases, which are those leases with a term of twelve months or less at the lease commencement date.

The Company recognized \$287 million of operating lease ROU assets, \$51 million of short term operating lease liabilities and \$259 million of long term operating lease liabilities on the consolidated balance sheet upon adoption of the new standard. The operating lease liabilities were determined based on the present value of the remaining rental payments and the operating lease ROU asset was determined based on the value of the lease liabilities, adjusted primarily for deferred rent, net of prepaid rent of \$23 million.

The Company has finance lease agreements with transponder and transmitter network suppliers for the right to transmit its signals in the U.S. and Germany. The Company is also party to a finance lease agreement for data processing hardware and a warehouse. The Company also leases data processing equipment, facilities, office space, retail space and land. These leases are classified as operating leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments using our incremental borrowing rate.

Our leases have remaining lease terms of less than one year to 14 years some of which may include the option to extend for up to 14 years, and some of which include options to terminate the leases within less than one year.

The components of lease cost during the years ended December 31, 2020 and December 31, 2019 were as follows:

	<u>December 31, 2020</u>	<u>Year ended</u> <u>December 31, 2019</u>
	<u>in millions</u>	
Operating lease cost (1)	\$ 87	78
Finance lease cost		
Depreciation of leased assets	\$ 19	20
Interest on lease liabilities	8	9
Total finance lease cost	\$ 27	29

(1) Included within operating lease costs were short-term lease costs and variable lease costs, which were not material to the financial statements.

Prior to the adoption of ASC 842, rental expense under lease arrangements amounted to \$80 million for the year ended December 31, 2018.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

The remaining weighted-average lease term and the weighted-average discount rate were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Weighted-average remaining lease term (years):		
Finance leases	8.5	9.2
Operating leases	8.5	9.1
Weighted-average discount rate:		
Finance leases	5.1%	5.0%
Operating leases	5.1%	4.9%

Supplemental balance sheet information related to leases was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	in millions	
Operating leases:		
Operating lease ROU assets (1)	\$ 371	397
Current operating lease liabilities (2)	\$ 63	64
Operating lease liabilities (3)	320	349
Total operating lease liabilities	<u>\$ 383</u>	<u>413</u>
Finance Leases:		
Finance lease ROU assets (4)	\$ 278	282
Finance lease ROU asset accumulated depreciation (4)	<u>(141)</u>	<u>(129)</u>
Finance lease ROU assets, net	\$ 137	153
Current finance lease liabilities (2)	\$ 18	18
Finance lease liabilities (3)	150	163
Total finance lease liabilities	<u>\$ 168</u>	<u>181</u>

(1) Included within the Other assets, at cost, net of accumulated amortization line item on the consolidated balance sheets.

(2) Included within the Other current liabilities line item on the consolidated balance sheets.

(3) Included within the Other liabilities line item on the consolidated balance sheets.

(4) Included within the Property and equipment, net line item on the consolidated balance sheets.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

Supplemental cash flow information related to leases was as follows:

	2020	Year ended December 31, in millions	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$	86	75
Operating cash flows from finance leases	\$	8	9
Financing cash flows from finance leases	\$	18	22
ROU assets obtained in exchange for lease obligations			
Operating leases	\$	35	173
Finance leases	\$	—	16

Future lease payments under finance leases and operating leases with initial terms of one year or more at December 31, 2020 consisted of the following:

	Finance Leases	Operating Leases
	in millions	
2021	\$ 26	81
2022	26	70
2023	25	62
2024	24	47
2025	22	38
Thereafter	89	190
Total lease payments	\$ 212	488
Less: imputed interest	44	105
Total lease liabilities	\$ 168	383

On October 5, 2018, QVC entered into a lease for an East Coast distribution center (“ECDC Lease”). The 1.7 million square foot rental building is located in Bethlehem, Pennsylvania and has an initial term of 15 years. QVC obtained initial access to a portion of the ECDC Lease during March 2019 and obtained access to the remaining portion during September 2019. In total, QVC recorded a ROU asset of \$141 million and an operating lease liability of \$131 million relating to the ECDC Lease, with the difference attributable to prepaid rent. QVC is required to pay an initial base rent of \$10 million per year, with payments that began in the third quarter of 2019, and increasing to \$14 million per year, as well as all real estate taxes and other building operating costs. QVC also has the option to extend the term of the ECDC Lease for up to two consecutive terms of 5 years each and one final term of 4 years.

QURATE RETAIL, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
December 31, 2020, 2019 and 2018

(9) Income Taxes

Income tax benefit (expense) consists of:

	<u>Years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	amounts in millions		
Current:			
Federal	\$ 8	94	(126)
State and local	(48)	(27)	(35)
Foreign	(105)	(93)	(84)
	<u>\$ (145)</u>	<u>(26)</u>	<u>(245)</u>
Deferred:			
Federal	\$ 315	247	131
State and local	26	(5)	57
Foreign	15	1	(3)
	<u>356</u>	<u>243</u>	<u>185</u>
Income tax benefit (expense)	<u>\$ 211</u>	<u>217</u>	<u>(60)</u>

The following table presents a summary of our domestic and foreign earnings from continuing operations before income taxes:

	<u>Years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
	amounts in millions		
Domestic	\$ 735	(858)	683
Foreign	316	236	200
Total	<u>\$ 1,051</u>	<u>(622)</u>	<u>883</u>

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Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 21% as a result of the following:

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
Computed expected tax benefit (expense)	\$ (221)	131	(186)
State and local income taxes, net of federal income taxes	(45)	9	(13)
Foreign taxes, net of foreign tax credits	47	(1)	(5)
Alternative energy tax credits and incentives	139	152	92
Change in valuation allowance affecting tax expense	(59)	(51)	9
Change in tax rate	(15)	(23)	61
Corporate realignment	360	—	—
Change in tax rate - tax loss carryback	—	45	—
Tax write-off of consolidated subsidiary	—	34	—
Impairment of intangible asset	—	(93)	—
Other, net	5	14	(18)
Income tax benefit (expense)	<u>\$ 211</u>	<u>217</u>	<u>(60)</u>

For the year ended December 31, 2020 the Company recorded an income tax benefit. The current year tax benefit was primarily driven by the impacts of a corporate realignment and tax credits generated by alternative energy investments.

During the fourth quarter of 2020, the Company completed a corporate realignment transaction, whereby the assets and liabilities of certain foreign business units held in U.S. subsidiaries were transferred to QVC Global, a foreign subsidiary of QVC. This changed the manner in which income of the foreign business units is subject to U.S. income tax. As part of this realignment and upon entering into a payment agreement, QVC Global became the primary co-obligor of the Motorola Exchangeables. The Company's accounting policy is not to record deferred income taxes related to global intangible low-taxed income related to activity in our foreign subsidiaries but instead to recognize income tax expense in the periods as incurred. Accordingly, the deferred income tax liability for the Motorola Exchangeables that existed prior to the corporate realignment was reduced to zero and the Company recorded a corresponding income tax benefit.

Although the Company no longer records deferred income taxes in the consolidated balance sheets associated with the Motorola Exchangeables, the Company expects to incur future income tax expense at prevailing income tax rates upon maturity or retirement of the Motorola Exchangeables and will reflect such income tax expense in the period incurred.

For the year ended December 31, 2019 income tax benefit was greater than the U.S. statutory rate of 21% due to tax benefits from tax credits and incentives generated by our alternative energy investments and tax benefits from losses generated in 2019 that were eligible for carryback to tax years with federal income tax rates greater than the U.S. statutory tax rate of 21%, partially offset by a goodwill impairment that is not deductible for tax purposes and an increase in the valuation allowance against certain deferred tax assets.

For the year ended December 31, 2018 income tax expense was lower than the U.S. statutory rate of 21% due to tax benefits from tax credits and incentives generated by our alternative energy investments, a reduction in the Company's state effective tax rate used to measure deferred taxes resulting from the GCI Liberty Split-Off in March 2018, and a reduction in the Company's state effective tax rate used to measure deferred taxes resulting from a state law change during the second quarter.

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018**

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31,	
	2020	2019
	amounts in millions	
Deferred tax assets:		
Tax losses and credit carryforwards	\$ 280	314
Foreign tax credit carryforwards	161	154
Accrued stock compensation	18	22
Operating lease liability	82	84
Other accrued liabilities	54	48
Other	168	186
Deferred tax assets	<u>763</u>	<u>808</u>
Valuation allowance	<u>(264)</u>	<u>(205)</u>
Net deferred tax assets	<u>499</u>	<u>603</u>
Deferred tax liabilities:		
Investments	31	122
Intangible assets	816	856
Fixed assets	163	106
Discount on exchangeable debentures	714	1,047
Other	102	153
Deferred tax liabilities	<u>1,826</u>	<u>2,284</u>
Net deferred tax liabilities	<u>\$ 1,327</u>	<u>1,681</u>

The Company's valuation allowance increased \$59 million in 2020, all of which affected tax expense.

At December 31, 2020, the Company has a deferred tax asset of \$280 million for net operating losses, credit carryforwards, and interest expense carryforwards. If not utilized to reduce income tax liabilities in future periods, \$272 million of these loss carryforwards and tax credits will expire at various times between 2021 and 2042. The remaining \$8 million of tax losses and carryforwards may be carried forward indefinitely. These losses and credit carryforwards are expected to be utilized prior to expiration, except for \$187 million.

At December 31, 2020, the Company had a deferred tax asset of \$161 million for foreign tax credit carryforwards. If not utilized to reduce income tax liabilities in future periods, these foreign tax credit carryforwards will expire at various times between 2022 and 2030. The Company estimates that \$76 million of its foreign tax credit carryforward will expire without utilization.

QURATE RETAIL, INC. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****December 31, 2020, 2019 and 2018**

A reconciliation of unrecognized tax benefits is as follows:

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
Balance at beginning of year	\$ 75	70	71
Additions based on tax positions related to the current year	7	5	9
Additions for tax positions of prior years	7	14	2
Reductions for tax positions of prior years	(1)	(3)	—
Lapse of statute and settlements	(5)	(11)	(12)
Balance at end of year	<u>\$ 83</u>	<u>75</u>	<u>70</u>

As of December 31, 2020, 2019 and 2018, the Company had recorded tax reserves of \$83 million, \$75 million and \$70 million, respectively, related to unrecognized tax benefits for uncertain tax positions. If such tax benefits were to be recognized for financial statement purposes, \$66 million, \$61 million and \$56 million for the years ended December 31, 2020, 2019 and 2018, respectively, would be reflected in the Company's tax expense and affect its effective tax rate. Qurate Retail's estimate of its unrecognized tax benefits related to uncertain tax positions requires a high degree of judgment. The Company has tax positions for which the amount of related unrecognized tax benefits could change during 2019. The amount of unrecognized tax benefits related to these issues could change as a result of potential settlements, lapsing of statute of limitations and revisions of estimates. It is reasonably possible that the amount of the Company's gross unrecognized tax benefits may increase within the next twelve months by up to \$3 million.

As of December 31, 2020, the Company's tax years prior to 2017 are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2017 and 2018 tax years, however, 2017 and 2018 remain open until the statute of limitations lapses on October 15 of 2021 and 2022, respectively. The Company's 2019 and 2020 tax years are being examined currently as part of the IRS's Compliance Assurance Process ("CAP") program. Various states are currently examining the Company's prior years' state income tax returns. The Company is not under audit in any foreign tax jurisdictions.

The Company recorded \$25 million of accrued interest and penalties related to uncertain tax positions for the year ended December 31, 2020, \$23 million for the year ended December 31, 2019 and \$20 million for the year ended December 31, 2018.

(10) Stockholders' Equity***Preferred Stock***

On September 14, 2020, Qurate Retail issued the Preferred Stock. There were 13,500,000 shares of Preferred Stock authorized and 12,513,752 shares issued and outstanding at December 31, 2020.

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

Dividends. Holders of the Preferred Stock are entitled to receive quarterly cash dividends at a rate of 8.0% per annum of the liquidation price (as described below) on a cumulative basis, during the term. If declared, accrued dividends

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

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

On February 18, 2021, the Company declared a quarterly cash dividend of \$2.00 per share payable in cash on March 15, 2021 to stockholders of record of the Preferred Stock at the close of business on March 1, 2021.

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

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

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

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

Recognition. As the Preferred Stock is subject to unconditional mandatory redemption in cash and was issued in the form of a share, the Company concluded the Preferred Stock was a mandatorily redeemable financial instrument and should be classified as a liability in the consolidated balance sheets. The Preferred Stock was initially recorded at its fair

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value, which was determined to be the liquidation preference of \$100 per share. Given the liability classification of the Preferred Stock, all dividends accrued will be classified as interest expense in the consolidated statements of operations.

Common Stock

Series A Qurate Retail common stock has one vote per share, and Series B Qurate Retail common stock has ten votes per share. Each share of the Series B common stock is exchangeable at the option of the holder for one share of Series A common stock of the same group. The Series A and Series B common stock participate on an equal basis with respect to dividends and distributions.

At the Annual Meeting of Stockholders held on June 2, 2015, the Company's stockholders approved an amendment to the Restated Certificate of Incorporation that increased (i) the total number of shares of the Company's capital stock which the Company will have the authority to issue to 9,015 million shares, (ii) the number of shares of the Company's capital stock designated as "Common Stock" to 8,965 million shares and (iii) the number of shares of Common Stock designated as "Series A Liberty Ventures Common Stock," "Series B Liberty Ventures Common Stock" and "Series C Liberty Ventures Common Stock" to 400 million shares, 15 million shares and 400 million shares, respectively.

At the Annual Meeting of Stockholders held on May 23, 2018, the Company's stockholders approved an amendment to the Restated Certificate of Incorporation, which (i) eliminated the tracking stock capitalization structure of the Company and (ii) reclassified each outstanding share of Series A and Series B QVC Group common stock into one share of our Series A and Series B common stock, respectively. In addition, the amendment to the Restated Certificate of Incorporation changed (i) the total number of shares of the Company's capital stock which the Company will have the authority to issue to 8,200 million shares, (ii) the number of shares of the Company's capital stock designated as "Common Stock" to 8,150 million shares, (iii) the number of shares of Common Stock designated as "Series A Common Stock," "Series B Common Stock" and "Series C Common Stock" to 4,000 million shares, 150 million shares and 4,000 million shares, respectively, and (iv) the number of shares of the Company's capital stock designated as "Preferred Stock" to 50 million shares.

As of December 31, 2020, Qurate Retail reserved for issuance upon exercise of outstanding stock options approximately 40.6 million shares of Series A Qurate Retail common stock and approximately 3.2 million shares of Series B Qurate Retail common stock.

In addition to the Series A and Series B Qurate Retail common stock, there are 4 billion shares of Series C Qurate Retail common stock authorized for issuance, respectively. As of December 31, 2020, no shares of any Series C Qurate Retail common stock were issued or outstanding.

As discussed in note 1, on March 9, 2018, Qurate Retail completed the GCI Liberty Split-Off. As part of the GCI Liberty Split-Off, all outstanding shares of Series A Liberty Ventures common stock were redeemed for one share of GCI Liberty Class A common stock and each outstanding share of Series B Liberty Ventures common stock was redeemed for one share of GCI Liberty Class B common stock.

Purchases of Common Stock

During the year ended December 31, 2018, the Company repurchased 43,080,787 shares of Series A Qurate Retail common stock for aggregate cash consideration of \$988 million.

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During the year ended December 31, 2019, the Company repurchased 24,329,610 shares of Series A Qurate Retail common stock for aggregate cash consideration of \$392 million.

During the year ended December 31, 2020, the Company repurchased 6,521,782 shares of Series A Qurate Retail common stock for aggregate cash consideration of \$70 million.

All of the foregoing shares were repurchased pursuant to a previously announced share repurchase program and have been retired and returned to the status of authorized and available for issuance.

(11) Related Party Transactions with Officers and Directors

Chairman Compensation Arrangement

In December 2019, Liberty Media entered into a new employment arrangement with Gregory B. Maffei, our Chairman. The arrangement provides for a five year employment term which began on January 1, 2020 and ends December 31, 2024, with an annual base salary of \$3 million (with no contracted increase), a one-time cash commitment bonus of \$5 million (paid in December 2019), an annual target cash performance bonus of \$17 million (with payment subject to the achievement of one or more performance metrics as determined by the applicable company's Compensation Committee), upfront equity awards and annual equity awards (as described below).

The Chairman was entitled to receive term equity awards with an aggregate grant date fair value of \$90 million (the "Upfront Awards") which were granted in two equal tranches. The first tranche consisted of time-vested stock options from each of Qurate Retail, LMC, Liberty Broadband and GCI Liberty and time-vested restricted stock units ("RSUs") from Liberty TripAdvisor (collectively, the "2019 term awards") that vest, in each case, on December 31, 2023 (except Liberty TripAdvisor's award of time-vested RSUs, which vests on December 15, 2023), subject to the Chairman's continued employment, except under certain circumstances. Qurate Retail's portion of the 2019 term awards, granted in December 2019, had an aggregate grant date fair value of \$8,550,000 and consisted of stock options to purchase 2,133,697 shares of Series A Qurate Retail common stock ("QRTEA") with an exercise price of \$8.17. The second tranche of the Upfront Awards consisted of time-vested stock options from each of LMC, Qurate Retail, Liberty Broadband and GCI Liberty and time-vested RSUs from Liberty TripAdvisor (collectively, the "2020 term awards") that vest, in each case, on December 31, 2024 (except Liberty TripAdvisor's award of time-vested RSUs, which vests on December 7, 2024), subject to the Chairman's continued employment, except under certain circumstances. Qurate Retail's portion of the 2020 term awards, granted in December 2020, had an aggregate grant date fair value of \$5,850,000 and consisted of stock options to purchase 1,190,529 QRTEA shares with an exercise price of \$10.34.

Beginning in 2020, the Chairman received annual equity award grants with an annual aggregate grant date fair value of \$17.5 million, consisting of time-vested options and/or performance-based RSUs. The Chairman elected the portions of his annual equity awards that he desired to be issued in the form of options, performance-based RSUs or a combination of both. The annual equity awards were allocated across Qurate Retail, LMC, Liberty Broadband, GCI Liberty and Liberty TripAdvisor. Vesting of any of these annual performance-based RSUs will be subject to the achievement of one or more performance metrics to be approved by the Compensation Committee of the applicable company with respect to its respective allocable portion of the annual performance-based RSUs. At Qurate Retail, the CEO's annual equity awards were issued with respect to QRTEA.

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CEO Compensation Agreement

On September 27, 2015, the Compensation Committee of Qurate Retail approved a compensation arrangement for our current CEO. The arrangement provided for a five year employment term beginning December 16, 2015 and ending December 31, 2020, with an annual base salary of \$1.25 million and an annual target cash bonus equal to 100% of the CEO's annual base salary. The arrangement also provided the CEO with the opportunity to earn annual performance-based equity incentive awards during the employment term. Beginning in 2016, the CEO received an annual \$4.125 million grant of performance-based RSUs with respect to QRTEA. Also, on September 27, 2015, in connection with the approval of his compensation arrangement, the CEO received a one-time grant of 1,680,065 stock options to purchase shares of QRTEA with an exercise price of \$26.00 per share. 50% of such options vested on December 31, 2019 and the remaining 50% vested on December 31, 2020, with an expiration date of December 31, 2022.

In connection with the CEO's appointment to this position on March 9, 2018, the Compensation Committee of Qurate Retail approved a one-time grant of stock options and performance-based RSUs to the CEO on August 13, 2018. The options consist of 577,358 options to purchase shares of QRTEA with an exercise price of \$22.18. 50% of such options vested on December 15, 2019 and the remaining 50% vested on December 15, 2020. The options have a seven year term. The RSUs consisted of 182,983 performance-based RSUs with respect to QRTEA, of which 152,825 RSUs vested on December 21, 2020 based on performance of the Company and the personal performance of the CEO, and at the sole discretion of the Compensation Committee.

Effective November 17, 2020, Qurate Retail entered into an amendment to the CEO's compensation arrangement that provides for a one year extension of the employment agreement dated December 16, 2015. The CEO's employment term will now end on December 31, 2021, unless terminated earlier in accordance with the agreement, and his annual base salary has increased to \$1.5 million. The CEO will be eligible to receive an annual target cash bonus equal to 100% of his annual base salary with a maximum bonus of 240% of base salary, subject to the achievement of performance criteria. The CEO is eligible to receive a performance-based RSU award equal to \$5.5 million of target value, with a maximum value equal to \$8.3 million, and a time-vested RSU award also equal to \$5.5 million of value. The performance-based RSU award will be subject to performance criteria as determined by the Compensation Committee.

(12) Stock-Based Compensation

Qurate Retail - Incentive Plans

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

Pursuant to the Qurate Retail, Inc. 2020 Omnibus Incentive Plan (the "2020 Plan"), the Company may grant Awards in respect of a maximum of 30.0 million shares of Qurate Retail common stock plus the shares remaining available for Awards under the prior Qurate Retail, Inc. 2016 Omnibus Incentive Plan (the "2016 Plan"), as amended, as of close of business on May 20, 2020, the day before the effective date of the 2020 Plan. Any forfeited shares from the 2016 Plan

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shall also be available again under the 2020 Plan. Awards generally vest over 1-5 years and have a term of 7-10 years. Qurate Retail issues new shares upon exercise of equity awards.

Qurate Retail – Grants

The following table presents the number and weighted average GDFV of options granted by Qurate Retail during the years ended December 31, 2020, 2019 and 2018:

	For the Years ended December 31,					
	2020		2019		2018	
	Options Granted (000's)	Weighted Average GDFV	Options Granted (000's)	Weighted Average GDFV	Options Granted (000's)	Weighted Average GDFV
Series A Qurate Retail common stock, QVC and HSN employees (1)	4,200	\$ 1.96	2,503	\$ 4.07	3,783	\$ 8.77
Series A Qurate Retail common stock, Zulily employees (1)	618	\$ 1.94	328	\$ 4.08	336	\$ 8.65
Series A Qurate Retail common stock, Qurate Retail employees and directors (2)	747	\$ 4.86	639	\$ 3.97	72	\$ 7.31
Series A Qurate Retail common stock, Qurate Retail President and CEO (3)	NA	NA	NA	NA	577	\$ 7.09
Series A Qurate Retail common stock, Qurate Retail Chairman of the Board (4)	1,191	\$ 4.88	2,134	\$ 3.44	NA	NA
Series B Qurate Retail common stock, Qurate Retail Chairman of the Board (4)	NA	NA	26	\$ 5.84	175	\$ 8.84
Series B Ventures Group common stock, Qurate Retail Chairman of the Board (4)	NA	NA	NA	NA	143	\$ 16.55

- (1) Vests semi-annually over four years.
- (2) Vests between two and five years for employees and in one year for directors.
- (3) Vested 50% on each of December 15, 2019 and December 15, 2020.
- (4) The grants made in December 2020 and December 2019 in connection with the Chairman's new employment agreement cliff vest in December 2024 and December 2023, respectively. The grant made in March 2019 vested immediately. The grants made in 2018 cliff vested at the end of the grant year. Grants made in 2019 and 2018 were in connection with the Chairman's previous employment agreement (see notes 1 and 11).

In addition to the stock option grants to the Qurate Retail Chairman of the Board, and in connection with his employment agreement, Qurate Retail granted time-based and performance-based RSUs. During the year ended December 31, 2020, Qurate Retail granted 38 thousand time-based RSUs of QRTEA to our Chairman. The RSUs had a GDFV of \$7.44 per share and cliff vested on December 10, 2020. This RSU grant was issued in lieu of our Chairman receiving 50% of his remaining base salary for the last three quarters of calendar year 2020, and he waived his right to receive the other 50%, in each case, in light of the ongoing financial impact of COVID-19. During the year ended December 31, 2019, Qurate Retail granted 19 thousand time-based RSUs of Series B Qurate Retail common stock. Such RSUs had a GDFV of \$17.90 per share at the time they were granted and cliff vested on March 11, 2019. During the year ended December 31, 2020, Qurate Retail granted to our Chairman 584 thousand performance-based RSUs of QRTEA. Such RSUs had a fair value of \$4.44 at the time they were granted. During the years ended December 31, 2019 and 2018, Qurate Retail granted 94 thousand and 124 thousand performance-based RSUs, respectively, of Series B Qurate Retail common stock to our Chairman. Such RSUs had a fair value of \$17.90 and \$27.56 per share, respectively, at the time they were granted. Also during the years ended December 31, 2020 and 2019, Qurate Retail granted approximately 725 thousand and 191 thousand performance-based RSUs, respectively, of QRTEA to our President and CEO. Such RSUs had a GDFV of \$4.44 and \$17.90 per share, respectively, at the time they were granted. All of the 2020, 2019 and 2018 performance-based RSUs cliff vest

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one year from the month of grant, subject to the satisfaction of certain performance objectives and based on an amount determined by the compensation committee. Performance objectives, which are subjective, are considered in determining the timing and amount of the compensation expense recognized. As the satisfaction of the performance objectives becomes probable, the Company records compensation expense. The value of the grant is remeasured at each reporting period.

During the third quarter of 2020 and in connection with the Special Dividend, holders of RSAs and RSUs of QRTEA outstanding at the close of business on the record date received:

- i. a special cash dividend in the amount of \$1.50 per share for each QRTEA RSA and RSU so held (“Cash Dividend”), and
- ii. a special dividend of 0.03 shares of newly issued Preferred Stock (“QRTEP”) for each QRTEA RSA and RSU so held, with cash distributed in lieu of fractional shares (“Preferred Stock Dividend”). The Preferred Stock Dividend related to QRTEA RSAs and RSUs was issued in the form of QRTEP RSAs and RSUs, corresponding to the original grant of either RSAs or RSUs.

The Cash Dividend for RSA holders was paid upon distribution. The Cash Dividend for RSU holders along with the QRTEP RSAs and RSUs are subject to the same vesting schedules as those applicable to the corresponding original QRTEA RSAs and RSUs.

Also in connection with the Special Dividend, holders of outstanding stock options and stock appreciation rights (“SARs”) to purchase shares of QRTEA or Series B Quate Retail common stock (“QRTEB”) and together with QRTEA, “QRTEA/B”) on the record date were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the stock options and SARs were granted. The adjustment to the exercise price and the number of shares subject to the original stock option or SAR award preserved:

- i. the pre-Special Dividend intrinsic value of the original QRTEA/B stock option or SAR, and
- ii. the pre-Special Dividend ratio of the exercise price to the market price of the corresponding original QRTEA/B stock option or SAR.

During the fourth quarter of 2020 and in connection with the December Special Dividend, holders of QRTEA RSAs and RSUs outstanding at the close of business on the record date received a special cash dividend in the amount of \$1.50 per share for each QRTEA RSA or RSU so held (“December Cash Dividend”).

The December Cash Dividend for RSA holders was paid upon distribution. The December Cash Dividend for RSU holders is subject to the same vesting schedules as those applicable to the corresponding original QRTEA RSUs.

Also in connection with the December Special Dividend, holders of outstanding stock options and SARs to purchase shares of QRTEA/B on the record date were adjusted pursuant to the anti-dilution provisions of the incentive plans under which the stock options and SARs were granted. The adjustment to the exercise price and the number of shares subject to the original stock option or SAR award preserved:

- i. the pre-December Special Dividend intrinsic value of the original QRTEA/B stock option or SAR, and
- ii. the pre-December Special Dividend ratio of the exercise price to the market price of the corresponding original QRTEA/B stock option or SAR.

The Company has calculated the GDFV for all of its equity classified awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For

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grants made in 2020, 2019 and 2018, the range of expected terms was 5.2 to 6.3 years. The volatility used in the calculation for Awards is based on the historical volatility of the Company's stocks and the implied volatility of publicly traded Qurate Retail options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

The following table presents the range of volatilities used by Qurate Retail in the Black-Scholes-Merton Model for the 2020, 2019 and 2018 Qurate Retail and Liberty Ventures grants.

	Volatility	
2020 grants		
Qurate Retail options	46.8 %	- 54.8 %
2019 grants		
Qurate Retail options	30.1 %	- 44.8 %
2018 grants		
Qurate Retail options	29.7 %	- 30.5 %
Liberty Ventures options	27.9 %	- 27.9 %

Qurate Retail - Outstanding Awards

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

	Qurate Retail							
	Series A				Series B			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2020	23,248	\$ 21.28			1,844	\$ 27.09		
Granted	6,756	\$ 6.15			—	\$ —		
Exercised	(1,297)	\$ 2.95			—	\$ —		
Forfeited/Cancelled	(5,958)	\$ 17.12			—	\$ —		
Special Dividend adjustment	15,145	\$ 11.19			1,182	\$ 16.51		
December Special Dividend adjustment	2,659	\$ 10.56			217	\$ 15.39		
Outstanding at December 31, 2020	<u>40,553</u>	\$ 10.61	4.2 years	\$ 108	<u>3,243</u>	\$ 15.39	2.1 years	\$ —
Exercisable at December 31, 2020	<u>22,874</u>	\$ 14.12	2.9 years	\$ 13	<u>3,243</u>	\$ 15.39	2.1 years	\$ —

As of December 31, 2020, the total unrecognized compensation cost related to unvested Qurate Retail Awards was approximately \$106 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.9 years.

As of December 31, 2020, Qurate Retail reserved 43.8 million shares of Series A and Series B common stock for issuance under exercise privileges of outstanding stock Awards.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

Qurate Retail - Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2020, 2019 and 2018 was \$ million, \$2 million and \$28 million, respectively.

Qurate Retail - Restricted Stock and Restricted Stock Units

The Company has approximately 12.7 million and 373 thousand unvested RSAs and RSUs of QRTEA and QRTEP, respectively, held by certain directors, officers and employees of the Company as of December 31, 2020. The QRTEA unvested RSAs and RSUs have a weighted average GDFV of \$7.32 per share, and 300 thousand of the QRTEP unvested RSUs have an incremental cost of \$48.88 per share.

The aggregate fair value of all QRTEA, QRTEB and QRTEP RSAs and RSUs that vested during the years ended December 31, 2020, 2019 and 2018 was \$17 million, \$25 million and \$64 million, respectively.

(13) Employee Benefit Plans

Subsidiaries of Qurate Retail sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment in Qurate Retail common stock, as well as other mutual funds. The Company's subsidiaries make matching contributions to their plans based on a percentage of the amount contributed by employees. Employer cash contributions to all plans aggregated \$28 million, \$25 million and \$26 million for the years ended December 31, 2020, 2019 and 2018, respectively.

(14) Other Comprehensive Earnings (Loss)

Accumulated other comprehensive earnings (loss) included in the Company's consolidated balance sheets and consolidated statements of equity reflect the aggregate of foreign currency translation adjustments, comprehensive earnings (loss) attributable to debt credit risk adjustments and the Company's share of accumulated other comprehensive earnings of affiliates.

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

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

	Foreign currency translation adjustments	Share of AOCI of equity affiliates	Comprehensive Earnings (loss) Attributable to Debt Credit Risk			AOCI
			Adjustments	Other		
amounts in millions						
Balance at January 1, 2018	\$ (130)	(3)	—	—	(133)	
Other comprehensive earnings (loss) attributable to Qurate Retail, Inc. stockholders	(50)	(2)	38	16	2	
Cumulative effect of accounting change	—	—	—	76	76	
Balance at December 31, 2018	(180)	(5)	38	92	(55)	
Other comprehensive earnings (loss) attributable to Qurate Retail, Inc. stockholders	(1)	—	2	(1)	—	
Balance at December 31, 2019	\$ (181)	(5)	40	91	(55)	
Other comprehensive earnings (loss) attributable to Qurate Retail, Inc. stockholders	111	—	17	(1)	127	
Balance at December 31, 2020	\$ (70)	(5)	57	90	72	

The components of other comprehensive earnings (loss) are reflected in Qurate Retail's consolidated statements of comprehensive earnings (loss) net of taxes. The following table summarizes the tax effects related to each component of other comprehensive earnings (loss).

	Before-tax amount	Tax	Net-of-tax amount
		(expense) benefit	
amounts in millions			
<i>Year ended December 31, 2020:</i>			
Foreign currency translation adjustments	\$ 115	3	118
Recognition of previously unrealized losses (gains) on debt, net	(1)	—	(1)
Comprehensive earnings (loss) attributable to debt credit risk adjustments	22	(5)	17
Other comprehensive earnings (loss)	\$ 136	(2)	134
<i>Year ended December 31, 2019:</i>			
Foreign currency translation adjustments	\$ —	1	1
Recognition of previously unrealized losses (gains) on debt, net	(1)	—	(1)
Comprehensive earnings (loss) attributable to debt credit risk adjustments	1	—	1
Other comprehensive earnings (loss)	\$ —	1	1
<i>Year ended December 31, 2018:</i>			
Foreign currency translation adjustments	\$ (49)	1	(48)
Recognition of previously unrealized losses (gains) on debt, net	21	(5)	16
Share of other comprehensive earnings (loss) of equity affiliates	(3)	1	(2)
Comprehensive earnings (loss) attributable to debt credit risk adjustments	50	(12)	38
Other comprehensive earnings (loss)	\$ 19	(15)	4

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

(15) Commitments and Contingencies

Litigation

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

(16) Information About Qurate Retail's Operating Segments

Qurate Retail, through its ownership interests in subsidiaries and other companies, is primarily engaged in the video and on-line commerce industries. Qurate Retail identifies its reportable segments as (A) those consolidated subsidiaries that represent 10% or more of its consolidated annual revenue, annual Adjusted OIBDA or total assets and (B) those equity method affiliates whose share of earnings represent 10% or more of Qurate Retail's annual pre-tax earnings. The segment presentation for prior periods has been conformed to the current period segment presentation.

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

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

For the year ended December 31, 2020, Qurate Retail has identified the following consolidated subsidiaries as its reportable segments:

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

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

- Zulily – Zulily markets and sells a wide variety of consumer products in the United States and several foreign countries through flash sales events, primarily through its app, mobile and desktop experiences.

Qurate Retail's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments that are also consolidated subsidiaries are the same as those described in the Company's summary of significant accounting policies.

Performance Measures

	Years ended December 31,					
	2020		2019		2018	
	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA	Revenue	Adjusted OIBDA
	amounts in millions					
QxH	\$ 8,505	1,547	8,277	1,536	8,544	1,630
QVC International	2,967	510	2,709	446	2,738	429
Zulily	1,636	83	1,571	48	1,817	108
Corporate and other	1,070	58	901	(1)	973	(13)
Inter-segment eliminations	(1)	—	—	—	(2)	—
Consolidated Qurate Retail	<u>\$ 14,177</u>	<u>2,198</u>	<u>13,458</u>	<u>2,029</u>	<u>14,070</u>	<u>2,154</u>

Other Information

	December 31, 2020		December 31, 2019	
	Total assets	Capital expenditures	Total assets	Capital expenditures
	amounts in millions			
QxH	\$ 12,393	182	12,774	257
QVC International	2,455	36	2,268	34
Zulily	1,049	23	1,136	23
Corporate and other	1,102	16	1,127	11
Consolidated Qurate Retail	<u>\$ 16,999</u>	<u>257</u>	<u>17,305</u>	<u>325</u>

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

December 31, 2020, 2019 and 2018

The following table provides a reconciliation of consolidated segment Adjusted OIBDA to operating income and earnings (loss) from continuing operations before income taxes:

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
Consolidated segment Adjusted OIBDA	\$ 2,198	2,029	2,154
Stock-based compensation	(64)	(71)	(88)
Depreciation and amortization	(562)	(606)	(637)
Transaction related costs	—	(1)	(72)
Impairment of intangible assets and long lived assets	—	(1,167)	(33)
Operating income	<u>1,572</u>	<u>184</u>	<u>1,324</u>
Interest expense	(408)	(374)	(381)
Share of earnings (loss) of affiliates, net	(156)	(160)	(162)
Realized and unrealized gains (losses) on financial instruments, net	(110)	(251)	76
Gains (losses) on transactions, net	224	(1)	1
Tax sharing income (expense) with Liberty Broadband	(39)	(26)	32
Other, net	(32)	6	(7)
Earnings (loss) from continuing operations before income taxes	<u>\$ 1,051</u>	<u>(622)</u>	<u>883</u>

Revenue by Geographic Area

The following table summarizes net revenue generated by subsidiaries located within the identified geographic areas:

	Years ended December 31,		
	2020	2019	2018
	amounts in millions		
United States	\$ 11,119	10,666	11,233
Japan	1,132	1,028	947
Germany	978	890	943
Other foreign countries	948	874	947
	<u>\$ 14,177</u>	<u>13,458</u>	<u>14,070</u>

Long-lived Assets by Geographic Area

	December 31,	
	2020	2019
	amounts in millions	
United States	\$ 893	935
Japan	149	153
Germany	150	154
Other foreign countries	108	109
	<u>\$ 1,300</u>	<u>1,351</u>

PART III

The following required information is incorporated by reference to our definitive proxy statement for our 2021 Annual Meeting of Stockholders presently scheduled to be held in the second quarter of 2021:

<u>Item 10.</u>	Directors, Executive Officers and Corporate Governance
<u>Item 11.</u>	Executive Compensation
<u>Item 12.</u>	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters
<u>Item 13.</u>	Certain Relationships and Related Transactions, and Director Independence
<u>Item 14.</u>	Principal Accountant Fees and Services

We expect to file our definitive proxy statement for our 2021 Annual Meeting of Stockholders with the Securities and Exchange Commission on or before April 30, 2021.

PART IV.

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) *Financial Statements*

Included in Part II of this report:

	<u>Page No.</u>
Qurate Retail, Inc.:	
Reports of Independent Registered Public Accounting Firm	II-24 & II-25
Consolidated Balance Sheets, December 31, 2020 and 2019	II-27
Consolidated Statements of Operations, Years ended December 31, 2020, 2019 and 2018	II-29
Consolidated Statements of Comprehensive Earnings (loss), Years ended December 31, 2020, 2019 and 2018	II-30
Consolidated Statements of Cash Flows, Years ended December 31, 2020, 2019 and 2018	II-31
Consolidated Statements of Equity, Years ended December 31, 2020, 2019 and 2018	II-32
Notes to Consolidated Financial Statements, December 31, 2020, 2019 and 2018	II-33

(a)(2) *Financial Statement Schedules*

- (i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the financial statements or notes thereto.

(a)(3) *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):

3 - Articles of Incorporation and Bylaws:

- 3.1 [Restated Certificate of Incorporation of the Registrant \(incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Registrant's Registration Statement on Form 8-A filed on May 24, 2018 \(File No. 001-33982\) \(the "2018 Form 8-A"\)\)](#).
- 3.2 [Amended and Restated Bylaws of the Registrant, as amended effective April 9, 2018 \(incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on April 10, 2018 \(File No. 001-33982\)\)](#).
- 3.3 [Certificate of Designations of 8.0% Series A Cumulative Redeemable Preferred Stock \(incorporated by reference Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on August 26, 2020 \(File No. 001-33982\)\)](#).

4 - Instruments Defining the Rights of Securities Holders, including Indentures:

- 4.1 [Form of Specimen certificate for shares of the Registrant's Series A common stock, par value \\$.01 per share \(incorporated by reference to Exhibit 4.1 to the 2018 Form 8-A\).](#)
- 4.2 [Form of Specimen certificate for shares of the Registrant's Series B common stock, par value \\$.01 per share \(incorporated by reference to Exhibit 4.2 to the 2018 Form 8-A\).](#)
- 4.3 [Specimen Certificate for shares of 8.0% Series A Cumulative Redeemable Preferred Stock \(incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form 8-A filed on August 27, 2020 \(File No. 001-33982\)\).](#)
- 4.4 [Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.*](#)
- 4.5 The Registrant undertakes to furnish to the Securities and Exchange Commission, upon request, a copy of all instruments with respect to long-term debt not filed herewith.

10 - Material Contracts:

- 10.1 [Liberty Interactive Corporation 2000 Incentive Plan \(As Amended and Restated Effective November 7, 2011\) \(the "2000 Incentive Plan"\) \(incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011 filed on November 8, 2011 \(File No. 001-33982\) \(the "Liberty 2011 10-Q"\)\).](#) +
- 10.2 [Amendment to the 2000 Incentive Plan \(effective as of August 5, 2013\) \(incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2013 filed on November 5, 2013 \(File No. 001-33982\) \(the "Liberty 2013 10-Q"\)\).](#) +
- 10.3 [Liberty Interactive Corporation 2007 Incentive Plan \(As Amended and Restated Effective November 7, 2011\) \(the "2007 Incentive Plan"\) \(incorporated by reference to Exhibit 10.6 to the Liberty 2011 10-Q\).](#) +
- 10.4 [Amendment to the 2007 Incentive Plan \(effective as of August 5, 2013\) \(incorporated by reference to Exhibit 10.4 to the Liberty 2013 10-Q\).](#) +
- 10.5 [Liberty Interactive Corporation 2010 Incentive Plan \(As Amended and Restated Effective November 7, 2011\) \(the "2010 Incentive Plan"\) \(incorporated by reference to Exhibit 10.7 to the Liberty 2011 10-Q\).](#) +
- 10.6 [Amendment to the 2010 Incentive Plan \(effective August 5, 2013\) \(incorporated by reference to Exhibit 10.5 to the Liberty 2013 10-Q\).](#) +
- 10.7 [Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan \(As Amended and Restated Effective November 7, 2011\) \(the "2002 Directors Plan"\) \(incorporated by reference to Exhibit 10.8 to the Liberty 2011 10-Q\).](#) +
- 10.8 [Amendment to the 2002 Directors Plan \(effective as of August 5, 2013\) \(incorporated by reference to Exhibit 10.1 to the Liberty 2013 10-Q\).](#) +

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- 10.9 [Liberty Interactive Corporation 2011 Nonemployee Director Incentive Plan \(amended and restated as of December 17, 2015\) \(the “2011 Directors Plan”\) \(incorporated by reference to Exhibit 10.9 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2015 filed on February 26, 2016 \(File No. 001-33982\) \(the “Liberty 2015 10-K”\)\).](#) +
- 10.10 [Liberty Interactive Corporation 2012 Incentive Plan \(Amended and Restated as of March 31, 2015\) \(incorporated by reference to Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2015 filed on May 8, 2015 \(File No. 001-33982\)\).](#) +
- 10.11 [Liberty Interactive Corporation 2016 Omnibus Incentive Plan \(incorporated by reference to Annex A to the Registrant’s Proxy Statement on Schedule 14A filed on July 8, 2016 \(File No. 001-33982\)\).](#) +
- 10.12 [Form of Non-Qualified Stock Option Agreement \(incorporated by reference to Exhibit 10.13 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 28, 2014 \(File No. 001-33982\) \(the “Liberty 2013 10-K”\)\).](#) +
- 10.13 [Form of Restricted Stock Award Agreement \(incorporated by reference to Exhibit 10.14 to the Liberty 2013 10-K\).](#) +
- 10.14 [Form of Non-Qualified Stock Option Agreement under the 2000 Incentive Plan, the 2007 Incentive Plan and the 2010 Incentive Plan \[for certain designated award recipients\] \(incorporated by reference to Exhibit 10.16 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 23, 2012 \(File No. 001-33982\) \(the “Liberty 2011 10-K”\)\).](#) +
- 10.15 [Form of Restricted Stock Award Agreement under the 2000 Incentive Plan, the 2007 Incentive Plan and the 2010 Incentive Plan \[for certain designated award recipients\] \(incorporated by reference to Exhibit 10.19 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 25, 2010 \(File No. 001-33982\) \(the “Liberty 2009 10-K”\)\).](#) +
- 10.16 [Form of Non-Qualified Stock Option Agreement under the 2002 Directors Plan and the 2011 Directors Plan \(incorporated by reference to Exhibit 10.19 to the Liberty 2011 10-K\).](#) +
- 10.17 [Form of Restricted Stock Award Agreement under the 2002 Directors Plan and the 2011 Directors Plan \(incorporated by reference to Exhibit 10.20 to the Liberty 2011 10-K\).](#) +
- 10.18 [Non-Qualified Stock Option Agreement under the 2007 Incentive Plan for Michael George dated March 2, 2011 \(incorporated by reference to Exhibit 10.22 to the Liberty 2011 10-K\).](#) +
- 10.19 [Amended and Restated Non-Qualified Stock Option Agreement under the 2000 Incentive Plan for Gregory B. Maffei \(incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 filed on August 8, 2012 \(File No. 001-33982\) \(the “Liberty 2012 10-Q”\)\).](#) +
- 10.20 [Amended and Restated Non-Qualified Stock Option Agreement under the 2007 Incentive Plan for Gregory B. Maffei \(incorporated by reference to Exhibit 10.2 to the Liberty 2012 10-Q\).](#) +
- 10.21 [Employment Agreement between Michael George and OVC, Inc., effective December 16, 2015 \(incorporated by reference to Exhibit 10.23 to the Liberty 2015 10-K\).](#) +

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- 10.22 [First Amendment to Employment Agreement, effective as of November 17, 2020, by and between Michael George and QVC, Inc. \(incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on November 17, 2020 \(File No. 001-33982\)\).](#) +
- 10.23 [Non-Qualified Stock Option Agreement under the Liberty Interactive Corporation 2010 Incentive Plan for Gregory B. Maffei, effective December 24, 2014 \(incorporated by reference to Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 filed on August 5, 2015 \(File No. 001-33982\)\).](#) +
- 10.24 [Call Agreement, dated as of February 9, 1998 \(the "Call Agreement"\), between Liberty Interactive Corporation \(as successor of Liberty Interactive LLC \(f/k/a Liberty Media LLC, "Old Liberty"\), as assignee of Tele-Communications, Inc.\) and the Malone Group \(incorporated by reference to Exhibit 10.26 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 27, 2009 \(File No. 001-33982\)\).](#)
- 10.25 [Letter, dated as of March 5, 1999, from Tele-Communications, Inc. and Old Liberty addressed to Mr. Malone and Leslie Malone relating to the Call Agreement \(incorporated by reference to Exhibit 10.27 to the Liberty 2009 10-K\).](#)
- 10.26 [Form of Indemnification Agreement between the Registrant and its executive officers/directors \(incorporated by reference to Exhibit 10.29 to the Liberty 2011 10-K\).](#)
- 10.27 [Tax Sharing Agreement, dated September 23, 2011, between Liberty Interactive Corporation, Liberty Interactive LLC and Liberty Media Corporation \(as assignee of Starz \(f/k/a Liberty Media Corporation\)\) \(incorporated by reference to Exhibit 10.4 to Post-Effective Amendment No. 1 to Starz's Registration Statement on Form S-4 filed on September 23, 2011 \(File No. 333-171201\) \(the "Starz S-4"\)\).](#)
- 10.28 [Services Agreement, dated as of September 23, 2011, by and between Liberty Interactive Corporation and Liberty Media Corporation \(as assignee of Starz \(f/k/a Liberty Media Corporation\)\) \(the "Services Agreement"\) \(incorporated by reference to Exhibit 10.5 to the Starz S-4\).](#)
- 10.29 [Indenture dated as of March 18, 2013 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association \(incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 filed on May 9, 2013 \(File No. 333-184501\)\).](#)
- 10.30 [Form of the Indenture dated as of March 18, 2014 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association \(incorporated by reference to Exhibit 4.1 to QVC Inc.'s Registration Statement on Form S-4 filed on April 30, 2014 \(File No. 333-195586\)\).](#)
- 10.31 [Indenture dated as of August 21, 2014 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association \(incorporated by reference to Exhibit 4.1 to QVC Inc.'s Registration Statement on Form S-4 filed on October 10, 2014 \(File No. 333-199254\)\).](#)
- 10.32 [Fourth Amended and Restated Credit Agreement, dated as of December 31, 2018, among QVC, Inc. and zulily, llc, as Borrowers, JPMorgan Chase Bank, N.A., as Lead Arranger, Lead Bookrunner and Administrative Agent and the parties named therein as Lenders, Co-Bookrunners, Co-Syndication Agents and Co-Documentation Agents \(incorporated by reference to Exhibit 4.1 to QVC Inc.'s Current Report on Form 8-K filed on January 4, 2019 \(File No. 001-38654\)\).](#)

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- 10.33 [Liberty Interactive Corporation Nonemployee Director Deferred Compensation Plan \(incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2015 filed on May 8, 2015 \(File No. 001-33982\)\).](#)+
- 10.34 [zulily, inc. 2009 Equity Incentive Plan, as amended \(incorporated by reference to Exhibit 10.1 to zulily, inc.'s Registration Statement on Form S-1 filed on October 8, 2013 \(File No. 333-191617\)\).](#) +
- 10.35 [zulily, inc. 2013 Equity Plan \(incorporated by reference to Exhibit 10.3 to Amendment No. 1 to zulily, inc.'s Registration Statement on Form S-1 filed on October 17, 2013 \(File No. 333-191617\)\).](#) +
- 10.36 [Form of Non-Qualified Stock Option Agreement \(incorporated by reference to Exhibit 10.48 to the Liberty 2015 10-K\).](#)+
- 10.37 [Form of Restricted Stock Award Agreement \(incorporated by reference to Exhibit 10.49 to the Liberty 2015 10-K\).](#)+
- 10.38 [Form of 2017 Performance-based Restricted Stock Unit Agreement \(QVCB\) under the Liberty Interactive Corporation 2016 Omnibus Incentive Plan \(the "2016 Incentive Plan"\) for Gregory B. Maffei \(incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 filed on November 9, 2017 \(File No. 001-33982\) \(the "2017 Q3 10-Q"\)\).](#) +
- 10.39 [Form of 2017 Term Option Agreement under the 2016 Incentive Plan for Gregory B. Maffei \(incorporated by reference to Exhibit 10.2 to the 2017 Q3 10-Q\).](#) +
- 10.40 [Form of 2017 Performance-based Restricted Stock Unit Agreement under the 2016 Incentive Plan for certain officers other than the Chief Executive Officer and Chief Legal Officer \(incorporated by reference to Exhibit 10.3 to the 2017 Q3 10-Q\).](#) +
- 10.41 [Form of Restricted Stock Units Agreement under the 2016 Incentive Plan for Nonemployee Directors \(incorporated by reference to Exhibit 10.4 to the 2017 Q3 10-Q\).](#) +
- 10.42 [Form of Nonqualified Stock Option Agreement under the 2016 Incentive Plan for Nonemployee Directors \(incorporated by reference to Exhibit 10.5 to the 2017 Q3 10-Q\).](#) +
- 10.43 [HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan \(incorporated by reference to Exhibit 10.13 to HSN, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed on February 20, 2014 \(File No. 01-34061\)\).](#) +
- 10.44 [HSN, Inc. 2017 Omnibus Incentive Plan \(incorporated by reference to Annex A of HSN, Inc.'s 2017 Proxy Statement on Schedule 14A filed on April 10, 2017 \(File No. 01-34061\)\).](#) +
- 10.45 [Letter Agreement between Liberty Interactive Corporation and Liberty Media Corporation relating to the Services Agreement \(incorporated by reference to Exhibit 10.60 to Liberty Media Corporation's Annual Report on Form 10-K for the year ended December 31, 2017 filed on February 28, 2018 \(File No. 001-35707\)\).](#)
- 10.46 [Amendment, dated March 13, 2018, of certain Liberty Interactive Corporation incentive plans \(incorporated by reference to Exhibit 10.4 to the Liberty 2018 Q1 10-Q\).](#)+
- 10.47 [Tax Sharing Agreement, dated as of March 9, 2018, by and between Liberty Interactive Corporation and GCI Liberty, Inc. \(incorporated by reference to Exhibit 10.1 to GCI Liberty, Inc's Current Report on Form 8-K filed on March 14, 2018 \(File No. 001-38385\) \(the "GCI March 8-K"\)\).](#)

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- 10.48 [Indemnification Agreement, dated as of March 9, 2018, by and among Liberty Interactive Corporation, GCI Liberty, Inc., Liberty Interactive LC and LV Bridge, LLC \(incorporated by reference to Exhibit 10.2 to the GCI March 8-K\).](#)
- 10.49 [Performance-Based Restricted Stock Unit Award Agreement under the Qurate Retail, Inc. 2016 Omnibus Incentive Plan for Michael George \(incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 filed on November 9, 2018 \(File No. 001-33982\) \(the "Liberty 2018 Q3 10-Q"\)\).](#)+
- 10.50 [Nonqualified Stock Option Agreement under the Qurate Retail, Inc. 2016 Omnibus Incentive Plan for Michael George \(incorporated by reference to Exhibit 10.2 to the Liberty 2018 Q3 10-Q\).](#)+
- 10.51 [Indenture, dated September 13, 2018, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 to QVC, Inc.'s Form 8-A filed on September 13, 2018 \(File No. 001-38654\) \(the "2018 QVC Form 8-A"\)\).](#)
- 10.52 [First Supplemental Indenture, dated September 13, 2018, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 to the 2018 QVC Form 8-A\).](#)
- 10.53 [Form of QVC, Inc. 6.375% Senior Secured Notes due 2067 \(incorporated by reference to Exhibit 4.3 to the 2018 QVC Form 8-A\).](#)
- 10.54 [Second Supplemental Indenture, dated November 26, 2019, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC, QVC Deutschland GP, Inc., HSN, Inc., HSNi, LLC, HSN Holding LLC, AST Sub, Inc., Home Shopping Network En Espanol, L.L.C., Home Shopping Network En Espanol, L.P., H.O.T. Networks Holdings \(Delaware\) LLC, HSN of Nevada LLC, Ingenious Designs LLC, NLG Merger Corp., Ventana Television, Inc., and Ventana Television Holdings, Inc., as guarantors, and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 to QVC, Inc.'s Form 8-A filed on November 26, 2019 \(File No. 001-38654\) \(the "2019 QVC Form 8-A"\)\).](#)
- 10.55 [Form of 6.250% Senior Secured Notes due 2068 \(incorporated by reference to Exhibit 4.3 to the 2019 QVC Form 8-A\).](#)
- 10.56 [Form of Amended and Restated Indemnification Agreement between the Registrant and its executive officers/directors \(incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 filed on May 10, 2019 \(File No. 001-33982\)\).](#)
- 10.57 [Form of First Amendment to Services Agreement, effective as of December 13, 2019, between Liberty Media Corporation and Qurate Retail, Inc., Liberty Broadband Corporation, GCI Liberty, Inc. and Liberty TripAdvisor Holdings, Inc.* \(incorporated by reference to Exhibit 10.62 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 filed on February 26, 2020 \(File No. 001-33982\)\).](#)+
- 10.58 [Executive Employment Agreement, dated effective as of December 13, 2019, between Liberty Media Corporation and Gregory B. Maffei \(incorporated by reference to Exhibit 10.1 to Liberty Media Corporation's Current Report on Form 8-K filed on December 19, 2019 \(File No. 001-35707\)\).](#)+
- 10.59 [Form of Annual Option Award Agreement between the Registrant and Gregory B. Maffei under the Qurate Retail, Inc. 2016 Omnibus Incentive Plan \(incorporated by reference to Exhibit 10.3 to the Registrant's Current Report filed on December 19, 2019 \(File No. 001-33982\) \(the "December 2019 8-K"\)\).](#)+

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10.60	Form of Annual Performance-based Restricted Stock Unit Award Agreement between the Registrant and Gregory B. Maffei under the Qurate Retail, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the December 2019 8-K). +
10.61	Form of Upfront Award Agreement between the Registrant and Gregory B. Maffei under the Qurate Retail, Inc. 2016 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 to the December 2019 8-K). +
10.62	Third Supplemental Indenture, dated February 4, 2020, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC, QVC Deutschland GP, Inc., HSN, Inc., HSNi, LLC, HSN Holding LLC, AST Sub, Inc., Home Shopping Network En Espanol, L.L.C., Home Shopping Network En Espanol, L.P., H.O.T. Networks Holdings (Delaware) LLC, HSN of Nevada LLC, Ingenious Designs LLC, NLG Merger Corp., Ventana Television, Inc., and Ventana Television Holdings, Inc., as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to QVC Inc.'s Current Report on Form 8-K (File No. 001-38654) filed on February 4, 2020 (the "February 2020 Form 8-K")).
10.63	Form of 4.75% Senior Secured Notes due 2027 (incorporated by reference to Exhibit 4.3 to the February 2020 Form 8-K).
10.64	Qurate Retail, Inc. 2020 Omnibus Incentive Plan (incorporated by reference to Annex A to the Registrant's Proxy Statement on Schedule 14A filed on April 14, 2020 (File No. 001-33982)). +
10.65	Fourth Supplemental Indenture, dated August 20, 2020, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC, QVC Deutschland GP, Inc., HSN, Inc., HSNi, LLC, HSN Holding LLC, AST Sub, Inc., Home Shopping Network En Espanol, L.L.C., Home Shopping Network En Espanol, L.P., H.O.T. Networks Holdings (Delaware) LLC, HSN of Nevada LLC, Ingenious Designs LLC, NLG Merger Corp., Ventana Television, Inc., and Ventana Television Holdings, Inc., as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on August 20, 2020 (File No. 001-38654) (the "August 2020 Form 8-K")).
10.66	Form of 4.375% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 4.3 to the August 2020 Form 8-K).
10.67	Form of Nonqualified Stock Option Agreement under the Qurate Retail, Inc. 2020 Omnibus Incentive Plan, as amended from time to time, for Nonemployee Directors.* +
10.68	Form of Restricted Stock Units Agreement under the Qurate Retail, Inc. 2020 Omnibus Incentive Plan, as amended from time to time, for Nonemployee Directors.* +
10.69	Form of Nonqualified Stock Option Agreement under the Qurate Retail, Inc. 2020 Omnibus Incentive Plan, as amended from time to time, for certain officers.* +
21	Subsidiaries of Qurate Retail, Inc.*
23.1	Consent of KPMG LLP.*
31.1	Rule 13a-14(a)/15d - 14(a) Certification.*
31.2	Rule 13a-14(a)/15d - 14(a) Certification.*
32	Section 1350 Certification.**

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99.1	Reconciliation of Qurate Retail, Inc. Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings. **
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Definition Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

* Filed herewith.

** Furnished herewith.

+ This document has been identified as a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

Not applicable.

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.

QURATE RETAIL, INC.

Date: February 26, 2021

By /s/ MICHAEL A. GEORGE

Michael A. George
Chief Executive Officer and President

Date: February 26, 2021

By /s/ BRIAN J. WENDLING

Brian J. Wendling
Chief Accounting Officer and Principal Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/Gregory B. Maffei</u> Gregory B. Maffei	Chairman of the Board and Director	February 26, 2021
<u>/s/Michael A. George</u> Michael A. George	Director, Chief Executive Officer and President	February 26, 2021
<u>/s/Brian J. Wendling</u> Brian J. Wendling	Chief Accounting Officer and Principal Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2021
<u>/s/Richard N. Barton</u> Richard N. Barton	Director	February 26, 2021
<u>/s/John C. Malone</u> John C. Malone	Director	February 26, 2021
<u>/s/M. Ian G. Gilchrist</u> M. Ian G. Gilchrist	Director	February 26, 2021
<u>/s/Evan D. Malone</u> Evan D. Malone	Director	February 26, 2021
<u>/s/David E. Rapley</u> David E. Rapley	Director	February 26, 2021
<u>/s/Larry E. Romrell</u> Larry E. Romrell	Director	February 26, 2021

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/s/ Andrea L. Wong Director
Andrea L. Wong

February 26, 2021

/s/Mark C. Vadon Director
Mark C. Vadon

February 26, 2021

/s/Fiona P. Dias Director
Fiona P. Dias

February 26, 2021

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of the end of the period covered by the most recent Annual Report on Form 10-K of Qurate Retail, Inc. (the "Registrant"), the following securities of the Registrant were registered under Section 12 of the Securities Exchange Act of 1934, as amended: (1) Series A common stock, par value \$0.01 per share (the "Series A common stock"), (2) Series B common stock, par value \$0.01 per share (the "Series B common stock") and (3) 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock").

Description of Registrant's Capital Stock

The following description of the Registrant's Series A common stock, Series B common stock and Series A Preferred Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Registrant's [Restated Certificate of Incorporation](#) (the "charter") and the Registrant's [Certificate of Designations of 8.0% Series A Cumulative Redeemable Preferred Stock](#) (the "certificate of designations"), each of which is an exhibit to this Annual Report on Form 10-K and is incorporated by reference herein. We encourage you to read the charter, the certificate of designations and the applicable provisions of the Delaware General Corporation Law for additional information.

Authorized Capital Stock

The Registrant's authorized capital stock consists of eight billion two hundred million (8,200,000,000) shares, of which eight billion one hundred fifty million (8,150,000,000) shares are designated common stock, par value \$0.01 per share, and fifty million (50,000,000) shares are designated preferred stock, par value \$0.01 per share (the "preferred stock"). The common stock is divided into three series. The Registrant has four billion (4,000,000,000) shares of Series A common stock, one hundred fifty million (150,000,000) shares of Series B common stock, and four billion (4,000,000,000) shares of Series C common stock authorized (the "Series C common stock"). With respect to the preferred stock, thirteen million five hundred thousand (13,500,000) shares are designated Series A Preferred Stock and thirty-six million five hundred thousand (36,500,000) shares are undesignated as to series.

The Registrant's Common Stock

The holders of the Registrant's Series A common stock, Series B common stock and Series C common stock have equal rights, powers and privileges, except as otherwise described below.

Voting Rights

The holders of the Registrant's Series A common stock are entitled to one vote for each share held, and the holders of its Series B common stock are entitled to ten votes for each share held, on all matters voted on by the Registrant's stockholders, including elections of directors. The holders of its Series C common stock are not entitled to any voting powers, except as required by Delaware law. When the vote or consent of holders of the Series C common stock is required by Delaware law, the holders of the Registrant's Series C common stock will be entitled to 1/100th of a vote for each share held. The Registrant's charter does not provide for cumulative voting in the election of directors.

Dividends; Liquidation

Subject to any preferential rights of any outstanding series of the Registrant's preferred stock created by the board of directors of the Registrant (the "board") from time to time, the holders of the Registrant's common stock will be entitled to such dividends as may be declared from time to time by the board from funds available therefor. Except as otherwise described under "—Distributions," whenever a dividend is paid to the holders of one series of common stock, the Registrant will also pay to the holders of the other series of its common stock an equal per share dividend.

Conversion

Each share of the Registrant's Series B common stock is convertible, at the option of the holder, into one share of Series A common stock. The Registrant's Series A common stock and Series C common stock are not convertible into shares of any other series of the Registrant's common stock.

Distributions

Subject to the exception provided below, distributions made in shares of the Registrant's Series A common stock, Series B common stock, Series C common stock or any other security with respect to the Series A common stock, Series B common stock or Series C common stock may be declared and paid only as follows:

- a share distribution (1) consisting of shares of the Registrant's Series C common stock (or securities convertible therefor) to holders of Series A common stock, Series B common stock and Series C common stock, on an equal per share basis; or (2) consisting of (x) shares of the Registrant's Series A common stock (or securities convertible therefor other than, for the avoidance of doubt, shares of Series B common stock) to holders of Series A common stock, on an equal per share basis, (y) shares of Series B common stock (or securities convertible therefor) to holders of Series B common stock, on an equal per share basis, and (z) shares of Series C common stock (or securities convertible therefor) to holders of Series C common stock, on an equal per share basis; or
- a share distribution consisting of any class or series of securities of the Registrant or any other person, other than the Registrant's Series A common stock, Series B common stock or Series C common stock (or securities convertible therefor) on the basis of a distribution of (1) identical securities, on an equal per share basis, to holders of Series A common stock, Series B common stock and Series C common stock; or (2) separate classes or series of securities, on an equal per share basis, to holders of each such series of the Registrant's common stock; or (3) a separate class or series of securities to the holders of one or more series of the Registrant's common stock and, on an equal per share basis, a different class or series of securities to the holders of all other series of the Registrant's common stock, provided that, in the case of (2) or (3) above, the securities so distributed do not differ in any respect other than their relative voting rights and related differences in designation, conversion and share distribution provisions, with the holders of shares of Series B common stock receiving securities of the class or series having the highest relative voting rights and the holders of shares of each other series of common stock receiving securities of the class or series having lesser relative voting rights, and provided further that, if different classes or series of securities are being distributed to holders of Series A common stock and Series C common stock, then such securities shall be distributed either as determined by the board or such that the relative voting rights of the securities of the class or series of securities to be received by the holders of Series A common stock and Series C common stock corresponds, to the extent practicable, to the relative voting rights of each such series of common stock.

Reclassification

The Registrant may not reclassify, subdivide or combine any series of its common stock then outstanding without reclassifying, subdividing or combining the other series of its common stock then outstanding, on an equal per share basis.

In the event of the liquidation, dissolution or winding up of the Registrant, after payment or provision for payment of the debts and liabilities of the Registrant and subject to the prior payment in full of any preferential amounts to which the preferred stock holders may be entitled, the holders of Series A common stock, Series B common stock and Series C common stock will share equally, on a share for share basis, in the Registrant's assets remaining for distribution to the holders of its common stock.

Blank Check Preferred Stock

The Registrant's charter authorizes the board to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of the series, including:

- the designation of the series;
- the number of authorized shares of the series, which number the board may subsequently increase or decrease but not below the number of such shares of such series of preferred stock then outstanding;
- the dividend rate or amounts, if any, payable on the shares and, in the case of cumulative dividends, the date or dates from which dividends on all shares of the series will be cumulative and the relative preferences or rights of priority or participation with respect to such dividends;
- the rights of the series in the event of the Registrant's voluntary or involuntary liquidation, dissolution or winding up and the relative preferences or rights of payment;
- the rights, if any, of holders of the series to convert into or exchange for other classes or series of stock or indebtedness and the terms and conditions of any such conversion or exchange, including provision for adjustments within the discretion of the board;
- the voting rights, if any, of the holders of the series;
- the terms and conditions, if any, for the Registrant to purchase or redeem the shares of the series; and
- any other relative rights, preferences and limitations of the series.

The Registrant believes that the ability of its board to issue one or more series of its preferred stock will provide it with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. The authorized shares of preferred stock, as well as shares of common stock, will be available for issuance without further action by stockholders, unless such action is required by applicable law or the rules of any stock exchange or automatic quotation system on which the Registrant's securities may be listed or traded.

Although the Registrant has no intention at the present time of doing so, it could issue a series of preferred stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. The board will make any determination to issue such shares based upon its judgment as to the best interests of the Registrant's stockholders. The board, in so acting, could issue preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of the board, including a tender offer or other transaction that some, or a majority, of stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then-current market price of the stock.

Series A Preferred Stock

Dividends

Subject to the prior preferences and other rights of any Senior Stock (as defined in the certificate of designations), the holders of shares of Series A Preferred Stock are entitled to receive, when, as and if declared by the board, out of legally available funds, preferential dividends that accrue and cumulate as provided in the certificate of designations.

Dividends on each share of Series A Preferred Stock accrue on a daily basis at a rate of 8.00% per annum of the liquidation price (as described below).

If declared, accrued dividends are payable quarterly on each dividend payment date, which is March 15, June 15, September 15, and December 15 of each year, commencing on December 15, 2020 (or, if such date is not a business day, the next business day after such date).

To the extent the dividend amount due to the holders of Series A Preferred Stock is not paid in full on a dividend payment date for any reason then, subject to a 30-day cure period, all dividends (whether or not declared) that have accrued on a share of Series A Preferred Stock during the dividend period ending on the day immediately preceding such dividend payment date and which are unpaid will be added to the liquidation price of such share and remain until paid together with all dividends that have accrued to the date of such payment with respect to that portion of the liquidation price which consists of accrued and unpaid dividends.

If the Registrant fails to pay cash dividends on the Series A Preferred Stock in full for any dividend period then, subject to a 30-day cure period, the dividend rate will increase by 1.50% per annum of the liquidation price until cured.

If the Registrant fails to pay the applicable redemption price in full with respect to any redemption of the Series A Preferred Stock or fails to make a payment with respect to the Series A Preferred Stock as required by the certificate of designations in connection with a liquidation or an Extraordinary Transaction (as defined in the certificate of designations), then, subject to a 30-day cure period, the dividend rate will increase by 1.50% per annum of the liquidation price until cured, plus an additional 0.25% commencing on the dividend payment date immediately following such nonpayment and for each subsequent dividend period thereafter until such nonpayment is cured, up to a maximum dividend rate of 11.00% per annum of the liquidation price.

Subject to certain exceptions, so long as any shares of Series A Preferred Stock are outstanding, the Registrant may not declare or pay any dividend or make any distribution whatsoever with respect to, or purchase, redeem, or otherwise acquire, any Junior Stock or any Parity Stock (as each such term is defined in the certificate of designations), or set aside funds for any such purposes, unless and until (i) all accrued and unpaid dividends (whether or not declared) added to the liquidation price together with all accrued dividends with respect to that portion of the liquidation price which consists of accrued and unpaid dividends have been paid (or appropriately set aside), and (ii) the Registrant has paid in full (or appropriately set aside) all redemption payments with respect to the Series A Preferred Stock that the Registrant is then obligated to pay.

Distributions Upon Liquidation, Dissolution or Winding Up

Subject to the prior payment in full of any Debt Instrument (as defined in the certificate of designations) and other liabilities owed to the Registrant's creditors and the preferential amounts to which any Senior Stock is entitled, if any liquidation, dissolution or winding up of the Registrant, whether voluntary or involuntary, occurs, the holders of shares of the Series A Preferred Stock are entitled to receive from the assets of the Registrant, before any payment or distribution is made to the holders of shares of any Junior Stock, an amount in property or cash or a combination thereof, as determined by the board in good faith, per share, equal to the liquidation price plus all unpaid dividends (whether or not declared) accrued to but excluding the date of distribution of amounts payable to holders of shares of Series A Preferred Stock in connection with such liquidation, dissolution or winding up of the

Registrant since the immediately preceding dividend payment date, which payment will be made *pari passu* with any such payment made to the holders of shares of any Parity Stock.

The liquidation price of each share of Series A Preferred Stock is the sum of (i) \$100, plus (ii) an amount equal to all unpaid dividends (whether or not declared) accrued with respect to such share that have been added to and then remain part of the liquidation price as of such date pursuant to the terms of the certificate of designations.

Other than as set forth above, the shares of Series A Preferred Stock are not participating.

Mandatory and Optional Redemption

The Registrant is required to redeem on March 15, 2031 all outstanding shares of Series A Preferred Stock out of funds legally available, at the liquidation price plus all unpaid dividends (whether or not declared) accrued from the most recent dividend payment date.

On any business day occurring on or after the fifth anniversary of the original issue date of the Series A Preferred Stock (the "Original Issue Date"), the Registrant is permitted, at any time and from time to time, to redeem all or a portion of the outstanding shares of Series A Preferred Stock out of funds legally available, at the liquidation price plus all unpaid dividends (whether or not declared) accrued from the most recent dividend payment date plus, if the redemption is (x) on or after the fifth anniversary of the Original Issue Date but prior to its sixth anniversary, 4.00% of the liquidation price, (y) on or after the sixth anniversary of the Original Issue Date but prior to its seventh anniversary, 2.00% of the liquidation price and (z) on or after the seventh anniversary of the Original Issue Date, zero.

The certificate of designations provides certain mechanisms for partial redemption and places certain restrictions on the Registrant in the event the Registrant does not have funds legally available to satisfy its redemption obligations.

Protective Provisions

In addition to any vote required by applicable law, for so long as any of the shares of Series A Preferred Stock remain outstanding, the Registrant may not, without the affirmative vote of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, voting separately as a series, amend, alter or repeal the terms of the Series A Preferred Stock, whether by merger, share exchange, consolidation or otherwise (except for any Extraordinary Transaction, in which case no vote of the holders of shares of Series A Preferred Stock will be required), in a manner that adversely affects the powers, preferences or rights of the Series A Preferred Stock, unless each share of Series A Preferred Stock (i) will remain outstanding without a material and adverse change to the powers, preferences or rights of the Series A Preferred Stock or (ii) will be converted or exchanged for preferred stock of the surviving entity or a direct or indirect parent entity of such surviving entity having powers, preferences and rights substantially identical to that of a share of Series A Preferred Stock (with limited exceptions, which may include the grant of additional powers, preferences or rights, including voting rights) ("Substitute Preferred Stock").

Extraordinary Transactions

If any Extraordinary Transaction occurs that is a merger or consolidation immediately after which the shares of Series A Preferred Stock will not remain outstanding, the holders of Series A Preferred Stock will be entitled, at the sole discretion of the board, either (i) to be paid out of the consideration payable to the stockholders of the Registrant in such Extraordinary Transaction an amount in cash equal to the liquidation price plus all accrued and unpaid dividends (whether or not declared) since the immediately preceding dividend payment date to but excluding the date of payment, and the shares of Series A Preferred Stock will be cancelled, or (ii) to receive Substitute Preferred Stock, in each case, upon the conversion or exchange of such shares of Series A Preferred Stock in connection with such Extraordinary Transaction.

If any other Extraordinary Transaction occurs, at the sole discretion of the board, (i) the Series A Preferred Stock will remain outstanding without a material and adverse change to its powers, preferences or rights, (ii) the Series A Preferred Stock will be converted into or exchanged for Substitute Preferred Stock, or (iii) all, but not less than all, of the shares of the Series A Preferred Stock may be redeemed within 90 days after such Extraordinary Transaction, at an amount in cash, out of funds legally available, equal to the liquidation price plus all unpaid dividends (whether or not declared) accrued since the immediately preceding dividend payment date to, but excluding, the date of payment.

If an exchange, consolidation, merger or similar transaction that is not an Extraordinary Transaction occurs and in connection therewith the Series A Preferred Stock will not remain outstanding, the holders of Series A Preferred Stock will be entitled to receive shares of Substitute Preferred Stock upon the conversion or exchange thereof in connection with such transaction.

Preemptive Rights

The holders of shares of Series A Preferred Stock do not have any preemptive right to subscribe for or purchase any capital stock or other securities which may be issued by the Registrant.

Waiver

Any provision of the certificate of designations and any right of the holders of shares of Series A Preferred Stock may be waived as to all shares of Series A Preferred Stock (and the holders thereof) upon the written consent of the board (or any authorized committee thereof) and the holders of a majority of the shares of Series A Preferred Stock then outstanding. The certificate of designations prohibits action by written consent of the holders of the Series A Preferred Stock, except as provided in the preceding sentence.

Voting Power

Generally

The holders of the Series A Preferred Stock will not have any voting rights or powers, except as specified in the certificate of designations or as required by Delaware law.

Preferred Dividend Directors

So long as there remain outstanding shares of Series A Preferred Stock having an aggregate liquidation price in excess of 25% of the aggregate liquidation price of the shares of Series A Preferred Stock issued on the Original Issue Date (the "Threshold Amount"), holders of Series A Preferred Stock will have the following director election rights.

Subject to the preceding paragraph, whenever dividends on any shares of the Series A Preferred Stock have not been declared and paid for the equivalent of two consecutive dividend periods (a "Dividend Nonpayment"), the authorized number of directors on the board will automatically be increased by one and the holders of the Series A Preferred Stock, voting together as a single class with holders of any and all Voting Parity Stock (as defined in the certificate of designations) then outstanding, will be entitled, at the Registrant's next annual meeting of stockholders or at a special meeting of stockholders, if any, as provided below, to vote for the election of one additional member of the board (the "Preferred Dividend Director"). Subject to the preceding paragraph, whenever the Registrant fails to pay the applicable redemption price in full with respect to any redemption of the Series A Preferred Stock or fails to make a payment with respect to the Series A Preferred Stock as required by the certificate of designations in connection with a liquidation or an Extraordinary Transaction (a "Nonpayment"), the authorized number of directors on the board will automatically be increased by two (if a Dividend Nonpayment has previously occurred and not been rescinded) or by three and the holders of the Series A Preferred Stock, voting together as a single class with holders of any and all Voting Parity Stock, will be entitled, at the Registrant's next annual meeting of stockholders

or at a special meeting of stockholders, if any, as provided below, to vote for the election of these additional members of the board (each, a "Nonpayment Director," and, together with the Preferred Dividend Director, the "Preferred Stock Directors"); provided, that the board will, at no time, include more than three Preferred Stock Directors. Notwithstanding the foregoing, the certificate of designations prohibits the election or appointment of any Preferred Stock Director if it would cause the Registrant to violate the corporate governance requirements of Nasdaq (or any other exchange or automated quotation system on which the Registrant's common stock may be listed or quoted), including the requirement that the board have a majority of independent directors. The Preferred Stock Directors will stand for reelection annually, at each subsequent annual meeting of the stockholders, so long as the holders of the Series A Preferred Stock continue to have such voting powers.

If a Dividend Nonpayment or Nonpayment has occurred, the holders of record representing in the aggregate at least 25% of the then-outstanding shares of the Series A Preferred Stock and any Voting Parity Stock may request that a special meeting of stockholders be called to elect such Preferred Stock Directors (provided, however, that if the Registrant's next annual or a special meeting of stockholders is scheduled to be held within 90 days of the receipt of such request, the election of such Preferred Stock Directors, to the extent otherwise permitted by the Registrant's amended and restated bylaws, will, instead, be included in the agenda for and will be held at such scheduled annual or special meeting of stockholders). If the Registrant pays all amounts as is necessary to cause the rights of the holders of Series A Preferred Stock to elect Preferred Stock Directors to terminate, then the Registrant may cancel any special meeting called by the holders of Series A Preferred Stock and, with respect to Preferred Stock Directors proposed to be elected at any annual meeting of stockholders of the Registrant, the Registrant will rescind any nominations and will not be required to elect any such Preferred Stock Directors.

At any meeting at which the holders of the Series A Preferred Stock are entitled to elect Preferred Stock Directors, at least a majority of the voting power of the then-outstanding shares of Series A Preferred Stock and all Voting Parity Stock, voting together as a single class, must be present in person or represented by proxy at the meeting to constitute a quorum, and the affirmative vote of the holders of shares of Series A Preferred Stock and the record holders of shares of any Voting Parity Stock representing in the aggregate at least a majority of the voting power of the shares of Series A Preferred Stock and all Voting Parity Stock, voting together as a single class, present in person or represented by proxy will be sufficient to elect the Preferred Stock Directors.

At such time as (x) the Threshold Amount is no longer issued and outstanding or (y) the Dividend Nonpayment is cured, then automatically and without any further action the right of the holders of shares of Series A Preferred Stock to elect the Preferred Dividend Director (and to call a special meeting of stockholders for such election) will terminate and the term of office of the Preferred Dividend Director will immediately expire, causing the person then serving as the Preferred Dividend Director to immediately cease to be a director of the Registrant.

At such time as (x) the Threshold Amount is no longer issued and outstanding or (y) the Nonpayment is cured, then automatically and without any further action the right of the holders of shares of Series A Preferred Stock to elect the Nonpayment Directors (and to call a special meeting of stockholders for such election) will terminate and the persons then serving as such Nonpayment Directors will immediately cease to be directors of the Registrant.

Any Preferred Stock Director may be removed at any time, with or without cause, by the holders of shares of Series A Preferred Stock and the record holders of shares of any Parity Stock representing in the aggregate at least a majority of the voting power of the shares of Series A Preferred Stock and all Voting Parity Stock, voting together as a single class. Any vacancy in respect of any Preferred Stock Director directorship will remain vacant until the earlier of the time upon which (A) if any Preferred Stock Directors are then in office, such vacancy is filled by a majority of the Preferred Stock Directors then in office and (B) a Preferred Stock Director is elected with respect to such Preferred Stock Director directorship at any meeting of stockholders of the Registrant. The Preferred Stock Directors will each be entitled to one vote per director on any matter on which members of the board as a whole are entitled to vote.

Other Provisions of the Registrant's Certificate of Incorporation

Board of Directors

The Registrant's charter provides that, subject to any rights of the holders of any series of preferred stock to elect additional directors, the number of directors will not be less than three and the exact number will be fixed by a resolution of the board. The members of the board, other than those who may be elected by holders of any then-outstanding preferred stock, will be divided into three classes. Each class will consist, as nearly as possible, of a number of directors equal to one-third of the then authorized number of board members.

As of December 31, 2020, the terms of the Class I, II and III directors who were then in office will expire at the annual meeting of stockholders to be held in 2023, 2021 and 2022, respectively. At each annual meeting of stockholders, the successors of that class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual meeting of stockholders to be held in the third year following the year of their election. The directors of each class will hold office until the expiration of the term of such class and their respective successors are elected and qualified or until such director's earlier death, resignation or removal.

The charter provides that, subject to the rights of the holders of any series of preferred stock, directors may be removed from office only for cause upon the affirmative vote of the holders of at least a majority of the aggregate voting power of outstanding capital stock entitled to vote on such matter voting together as a single class.

The charter provides that, subject to the rights of the holders of any series of preferred stock, vacancies on the board resulting from death, resignation, removal, disqualification or other cause, and newly created directorships resulting from any increase in the number of directors on the board, will be filled only by the affirmative vote of a majority of the remaining directors then in office (even though less than a quorum) or by the sole remaining director. Any director so elected shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred or to which the new directorship is assigned, and until that director's successor will have been elected and qualified or until such director's earlier death, resignation or removal. No decrease in the number of directors constituting the Registrant's board will shorten the term of any incumbent director, except as may be provided in any certificate of designation with respect to a series of preferred stock with respect to any additional director elected by the holders of that series of preferred stock.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of the board by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of the board. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of the Registrant.

Limitation on Liability and Indemnification

To the fullest extent permitted by Delaware law, the Registrant's directors are not liable to the Registrant or any of its stockholders for monetary damages for breaches of fiduciary duties as a director. In addition, the Registrant indemnifies, to the fullest extent permitted by applicable law, any person involved in any suit or action by reason of the fact that such person is a director or officer of the company or, at the Registrant's request, a director, officer, employee or agent of another corporation or entity, against all liability, loss and expenses incurred by such person. The Registrant will pay expenses of a director or officer in defending any proceeding in advance of its final disposition, provided that such payment is made upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that the director or officer is not entitled to indemnification.

No Stockholder Action by Written Consent; Special Meetings

The Registrant's charter provides that, except as provided in the terms of any series of preferred stock, any action required to be taken or which may be taken at any annual or special meeting of the stockholders may not be taken without a meeting and may not be effected by any consent in writing by such holders. Except as otherwise

required by law and subject to the rights of the holders of any series of preferred stock, special meetings of stockholders for any purpose or purposes may be called only by the Secretary (i) upon the written request of the holders of not less than 66 2/3% of the total voting power of the then outstanding shares of the Series A common stock, Series B common stock and, if applicable, the preferred stock, entitled to vote thereon or (ii) at the request of at least 75% of the members of the board then in office.

Amendments

The Registrant's charter provides that, subject to the rights of the holders of any series of preferred stock, the affirmative vote of the holders of at least 66 2/3% of the aggregate voting power of the outstanding capital stock entitled to vote on such matter, voting together as a single class, is required to adopt, amend or repeal any provision of the charter or to add or insert any provision in the charter, provided that the foregoing enhanced voting requirement will not apply to any adoption, amendment, repeal, addition or insertion (1) as to which Delaware law does not require the consent of stockholders or (2) which has been approved by at least 75% of the members of the board then in office. The Registrant's charter further provides that the affirmative vote of the holders of at least 66 2/3% of the aggregate voting power of the outstanding capital stock entitled to vote on such matter, voting together as a single class, is required to adopt, amend or repeal any provision of the bylaws, provided that the board may adopt, amend or repeal the bylaws by the affirmative vote of not less than 75% of the members of the board then in office.

Supermajority Voting Provisions

In addition to the supermajority voting provisions discussed under "—Amendments" above, the Registrant's charter provides that, subject to the rights of the holders of any series of preferred stock, the affirmative vote of the holders of at least 66 2/3% of the aggregate voting power of the outstanding capital stock entitled to vote on such matter, voting together as a single class, is required for:

- the merger or consolidation of the Registrant with or into any other corporation (including a merger consummated pursuant to Section 251(h) of the General Corporation Law of the State of Delaware (the "DGCL") and notwithstanding the exception to a vote of stockholders for such a merger set forth therein), provided, that the foregoing voting provision will not apply to any such merger or consolidation (1) as to which the laws of the State of Delaware, as then in effect, do not require the consent of the Registrant's stockholders (other than Section 251(h) of the DGCL), or (2) that at least 75% of the members of the board then in office have approved;
- the sale, lease or exchange of all, or substantially all, of the Registrant's assets, provided, that the foregoing voting provisions will not apply to any such sale, lease or exchange that at least 75% of the members of the board then in office have approved; or
- the Registrant's dissolution, provided, that the foregoing voting provision will not apply to such dissolution if at least 75% of the members of the board then in office have approved such dissolution.

Section 203 of the Delaware General Corporation Law

Section 203 of the DGCL prohibits certain transactions between a Delaware corporation and an "interested stockholder." An "interested stockholder" for this purpose generally is a stockholder who is directly or indirectly a beneficial owner of 15% or more of the outstanding voting power of a Delaware corporation. This provision prohibits certain business combinations between an interested stockholder including certain related persons and a corporation for a period of three years after the date on which the stockholder became an interested stockholder, unless: (1) prior to the time that a stockholder became an interested stockholder, either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors, (2) the interested stockholder acquired at least 85% of the voting power of the corporation in the transaction in which the stockholder became an interested stockholder, or (3) the business combination is approved by a majority of the board and the affirmative vote of the holders of 66 2/3% of the

outstanding voting power of the shares not owned by the interested stockholder at or subsequent to the time that the stockholder became an interested stockholder. The Registrant is subject to Section 203.

NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is made and effective as of the date specified in Schedule I hereto (the “Grant Date”), by and between the issuer specified in Schedule I hereto (the “Company”) and you.

The Company has adopted the incentive plan that governs the Options specified in Schedule I hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and, by this reference, made a part hereof. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Plan Administrator has determined that it would be in the interest of the Company and its stockholders to grant you an Award of Options, subject to the conditions and restrictions set forth in this Agreement and in the Plan, in order to provide you with additional remuneration for services rendered, to encourage you to remain in service to the Company and to increase your personal interest in the continued success and progress of the Company.

The Company and you therefore agree as follows:

1. Definitions. The following terms, when used in this Agreement, have the following meanings, except as otherwise defined in Schedule I hereto:

“Agreement” has the meaning specified in the preamble to this Agreement.

“Business Day” means any day on which stock exchanges in the United States are open for trading.

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

“Close of Business” means, on any day, 4:00 p.m., New York, New York time.

“Common Stock” has the meaning specified in Schedule I hereto.

“Company” has the meaning specified in the preamble to this Agreement.

“Disability” has the meaning specified as “Disability” in Section 2.1 of the Plan.

“Exercise Notice” has the meaning specified in Section 4(i)(1) (Manner of Exercise).

“Grant Date” has the meaning specified in the preamble to this Agreement.

“Nonemployee Director” has the meaning specified in the Plan.

“Option(s)” has the meaning specified in Section 2 (Award).

“Option Exercise Price” means, with respect to each type of Common Stock for which Options are granted hereunder, the amount specified in Schedule I hereto as the Option Exercise Price for such Common Stock.

“Option Termination Date” has the meaning specified in Schedule I hereto.

“Plan” has the meaning specified in the preamble to this Agreement.

“Plan Administrator” has the meaning specified in Section 12 (Plan Administrator).

“Section 409A” has the meaning specified in Section 27 (Code Section 409A).

“Service Termination Date” means the date of termination of your service as a Nonemployee Director.

“Tax-Related Items” has the meaning specified in Section 5 (Taxes and Withholding).

2. Award. In consideration of your covenants and promises herein, the Company hereby awards to you as of the Grant Date nonqualified Options to purchase from the Company at the applicable Option Exercise Price the number and type of shares of Common Stock authorized by the Plan Administrator and set forth in the notice of online grant delivered to you pursuant to the Company’s online grant and administration program, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Options”).

3. Vesting. Unless otherwise determined by the Plan Administrator in its sole discretion, the Options will vest and become exercisable in accordance with the General Vesting provisions specified in Schedule I hereto, subject to your continuous service as a Nonemployee Director with the Company from the Grant Date through the applicable vesting dates. Notwithstanding the foregoing, unless otherwise determined by the Plan Administrator in its sole discretion or except as otherwise specified in Schedule I hereto:

(a) *Termination for any Reason Other than Disability or Death.* All unvested Options will be forfeited on the Service Termination Date if your service as a Nonemployee Director terminates for any reason other than by reason of your Disability (when Cause does not then exist) or your death.

(b) *Disability and Death.* All Options will vest and become exercisable on the Service Termination Date if (i) your service as a Nonemployee Director terminates by reason of your Disability (when Cause does not then exist) or (ii) you die while serving as a Nonemployee Director.

(c) *Approved Transaction, Board Change or Control Purchase.* The Options may become vested and exercisable in accordance with Section 10.1(b) of the Plan in the event of an Approved Transaction, Board Change or Control Purchase following the Grant Date.

4. Manner of Exercise. You may exercise the Options that vest and become exercisable, in whole or in part, at any time and from time to time, except as otherwise provided herein. Options will be considered exercised (as to the number and type of Options specified in the Exercise Notice defined below in subclause (i)(1) of this Section 4) on the latest of (a) the date of exercise designated in the Exercise Notice, (b) if the date so designated is not a Business Day, the first Business Day following such date or (c) the earliest Business Day by which:

(i) the Company has received all of the following:

(1) written or electronic notice, in such form as the Plan Administrator may require, containing such representations and warranties as the Plan Administrator may require and designating, among other things, the date of exercise and the number and type of shares of Common Stock to be purchased by exercise of the Options (the "Exercise Notice");

(2) payment of the applicable Option Exercise Price for each share of Common Stock to be purchased by exercise in any (or a combination) of the following forms: (A) cash, (B) check, or (C) at the option of the Company, the delivery of irrevocable instructions via the Company's online grant and administration program for the Company to withhold the number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay such Option Exercise Price (and, if applicable, the Tax-Related Items as described in Section 5 (Taxes and Withholding)) that would otherwise be delivered by the Company to you upon exercise of the Options; and

(3) any other documentation that the Plan Administrator may reasonably require; and

(ii) you have satisfied any other conditions established or adopted by the Plan Administrator from time to time, as contemplated by Section 3.3 of the Plan, with respect to the exercise of Options.

5. Taxes and Withholding. If the Plan Administrator determines in its sole discretion it is necessary or appropriate to collect national, federal, state or other local or governmental taxes or social security costs and charges or similar contributions (wheresoever arising), you acknowledge and agree that the Company may deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of the applicable Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) that is equal to the amount of any such national, federal, state or other local or governmental taxes or social security costs and charges or similar contributions (wheresoever arising) determined by the Plan Administrator as necessary or appropriate to be withheld by the Company or any Subsidiary of the Company upon such exercise (the "Tax-Related Items"), unless provisions to pay such Tax-Related Items have been made to the satisfaction of the Company. For the avoidance of doubt, the Company may allow for tax withholding in respect of the exercise of any Options up to the maximum withholding rate applicable to you. Notwithstanding the foregoing, regardless of any action the Company may take with respect to the foregoing, you acknowledge and agree that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility.

6. Payment or Delivery by the Company. As soon as practicable after receipt of all items referred to in Section 4 (Manner of Exercise), subject to (a) if determined necessary or appropriate by the Plan Administrator in its sole discretion, the withholding referred to in Section 5 (Taxes and Withholding), (b) Section 11 (Right of Offset), and (c) Section 16 (Amendment), and except as otherwise provided herein as may be determined by the Plan Administrator, the Company will cause to be issued and transferred to a brokerage account, or registered through the Company's stock transfer agent for your benefit, book-entry transfers registered in your name for that number and type of shares of Common Stock purchased by exercise of the Options. Any delivery of securities will be deemed effected for all purposes when (i) in the case of a book-entry transfer, at the time the Company's stock transfer agent

initiates the transfer of such securities to a brokerage account through the Company's stock transfer agent for your benefit or (ii) the Plan Administrator has made or caused to be made such other arrangements for the delivery of such securities as the Plan Administrator deems reasonable. Securities representing Common Stock purchased by exercise of the Options may be registered only to you (or during your lifetime, to your court appointed legal representative) or to a person to whom the Options have been transferred in accordance with Section 10.6 of the Plan and Section 8 below (Nontransferability).

7. Expiration. The Options will terminate automatically and without further notice on the Option Termination Date or, unless otherwise determined by the Plan Administrator in its sole discretion or except as otherwise specified in Schedule I hereto, effective as of the following times, if earlier:

- (a) *Unvested Options.* With respect to those Options which are then unexercisable (after taking into account any applicable accelerated or continued vesting treatment), the Close of Business on the Service Termination Date.
- (b) *Vested Options – Termination of Service for any Reason other than for Cause.* With respect to those Options which are then exercisable (after taking into account any applicable accelerated or continued vesting treatment), in the event of your termination of service as a Nonemployee Director for any reason other than for Cause, at the Close of Business on the last day of the one-year period beginning on the Service Termination Date; provided, however, that if you die during such period, such Options will terminate at the Close of Business on the last day of the one-year period beginning on the date of your death.
- (c) *Termination for Cause.* With respect to all your then outstanding Options, whether exercisable or unexercisable, the date upon which your service as a Nonemployee Director is terminated for Cause.

Notwithstanding any period of time referenced in this Section 7 or Schedule I hereto or any other provision of this Agreement that may be construed to the contrary, the Options will in any event terminate at the Close of Business on the Option Termination Date. Notwithstanding anything herein or the Plan to the contrary, if the Options would otherwise expire when trading in the Common Stock is prohibited by law or the Company's insider trading policy pursuant to an event-specific occurrence (as determined by the Company), then the Options shall instead expire on the 30th day after the expiration of such prohibition.

8. Nontransferability. Options are not transferable (either voluntarily or involuntarily), before or after your death, except as follows: (a) during your lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Plan Administrator; or (b) after your death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Options are transferred in accordance with the provisions of the preceding sentence shall take such Options subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to you. Options are exercisable only by you (or, during your lifetime, by your court appointed legal representative) or a person to whom the Options have been transferred in accordance with this Section 8 and Section 10.6 of the Plan.

9. No Stockholder Rights. Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, you will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by the Options, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.16 of the Plan.

10. Adjustments. The Options will be subject to adjustment (including, without limitation, as to the Option Exercise Price) in such manner as the Plan Administrator, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

11. Right of Offset. You hereby agree that the Company shall have the right to offset against its obligation to deliver shares of Common Stock, cash or other property under this Agreement to the extent that it does not constitute “non-qualified deferred compensation” pursuant to Section 409A, any outstanding amounts of whatever nature that you then owe to the Company or a Subsidiary.

12. Plan Administrator. For purposes of this Agreement, the term “Plan Administrator” means the Compensation Committee of the Board of Directors of the Company or any different committee appointed by the Board of Directors as described more fully in Section 3.1 of the Plan ; provided, however, that the Board of Directors of the Company shall have the same powers as the Compensation Committee with respect to the Options and may exercise such powers in lieu of action by the Compensation Committee.

13. Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, you will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement. Any certificates representing any such securities issued or delivered under this Agreement may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws.

14. Tax Representations. You hereby acknowledge that the Company has advised you that you should consult with your own tax advisors regarding the national, federal, state and other local or governmental tax consequences or social security costs and charges or similar contributions (wheresoever arising) of receiving the Award. You hereby represent to the Company that you are not relying on any statements or representations of the Company, its Affiliates or any of their respective agents with respect to the national, federal, state and other local or governmental tax consequences or social security costs and charges or similar contributions (wheresoever arising) of receiving the Award. If, in connection with the Award, the Plan Administrator determines in its sole discretion it is necessary or appropriate to withhold any amounts by reason of any national, federal, state and other local or governmental tax or social security costs and charges or similar contributions (wheresoever arising), such withholding shall be effected in accordance with Section 10.9 of the Plan and Section 5 (Taxes and Withholding).

15. Notice. Unless the Company notifies you in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the address specified for the Company in Schedule I hereto. Any notice or other communication to you with respect to this Agreement will be provided to you electronically pursuant to the online grant and administration program or via email, unless the Company elects to notify you in writing, which will be delivered personally, or will be sent by first class mail, postage prepaid, to your address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from you of a change of address.

16. Amendment. Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Plan Administrator as contemplated by Section 10.7(b) of the Plan. Without limiting the generality of the foregoing, without your consent:

(a) this Agreement may be amended or supplemented from time to time as approved by the Plan Administrator (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for your benefit or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect your rights with respect to the Award evidenced hereby (other than if immaterial) or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Plan Administrator and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options (other than if immaterial) to the extent then exercisable.

17. Status as a Nonemployee Director. Nothing contained in the Plan or this Agreement, and no action of the Company or the Plan Administrator with respect thereto, will confer or be construed to confer on you any right to continue as a Nonemployee Director or interfere in any way with the right of the Board of Directors or the Company's stockholders to terminate your service at any time, with or without Cause, subject to the charter and bylaws of the Company, as the same may be in effect from time to time.

18. Nonalienation of Benefits. Except as provided in Section 8 (Nontransferability) and Section 11 (Right of Offset), (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of you or other person entitled to such benefits.

19. No Effect on Other Benefits. Any payments made pursuant to this Agreement will not be counted as compensation for purposes of any other employee benefit plan, program or agreement

sponsored, maintained or contributed to by the Company or a Subsidiary unless expressly provided for in such employee benefit plan, program, agreement, or arrangement.

20. Governing Law; Venue. This Agreement will be governed by, and construed in accordance with, the internal laws of the State designated in Section 10.13 of the Plan. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado and in the State of Delaware in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

21. Waiver. No waiver by the Company at any time of any breach by you of, or compliance with, any term or condition of this Agreement or the Plan to be performed by you shall be deemed a waiver of the same term or condition, or of any similar or any dissimilar term or condition, whether at the same time or at any prior or subsequent time.

22. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

23. Construction. References in this Agreement to “this Agreement” and the words “herein,” “hereof,” “hereunder” and similar terms include all Exhibits and Schedules attached hereto, including the Plan. All references to “Sections” in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word “include” and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Plan Administrator upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

24. Rules by Plan Administrator. The Plan Administrator, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations it deems consistent with the terms of the Plan and as necessary or advisable in its operation and administration of the Plan and this Award. You acknowledge and agree that your rights and the obligations of the Company hereunder, including with respect to any exercise of the Options, will be subject to any further conditions and such reasonable rules and regulations as the Plan Administrator may adopt from time to time.

25. Entire Agreement. This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and you regarding the Award. You and the Company hereby declare and represent that no promise or agreement not expressed herein has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between you and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 (Nontransferability) and 18 (Nonalienation of Benefits), this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

26. Acknowledgment. You will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company. By your electronic acknowledgment

of the Options, you are acknowledging the terms and conditions of the Award set forth in this Agreement as though you and the Company had signed an original copy of the Agreement.

27. Code Section 409A. The Awards made hereunder are intended to be “stock rights” exempt from Section 409A and this Agreement shall be interpreted and administered accordingly. Notwithstanding the foregoing, to the extent that Section 409A of the Code or the related regulations and Treasury pronouncements (“Section 409A”) are applicable to you in connection with the Award, this Award is subject to the provisions of Section 10.17 of the Plan regarding Section 409A and each payment under this Agreement shall be treated as a separate payment under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the Award or the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to the Award or the Plan. If this Agreement fails to meet the requirements of Section 409A, neither the Company nor any of its Affiliates shall have any liability for any tax, penalty or interest imposed on you by Section 409A, and you shall have no recourse against the Company or any of its Affiliate for payment of any such tax, penalty or interest imposed by Section 409A.

28. Additional Conditions and Restrictions. You may be subject to additional conditions and restrictions. If a Schedule II is attached hereto, the additional conditions and restrictions specified therein are considered part of this Agreement.

29. Administrative Blackouts. In addition to its other powers under the Plan, the Plan Administrator has the authority to suspend (a) the exercise of Options and (b) any other transactions under the Plan as it deems necessary or appropriate for administrative reasons.

30. Stock Ownership Guidelines. This Award may be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

31. Company Information. You can access the Company’s most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission on the Company’s website specified in Schedule I hereto. Please refer to these reports as well as the Company’s future filings with the Securities and Exchange Commission (also available on the Company’s website) for important information regarding the Company and its Common Stock.

Schedule I
to
Nonqualified Stock Option Agreement
[Insert Grant Code]

Grant Date: [_____]

Issuer/Company: Qurate Retail, Inc., a Delaware corporation

Plan: Qurate Retail, Inc. 2020 Omnibus Incentive Plan, as amended from time to time

Common Stock: Qurate Retail, Inc. Series A Common Stock (“QRTEA Common Stock”)

Option Termination Date: [_____]

Option Exercise Price: QRTEA Common Stock: \$[_____]

General Vesting Schedule: Subject to your continuous service as a Nonemployee Director with the Company from the Grant Date through the following vesting date, 100% of the Options will vest and become exercisable on [_____].

Company Notice Address: Qurate Retail, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

Company Website: www.qurateretail.com

Plan Access: You can access the Plan via the link at the end of the Agreement or by contacting Qurate Retail, Inc.’s Legal Department.

RESTRICTED STOCK UNITS AGREEMENT

THIS RESTRICTED STOCK UNITS AGREEMENT (this “Agreement”) is made and effective as of the date specified in Schedule I hereto (the “Grant Date”), by and between the issuer specified in Schedule I hereto (the “Company”) and you.

The Company has adopted the incentive plan that governs the Restricted Stock Units specified in Schedule I hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and, by this reference, made a part hereof. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Plan Administrator has determined that it would be in the interest of the Company and its stockholders to grant you an Award of Restricted Stock Units, subject to the conditions and restrictions set forth in this Agreement and in the Plan, in order to provide you with additional remuneration for services rendered, to encourage you to remain in service to the Company and to increase your personal interest in the continued success and progress of the Company.

The Company and you therefore agree as follows:

1. Definitions. The following terms, when used in this Agreement, have the following meanings, except as otherwise defined in Schedule I hereto:

“Agreement” has the meaning specified in the preamble to this Agreement.

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

“Common Stock” has the meaning specified in Schedule I hereto.

“Company” has the meaning specified in the preamble to this Agreement.

“Disability” has the meaning specified as “Disability” in Section 2.1 of the Plan.

“Grant Date” has the meaning specified in the preamble to this Agreement.

“Nonemployee Director” has the meaning specified in the Plan.

“Plan” has the meaning specified in the preamble to this Agreement.

“Plan Administrator” has the meaning specified in Section 11 (Plan Administrator).

“Restricted Stock Units” has the meaning specified in Section 2 (Award).

“RSU Dividend Equivalents” has the meaning specified in Section 5 (Dividend Equivalents).

“Section 409A” has the meaning specified in Section 26 (Code Section 409A).

“Service Termination Date” means the date of termination of your service as a Nonemployee Director.

“Tax-Related Items” has the meaning specified in Section 6 (Taxes and Withholding).

2. Award. In consideration of your covenants and promises herein, the Company hereby awards to you as of the Grant Date an Award of the number and type of Restricted Stock Units authorized by the Plan Administrator and set forth in the notice of online grant delivered to you pursuant to the Company’s online grant and administration program (the “Restricted Stock Units”), each representing the right to receive one share of the type of Common Stock specified in such notice of online grant, subject to the conditions and restrictions set forth in this Agreement and in the Plan.

3. Vesting. Unless otherwise determined by the Plan Administrator in its sole discretion, the Restricted Stock Units will vest in accordance with the General Vesting provisions specified in Schedule I hereto, subject to your continuous service as a Nonemployee Director with the Company from the Grant Date through the applicable vesting dates. Notwithstanding the foregoing, unless otherwise determined by the Plan Administrator in its sole discretion or except as otherwise specified in Schedule I hereto:

(a) *Termination for any Reason Other than Disability or Death.* All unvested Restricted Stock Units will be forfeited on the Service Termination Date if your service as a Nonemployee Director terminates for any reason other than by reason of your Disability (when Cause does not then exist) or your death.

(b) *Disability and Death.* All unvested Restricted Stock Units will vest on the Service Termination Date if (i) your service as a Nonemployee Director terminates by reason of your Disability (when Cause does not then exist) or (ii) you die while serving as a Nonemployee Director.

(c) *Approved Transaction, Board Change or Control Purchase.* The Restricted Stock Units may become vested in accordance with Section 10.1(b) of the Plan in the event of an Approved Transaction, Board Change or Control Purchase following the Grant Date.

(d) *Forfeiture.* Upon forfeiture of any unvested Restricted Stock Units, such Restricted Stock Units and any related unpaid RSU Dividend Equivalents will be immediately cancelled, and you will cease to have any rights with respect thereto.

4. No Stockholder Rights. You will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to shares of Common Stock represented by any Restricted Stock Units unless and until such time as shares of Common Stock represented by vested Restricted Stock Units have been delivered in accordance with Section 7 (Settlement and Delivery by the Company), nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.16 of the Plan.

5. Dividend Equivalents. To the extent specified by the Plan Administrator only, an amount equal to all dividends and other distributions (or the economic equivalent thereof) (in each case, as determined by the Plan Administrator in its sole discretion) that would have been paid on a like number and type of shares of Common Stock as the shares represented by the Restricted Stock Units if such shares had been issued to you when such dividends or other distributions were made (“RSU Dividend Equivalents”) will, if so specified by the Plan Administrator, be retained by the Company for your account and will, unless otherwise specified by the Plan Administrator, be subject to the same conditions and restrictions, including the timing of vesting and delivery, applicable to the Restricted

Stock Units to which they relate; *provided, however*, that the Plan Administrator may, in its sole discretion, accelerate the vesting of any portion of the RSU Dividend Equivalent and the settlement thereof shall be made as soon as administratively practicable after the accelerated vesting date, but in no event later than March 15 of the calendar year following the year in which such accelerated vesting date occurs. RSU Dividend Equivalents shall not bear interest or be segregated in a separate account. For the avoidance of doubt, unless otherwise determined by the Plan Administrator in its sole discretion, you will have no right to receive, or otherwise with respect to, any RSU Dividend Equivalents until such time, if ever, as the Restricted Stock Units with respect to which such RSU Dividend Equivalents relate shall have become vested, and, if vesting does not occur, the related RSU Dividend Equivalents will be forfeited at the same time the Restricted Stock Units with respect to which such RSU Dividend Equivalents relate are forfeited.

6. Taxes and Withholding. If the Plan Administrator determines in its sole discretion it is necessary or appropriate to collect national, federal, state or other local or governmental taxes or social security costs and charges or similar contributions (wheresoever arising) with respect to the Award of the Restricted Stock Units or the vesting thereof, or the designation of any RSU Dividend Equivalents as payable or distributable or the payment or distribution thereof, you may be asked to make arrangements satisfactory to the Company to make payment to the Company or its designee of the amount determined by the Plan Administrator as necessary or appropriate to be withheld under such tax laws (collectively, the “Tax-Related Items”). To the extent the Plan Administrator determines in its sole discretion such withholding is necessary or appropriate because some or all of the Restricted Stock Units and any related RSU Dividend Equivalents vest, you acknowledge and agree that the Company may withhold (a) from the shares of Common Stock represented by vested Restricted Stock Units and otherwise deliverable to you a number of shares of the applicable type of Common Stock and/or (b) from any related RSU Dividend Equivalents otherwise deliverable to you an amount of such RSU Dividend Equivalents, which collectively have a value (or, in the case of securities withheld, a Fair Market Value) equal to the Tax-Related Items, unless you remit such Tax-Related Items to the Company or its designee in cash in such form and by such time as the Company may require or other provisions for withholding such amount satisfactory to the Company have been made. Notwithstanding any other provisions of this Agreement, the delivery of any shares of Common Stock represented by vested Restricted Stock Units and any related RSU Dividend Equivalents may be postponed until any such withholding taxes have been paid to the Company. For the avoidance of doubt, the Company may allow for tax withholding in respect of the vesting of the Restricted Stock Units and any related RSU Dividend Equivalents up to the maximum withholding rate applicable to you. Notwithstanding the foregoing, regardless of any action the Company may take with respect to the foregoing, you acknowledge and agree that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility.

7. Settlement and Delivery by the Company. Subject to Section 6 hereof (Taxes and Withholding), Section 10 hereof (Right of Offset), and Section 15 hereof (Amendment), and except as otherwise provided herein, shares of Common Stock will be delivered in respect of vested Restricted Stock Units (if any) as soon as practicable after the vesting of the Restricted Stock Units as described herein (but no later than March 15 of the calendar year following the year in which such vesting occurs). Unless otherwise determined by the Plan Administrator, the Company will (a) cause to be issued and transferred to a brokerage account, or registered through the Company’s stock transfer agent for your benefit, book-entry transfers registered in your name for that number and type of shares of Common Stock represented by such vested Restricted Stock Units and any securities representing related vested unpaid RSU Dividend Equivalents, and (b) cause to be delivered to you any cash payment representing related vested unpaid RSU Dividend Equivalents. Any delivery of securities will be deemed effected for all purposes when (i) in the case of a book-entry transfer, at the time the Company’s stock transfer

agent initiates the transfer of such securities to a brokerage account through the Company's stock transfer agent for your benefit or (ii) the Plan Administrator has made or caused to be made such other arrangements for the delivery of such securities as the Plan Administrator deems reasonable. Any cash payment will be deemed effected when (I) a check from the Company, payable to you in the amount equal to the amount of the cash payment, has been delivered personally to or at your direction or deposited in the United States mail, addressed to you, (II) an amount equal to the amount of the cash payment has been processed through the direct deposit or normal Company payroll processes for your benefit or (III) the Plan Administrator has made or caused to be made such other arrangements for delivery of such cash amount as the Plan Administrator deems reasonable. Shares representing Restricted Stock Units that have vested may be registered only to you (or during your lifetime, to your court appointed legal representative) or to a person to whom the Restricted Stock Units have been transferred in accordance with Section 10.6 of the Plan and Section 8 below (Nontransferability).

8. Nontransferability. Restricted Stock Units and any related unpaid RSU Dividend Equivalents are not transferable (either voluntarily or involuntarily), before or after your death, except as follows: (a) during your lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Plan Administrator; or (b) after your death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Restricted Stock Units and any related unpaid RSU Dividend Equivalents are transferred in accordance with the provisions of the preceding sentence shall take such Restricted Stock Units and any related unpaid RSU Dividend Equivalents subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to you. Restricted Stock Units that have vested may be registered only to you (or during your lifetime, to your court appointed legal representative) or to a person to whom the Restricted Stock Units have been transferred in accordance with this Section 8 and Section 10.6 of the Plan.

9. Adjustments. The Restricted Stock Units and any related unpaid RSU Dividend Equivalents will be subject to adjustment pursuant to Section 4.2 of the Plan in such manner as the Plan Administrator, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

10. Right of Offset. You hereby agree that the Company shall have the right to offset against its obligation to deliver shares of Common Stock, cash or other property under this Agreement to the extent that it does not constitute "non-qualified deferred compensation" pursuant to Section 409A, any outstanding amounts of whatever nature that you then owe to the Company or a Subsidiary.

11. Plan Administrator. For purposes of this Agreement, the term "Plan Administrator" means the Compensation Committee of the Board of Directors of the Company or any committee appointed by the Board of Directors as described more fully in Section 3.1 of the Plan; provided, however, that the Board of Directors of the Company shall have the same powers as the Compensation Committee with respect to the Options and may exercise such powers in lieu of action by the Compensation Committee.

12. Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, the Company shall not be obligated to deliver any shares of Common Stock represented by vested Restricted Stock Units or securities constituting any unpaid RSU Dividend Equivalents if counsel to the Company determines that the issuance or delivery thereof would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company

with, any securities exchange or association upon which shares of Common Stock or such other securities are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the delivery of shares of Common Stock represented by vested Restricted Stock Units or securities constituting any unpaid RSU Dividend Equivalents to comply with any such law, rule, regulation, or agreement. Any certificates representing any such securities issued or delivered under this Agreement may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws.

13. Tax Representations . You hereby acknowledge that the Company has advised you that you should consult with your own tax advisors regarding the national, federal, state and other local or governmental tax consequences or social security costs and charges or similar contributions (wheresoever arising) of receiving the Award. You hereby represent to the Company that you are not relying on any statements or representations of the Company, its Affiliates or any of their respective agents with respect to the national, federal, state and other local or governmental tax consequences or social security costs and charges or similar contributions (wheresoever arising) of receiving the Award. If, in connection with the Award, the Plan Administrator determines in its sole discretion it is necessary or appropriate to withhold any amounts by reason of any national, federal, state and other local or governmental tax or social security costs and charges or similar contributions (wheresoever arising), such withholding shall be effected in accordance with Section 10.9 of the Plan and Section 6 (Taxes and Withholding).

14. Notice . Unless the Company notifies you in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the address specified for the Company in Schedule I hereto. Any notice or other communication to you with respect to this Agreement will be provided to you electronically pursuant to the online grant and administration program or via email, unless the Company elects to notify you in writing, which will be delivered personally, or will be sent by first class mail, postage prepaid, to your address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from you of a change of address.

15. Amendment. Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Plan Administrator as contemplated by Section 10.7(b) of the Plan. Without limiting the generality of the foregoing, without your consent:

(a) this Agreement may be amended or supplemented from time to time as approved by the Plan Administrator (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for your benefit or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect your rights with respect to the Award evidenced hereby (other than if immaterial), (iii) to reform the Award made hereunder as contemplated by Section 10.17 of the Plan or to exempt the Award made hereunder from coverage under Code Section 409A, or (iv) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Restricted Stock Units granted under this Agreement may be canceled by the Plan Administrator and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Restricted Stock Units (other than if immaterial) to the extent then vested.

16. Status as a Nonemployee Director. Nothing contained in the Plan or this Agreement, and no action of the Company or the Plan Administrator with respect thereto, will confer or be construed to confer on you any right to continue as a Nonemployee Director or interfere in any way with the right of the Board of Directors or the Company's stockholders to terminate your service at any time, with or without Cause, subject to the charter and bylaws of the Company, as the same may be in effect from time to time.

17. Nonalienation of Benefits . Except as provided in Section 8 (Nontransferability) and Section 10 (Right of Offset), (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of you or other person entitled to such benefits.

18. No Effect on Other Benefits. Any payments made pursuant to this Agreement will not be counted as compensation for purposes of any other employee benefit plan, program or agreement sponsored, maintained or contributed to by the Company or a Subsidiary unless expressly provided for in such employee benefit plan, program, agreement, or arrangement.

19. Governing Law; Venue. This Agreement will be governed by, and construed in accordance with, the internal laws of the State designated in Section 10.13 of the Plan. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado and in the State of Delaware in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

20. Waiver. No waiver by the Company at any time of any breach by you of, or compliance with, any term or condition of this Agreement or the Plan to be performed by you shall be deemed a waiver of the same term or condition, or of any similar or any dissimilar term or condition, whether at the same time or at any prior or subsequent time.

21. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

22. Construction. References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all Exhibits and Schedules attached hereto, including the Plan. All references to "Sections" in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word "include" and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Plan Administrator upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan

will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

23. Rules by Plan Administrator. The Plan Administrator, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations it deems consistent with the terms of the Plan and as necessary or advisable in its operation and administration of the Plan and this Award. You acknowledge and agree that your rights and the obligations of the Company hereunder will be subject to any further conditions and such reasonable rules and regulations as the Plan Administrator may adopt from time to time.

24. Entire Agreement. This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and you regarding the Award. You and the Company hereby declare and represent that no promise or agreement not expressed herein has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between you and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 (Nontransferability) and 15 (Nonalienation of Benefits), this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

25. Acknowledgment. You will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company. By your electronic acknowledgment of the Restricted Stock Units, you are acknowledging the terms and conditions of the Award set forth in this Agreement as though you and the Company had signed an original copy of the Agreement.

26. Code Section 409A . The Awards made hereunder are intended to be “short-term deferrals” exempt from Section 409A and this Agreement shall be interpreted and administered accordingly. Notwithstanding the foregoing, to the extent that Section 409A of the Code or the related regulations and Treasury pronouncements (“Section 409A”) are applicable to you in connection with the Award, this Award is subject to the provisions of Section 10.17 of the Plan regarding Section 409A and each payment under this Agreement shall be treated as a separate payment under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the Award or the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to the Award or the Plan. If this Agreement fails to meet the requirements of Section 409A, neither the Company nor any of its Affiliates shall have any liability for any tax, penalty or interest imposed on you by Section 409A, and you shall have no recourse against the Company or any of its Affiliate for payment of any such tax, penalty or interest imposed by Section 409A.

27. Additional Conditions and Restrictions. You may be subject to additional conditions and restrictions. If a Schedule II is attached hereto, the additional conditions and restrictions specified therein are considered part of this Agreement.

28. Administrative Blackouts. In addition to its other powers under the Plan, the Plan Administrator has the authority to suspend any transactions under the Plan as it deems necessary or appropriate for administrative reasons.

29. Stock Ownership Guidelines. This Award may be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

30. Company Information. You can access the Company's most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission on the Company's website specified in Schedule I hereto. Please refer to these reports as well as the Company's future filings with the Securities and Exchange Commission (also available on the Company's website) for important information regarding the Company and its Common Stock.

Schedule I
to
Restricted Stock Units Agreement
[Insert Grant Code]

Grant Date: [_____]

Issuer/Company: Qurate Retail, Inc., a Delaware corporation

Plan: Qurate Retail, Inc. 2020 Omnibus Incentive Plan, as amended from time to time

Common Stock: Qurate Retail, Inc. Series A Common Stock

General Vesting Schedule: Subject to your continuous service as a Nonemployee Director with the Company from the Grant Date through the following vesting date, 100% of the Restricted Stock Units will vest on [_____].

Company Notice Address: Qurate Retail, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

Company Website: www.qurate.com

Plan Access: You can access the Plan via the link at the end of the Agreement or by contacting Qurate Retail, Inc.'s Legal Department.

NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is made and effective as of the date specified in Schedule I hereto (the “Grant Date”), by and between the issuer specified in Schedule I hereto (the “Company”) and you.

The Company has adopted the incentive plan that governs the Options specified in Schedule I hereto (as has been or may hereafter be amended, the “Plan”), a copy of which is attached via a link at the end of this online Agreement as Exhibit A and, by this reference, made a part hereof. Capitalized terms used and not otherwise defined in this Agreement will have the meanings ascribed to them in the Plan.

Pursuant to the Plan, the Plan Administrator has determined that it would be in the interest of the Company and its stockholders to grant you an Award of Options, subject to the conditions and restrictions set forth in this Agreement and in the Plan, in order to provide you with additional remuneration for services rendered, to encourage you to remain in the service or employ of the Company or its Subsidiaries and to increase your personal interest in the continued success and progress of the Company.

The Company and you therefore agree as follows:

1. Definitions. The following terms, when used in this Agreement, have the following meanings, except as otherwise defined in Schedule I hereto:

“Agreement” has the meaning specified in the preamble to this Agreement.

“Business Day” means any day on which stock exchanges in the United States are open for trading.

“Cause” has the meaning specified as “cause” in Section 10.2(b) of the Plan.

“Close of Business” means, on any day, 4:00 p.m., New York, New York time.

“Common Stock” has the meaning specified in Schedule I hereto.

“Company” has the meaning specified in the preamble to this Agreement.

“Confidential Information” has the meaning specified in Section 11 (Confidential Information).

“Disability” has the meaning specified as “Disability” in Section 2.1 of the Plan.

“Employment Termination Date” means the date of termination of your employment with the Company or a Subsidiary, as applicable.

“Exercise Notice” has the meaning specified in Section 4(i)(1) (Manner of Exercise).

“Forfeitable Benefits” has the meaning specified in Section 29 (Forfeiture for Misconduct and Repayment of Certain Amounts).

“Grant Date” has the meaning specified in the preamble to this Agreement.

“Misstatement Period” has the meaning specified in Section 29 (Forfeiture for Misconduct and Repayment of Certain Amounts).

“Option(s)” has the meaning specified in Section 2 (Award).

“Option Exercise Price” means, with respect to each type of Common Stock for which Options are granted hereunder, the amount specified in Schedule I hereto as the Option Exercise Price for such Common Stock.

“Option Termination Date” has the meaning specified in Schedule I hereto.

“Plan” has the meaning specified in the preamble to this Agreement.

“Plan Administrator” has the meaning specified in Section 13 (Plan Administrator).

“Required Withholding Amount” has the meaning specified in Section 5 (Mandatory Withholding for Taxes).

“Section 409A” has the meaning specified in Section 28 (Code Section 409A).

“Year of Continuous Service” means a consecutive 12-month period, measured by your hire date (as determined by the Company) and the anniversaries of that date, during which you are employed by the Company or a Subsidiary (or an applicable predecessor of the Company) without interruption. If you were employed by a Subsidiary at the time of such Subsidiary’s acquisition by the Company, your employment with the Subsidiary prior to the acquisition date will be included in determining your Years of Continuous Service unless the Plan Administrator, in its sole discretion, determines that such prior employment will be excluded.

2. Award. In consideration of your covenants and promises herein, the Company hereby awards to you as of the Grant Date nonqualified Options to purchase from the Company at the applicable Option Exercise Price the number and type of shares of Common Stock authorized by the Plan Administrator and set forth in the notice of online grant delivered to you pursuant to the Company’s online grant and administration program, subject to the conditions and restrictions set forth in this Agreement and in the Plan (the “Options”).

3. Vesting. Unless otherwise determined by the Plan Administrator in its sole discretion, the Options will vest and become exercisable in accordance with the General Vesting provisions specified in Schedule I hereto, subject to your continuous employment with the Company or a Subsidiary from the Grant Date through the applicable vesting dates. Notwithstanding the foregoing, unless otherwise determined by the Plan Administrator in its sole discretion or except as otherwise specified in Schedule I hereto:

- (a) *Termination for any Reason Other than Disability, Death or for Cause* . All unvested Options will be forfeited on the Employment Termination Date if your employment terminates for any reason other than by reason of your Disability (when Cause does not then exist) or your death, or for Cause.

(b) *Disability and Death* . All Options will vest and become exercisable on the Employment Termination Date if (i) your employment terminates by reason of your Disability (when Cause does not then exist) or (ii) you die while employed by the Company or a Subsidiary.

(c) *Termination for Cause*. All vested and unvested Options will be forfeited on the Employment Termination Date if your employment with the Company or a Subsidiary is terminated for Cause.

(d) *Approved Transaction, Board Change or Control Purchase* . The Options may become vested and exercisable in accordance with Section 10.1(b) of the Plan in the event of an Approved Transaction, Board Change or Control Purchase following the Grant Date.

(e) *Miscellaneous*.

(i) Rounding. Any fractional portions of an Option that do not vest because of rounding down will vest and become exercisable on the earliest succeeding vesting date on which the cumulative fractional portions of such Options equals or exceeds one whole Option, with any excess fractional portions remaining subject to future vesting accordingly.

(ii) Qualifying Service. For purposes of this Agreement, continuous employment means the absence of any interruption or termination of employment or service as an employee, officer or consultant of or to the Company or a Subsidiary, as applicable, and references to termination of employment (or similar references) shall include termination of employment or service as an employee, officer or consultant of or to the Company or a Subsidiary, as applicable. Unless the Plan Administrator otherwise determines in its sole discretion, a change of your employment or service from the Company to a Subsidiary or from a Subsidiary to the Company or another Subsidiary will not be considered a termination of your employment for purposes of this Agreement if such change of employment or service is made at the request or with the express consent of the Company. Unless the Plan Administrator otherwise determines in its sole discretion, however, any such change of employment or service that is not made at the request or with the express consent of the Company will be a termination of your employment within the meaning of this Agreement.

4. Manner of Exercise. You may exercise the Options that vest and become exercisable, in whole or in part, at any time and from time to time, except as otherwise provided herein. Options will be considered exercised (as to the number and type of Options specified in the Exercise Notice defined below in subclause (i)(1) of this Section 4) on the latest of (a) the date of exercise designated in the Exercise Notice, (b) if the date so designated is not a Business Day, the first Business Day following such date or (c) the earliest Business Day by which:

(i) the Company has received all of the following:

(1) written or electronic notice, in such form as the Plan Administrator may require, containing such representations and warranties as the Plan Administrator may require and designating, among other things, the date of exercise and the number and type of shares of Common Stock to be purchased by exercise of the Options (the "Exercise Notice");

(2) payment of the applicable Option Exercise Price for each share of Common Stock to be purchased by exercise in any (or a combination) of the following forms: (A) cash, (B) check, or (C) at the option of the Company, the delivery of irrevocable instructions via the Company's online grant and administration program for the Company to withhold the number of shares of Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) required to pay such Option Exercise Price (and, if applicable, the Required Withholding Amount as described in Section 5 (Mandatory Withholding for Taxes)) that would otherwise be delivered by the Company to you upon exercise of the Options; and

(3) any other documentation that the Plan Administrator may reasonably require; and

(ii) you have satisfied any other conditions established or adopted by the Plan Administrator from time to time, as contemplated by Section 3.3 of the Plan, with respect to the exercise of Options.

5. Mandatory Withholding for Taxes . You acknowledge and agree that the Company will deduct from the shares of Common Stock otherwise payable or deliverable upon exercise of any Options that number of shares of the applicable Common Stock (valued at the Fair Market Value of such Common Stock on the date of exercise) that is equal to the amount of all national, federal, state and other local or governmental taxes and social security costs and charges or similar contributions (wheresoever arising) required to be withheld by the Company or any Subsidiary of the Company upon such exercise, as determined by the Company (the "Required Withholding Amount"), unless provisions to pay such Required Withholding Amount have been made to the satisfaction of the Company. For the avoidance of doubt, the Company may allow for tax withholding in respect of the exercise of any Options up to the maximum withholding rate applicable to you.

6. Payment or Delivery by the Company. As soon as practicable after receipt of all items referred to in Section 4 (Manner of Exercise), subject to (a) the withholding referred to in Section 5 (Mandatory Withholding for Taxes), (b) Section 12 (Right of Offset), and (c) Section 17 (Amendment), and except as otherwise provided herein as may be determined by the Plan Administrator, the Company will cause to be issued and transferred to a brokerage account, or registered through the Company's stock transfer agent for your benefit, book-entry transfers registered in your name for that number and type of shares of Common Stock purchased by exercise of the Options. Any delivery of securities will be deemed effected for all purposes when (i) in the case of a book-entry transfer, at the time the Company's stock transfer agent initiates the transfer of such securities to a brokerage account through the Company's stock transfer agent for your benefit or (ii) the Plan Administrator has made or caused to be made such other arrangements for the delivery of such securities as the Plan Administrator deems reasonable. Securities representing Common Stock purchased by exercise of the Options may be registered only to you (or during your lifetime, to your court appointed legal representative) or to a person to whom the Options have been transferred in accordance with Section 10.6 of the Plan and Section 8 below (Nontransferability).

7. Expiration . The Options will terminate automatically and without further notice on the Option Termination Date or, unless otherwise determined by the Plan Administrator in its sole discretion or except as otherwise specified in Schedule I hereto, effective as of the following times, if earlier:

- (a) *Unvested Options* . With respect to those Options which are then unexercisable (after taking into account any applicable accelerated or continued vesting treatment), the Close of Business on the Employment Termination Date.
- (b) *Vested Options* . With respect to those Options which are then exercisable (after taking into account any applicable accelerated or continued vesting treatment):
- (i) *Termination for any Reason Other than Disability, Death or for Cause*. In the event of termination of your employment for any reason other than your Disability (when Cause does not then exist), your death, or for Cause, at the Close of Business on the last day of the period beginning on the Employment Termination Date and ending 90 days thereafter; provided, however, that if you die during such period, such Options will terminate at the Close of Business on the last day of the one-year period beginning on the date of your death;
 - (ii) *Disability*. In the event of termination of your employment with the Company or a Subsidiary by reason of your Disability (when Cause does not then exist), at the Close of Business on the last day of the one-year period beginning on the Employment Termination Date; provided, however, that if you die during such period, such Options will terminate at the Close of Business on the last day of the one-year period beginning on the date of your death; or
 - (iii) *Death*. In the event of your death, at the Close of Business on the last day of the one-year period beginning on the date of your death.
- (c) *Termination for Cause*. With respect to all your then outstanding Options, whether exercisable or unexercisable, the date upon which your employment with the Company or a Subsidiary is terminated for Cause.

Notwithstanding any period of time referenced in this Section 7 or Schedule I hereto or any other provision of this Agreement that may be construed to the contrary, the Options will in any event terminate at the Close of Business on the Option Termination Date. Notwithstanding anything herein or the Plan to the contrary, if the Options would otherwise expire when trading in the Common Stock is prohibited by law or the Company's insider trading policy pursuant to an event-specific occurrence (as determined by the Company), then the Options shall instead expire on the 30th day after the expiration of such prohibition.

8. Nontransferability. Options are not transferable (either voluntarily or involuntarily), before or after your death, except as follows: (a) during your lifetime, pursuant to a Domestic Relations Order, issued by a court of competent jurisdiction, that is not contrary to the terms and conditions of the Plan or this Agreement, and in a form acceptable to the Plan Administrator; or (b) after your death, by will or pursuant to the applicable laws of descent and distribution, as may be the case. Any person to whom Options are transferred in accordance with the provisions of the preceding sentence shall take such Options subject to all of the terms and conditions of the Plan and this Agreement, including that the vesting and termination provisions of this Agreement will continue to be applied with respect to you. Options are exercisable only by you (or, during your lifetime, by your court appointed legal representative) or a person to whom the Options have been transferred in accordance with this Section 8 and Section 10.6 of the Plan.

9. No Stockholder Rights. Prior to the exercise of Options in accordance with the terms and conditions set forth in this Agreement, you will not be deemed for any purpose to be, or to have any of the rights of, a stockholder of the Company with respect to any shares of Common Stock represented by the Options, nor will the existence of this Agreement affect in any way the right or power of the Company or its stockholders to accomplish any corporate act, including, without limitation, the acts referred to in Section 10.16 of the Plan.

10. Adjustments. The Options will be subject to adjustment (including, without limitation, as to the Option Exercise Price) in such manner as the Plan Administrator, in its sole discretion, deems equitable and appropriate in connection with the occurrence of any of the events described in Section 4.2 of the Plan following the Grant Date.

11. Confidential Information. During your employment or service with the Company or a Subsidiary, you will acquire, receive, and/or develop Confidential Information (as defined below) in the course of performing your job duties or services. You will not, during or after your employment or service with the Company or a Subsidiary, without the prior express written consent of the Company, directly or indirectly use or divulge, disclose or make available or accessible any Confidential Information to any person, firm, partnership, corporation, trust or any other entity or third party other than when required to do so in good faith to perform your duties and responsibilities to the Company and provided that nothing herein shall be interpreted as preventing you from (a) doing so when required to do so by a lawful order of a court of competent jurisdiction, any governmental authority or agency, or any recognized subpoena power, (b) doing so when necessary to prosecute your rights against the Company or its Subsidiaries or to defend yourself against any allegations, or (c) communicating with, filing a charge with, reporting possible violations of federal law or regulation to, or participating in an investigation or proceeding conducted by, a government agency, including providing documents or other information to such agency without notice to the Company. You will also proffer to the Company, any time upon request by the Company or upon termination, to be provided no later than the effective date of any termination of your employment or engagement with the Company for any reason, and without retaining any copies, notes or excerpts thereof, all memoranda, computer disks or other media, computer programs, diaries, notes, records, data, customer or client lists, marketing plans and strategies, and any other documents consisting of or containing Confidential Information that are in your actual or constructive possession or which are subject to your control at such time (other than contracts between you and the Company, pay stubs, benefits information, and copies of documents or information that you require in order to prepare your taxes). At the time of termination or otherwise upon request by the Company, you agree to permanently delete Confidential Information from all of your personal electronic devices and provide certification to the Company that you are in compliance with this sentence. For purposes of this Agreement, "Confidential Information" will mean all information respecting the business and activities of the Company or any Subsidiary, including, without limitation, the clients, customers, suppliers, employees, consultants, computer or other files, projects, products, computer disks or other media, computer hardware or computer software programs, marketing plans, financial information, methodologies, know-how, processes, practices, approaches, projections, forecasts, formats, systems, trade secrets, data gathering methods and/or strategies of the Company or any Subsidiary. Notwithstanding the immediately preceding sentence, Confidential Information will not include any information that is, or becomes, generally available to the public (unless such availability occurs as a result of your breach of any of your obligations under this Section 11). If you are in breach of any of the provisions of this Section 11 or if any such breach is threatened by you, in addition to and without limiting or waiving any other rights or remedies available to the Company at law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, without the necessity of posting a bond, to restrain any such breach or

threatened breach and to enforce the provisions of this Section 11. You agree that there is no adequate remedy at law for any such breach or threatened breach and, if any action or proceeding is brought seeking injunctive relief, you will not use as a defense thereto that there is an adequate remedy at law.

12. Right of Offset. You hereby agree that the Company shall have the right to offset against its obligation to deliver shares of Common Stock, cash or other property under this Agreement to the extent that it does not constitute “non-qualified deferred compensation” pursuant to Section 409A, any outstanding amounts of whatever nature that you then owe to the Company or a Subsidiary.

13. Plan Administrator. For purposes of this Agreement, the term “Plan Administrator” means the Compensation Committee of the Board of Directors of the Company or any different committee appointed by the Board of Directors as described more fully in Section 3.1 of the Plan.

14. Restrictions Imposed by Law. Without limiting the generality of Section 10.8 of the Plan, you will not exercise the Options, and the Company will not be obligated to make any cash payment or issue or cause to be issued any shares of Common Stock, if counsel to the Company determines that such exercise, payment or issuance would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which shares of Common Stock are listed or quoted. The Company will in no event be obligated to take any affirmative action in order to cause the exercise of the Options or the resulting payment of cash or issuance of shares of Common Stock to comply with any such law, rule, regulation or agreement. Any certificates representing any such securities issued or delivered under this Agreement may bear such legend or legends as the Company deems appropriate in order to assure compliance with applicable securities laws.

15. Tax Representations. You hereby acknowledge that the Company has advised you that you should consult with your own tax advisors regarding the national, federal, state and other local or governmental tax consequences or social security costs and charges or similar contributions (wheresoever arising) of receiving the Award. You hereby represent to the Company that you are not relying on any statements or representations of the Company, its Affiliates or any of their respective agents with respect to the national, federal, state and other local or governmental tax consequences or social security costs and charges or similar contributions (wheresoever arising) of receiving the Award. If, in connection with the Award, the Company is required to withhold any amounts by reason of any national, federal, state and other local or governmental tax or social security costs and charges or similar contributions (wheresoever arising), such withholding shall be effected in accordance with Section 10.9 of the Plan and Section 5 (Mandatory Withholding for Taxes).

16. Notice . Unless the Company notifies you in writing of a different procedure or address, any notice or other communication to the Company with respect to this Agreement will be in writing and will be delivered personally or sent by first class mail, postage prepaid, to the address specified for the Company in Schedule I hereto. Any notice or other communication to you with respect to this Agreement will be provided to you electronically pursuant to the online grant and administration program or via email, unless the Company elects to notify you in writing, which will be delivered personally, or will be sent by first class mail, postage prepaid, to your address as listed in the records of the Company or any Subsidiary of the Company on the Grant Date, unless the Company has received written notification from you of a change of address.

17. Amendment. Notwithstanding any other provision hereof, this Agreement may be supplemented or amended from time to time as approved by the Plan Administrator as contemplated by Section 10.7(b) of the Plan. Without limiting the generality of the foregoing, without your consent:

(a) this Agreement may be amended or supplemented from time to time as approved by the Plan Administrator (i) to cure any ambiguity or to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, (ii) to add to the covenants and agreements of the Company for your benefit or surrender any right or power reserved to or conferred upon the Company in this Agreement, subject to any required approval of the Company's stockholders, and provided, in each case, that such changes or corrections will not adversely affect your rights with respect to the Award evidenced hereby (other than if immaterial) or (iii) to make such other changes as the Company, upon advice of counsel, determines are necessary or advisable because of the adoption or promulgation of, or change in the interpretation of, any law or governmental rule or regulation, including any applicable federal or state securities laws; and

(b) subject to any required action by the Board of Directors or the stockholders of the Company, the Options granted under this Agreement may be canceled by the Plan Administrator and a new Award made in substitution therefor, provided that the Award so substituted will satisfy all of the requirements of the Plan as of the date such new Award is made and no such action will adversely affect any Options (other than if immaterial) to the extent then exercisable.

18. Employment. Nothing contained in the Plan or this Agreement, and no action of the Company or the Plan Administrator with respect thereto, will confer or be construed to confer on you any right to continue in the employ or service of the Company or any Subsidiary or interfere in any way with the right of the Company or any employing Subsidiary to terminate your employment or service at any time, with or without Cause, subject to the provisions of any employment or consulting agreement between you and the Company or any Subsidiary.

19. Nonalienation of Benefits . Except as provided in Section 8 (Nontransferability) and Section 12 (Right of Offset), (a) no right or benefit under this Agreement will be subject to anticipation, alienation, sale, assignment, hypothecation, pledge, exchange, transfer, encumbrance or charge, and any attempt to anticipate, alienate, sell, assign, hypothecate, pledge, exchange, transfer, encumber or charge the same will be void, and (b) no right or benefit hereunder will in any manner be subjected to or liable for the debts, contracts, liabilities or torts of you or other person entitled to such benefits.

20. No Effect on Other Benefits. Any payments made pursuant to this Agreement will not be counted as compensation for purposes of any other employee benefit plan, program or agreement sponsored, maintained or contributed to by the Company or a Subsidiary unless expressly provided for in such employee benefit plan, program, agreement, or arrangement.

21. Governing Law; Venue. This Agreement will be governed by, and construed in accordance with, the internal laws of the State designated in Section 10.13 of the Plan. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Colorado and in the State of Delaware in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

22. Waiver. No waiver by the Company at any time of any breach by you of, or compliance with, any term or condition of this Agreement or the Plan to be performed by you shall be deemed a waiver of the same term or condition, or of any similar or any dissimilar term or condition, whether at the same time or at any prior or subsequent time.

23. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

24. Construction. References in this Agreement to “this Agreement” and the words “herein,” “hereof,” “hereunder” and similar terms include all Exhibits and Schedules attached hereto, including the Plan. All references to “Sections” in this Agreement shall be to Sections of this Agreement unless explicitly stated otherwise. The word “include” and all variations thereof are used in an illustrative sense and not in a limiting sense. All decisions of the Plan Administrator upon questions regarding the Plan or this Agreement will be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan will control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and will in no way modify or restrict any of the terms or provisions hereof.

25. Rules by Plan Administrator. The Plan Administrator, in its discretion and as contemplated by Section 3.3 of the Plan, may adopt rules and regulations it deems consistent with the terms of the Plan and as necessary or advisable in its operation and administration of the Plan and this Award. You acknowledge and agree that your rights and the obligations of the Company hereunder, including with respect to any exercise of the Options, will be subject to any further conditions and such reasonable rules and regulations as the Plan Administrator may adopt from time to time.

26. Entire Agreement. This Agreement is in satisfaction of and in lieu of all prior discussions and agreements, oral or written, between the Company and you regarding the Award. You and the Company hereby declare and represent that no promise or agreement not expressed herein has been made and that this Agreement contains the entire agreement between the parties hereto with respect to the Award and replaces and makes null and void any prior agreements between you and the Company regarding the Award. Subject to the restrictions set forth in Sections 8 (Nontransferability) and 19 (Nonalienation of Benefits), this Agreement will be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns.

27. Acknowledgment. You will signify acceptance of the terms and conditions of this Agreement by acknowledging the acceptance of this Agreement via the procedures described in the online grant and administration program utilized by the Company. By your electronic acknowledgment of the Options, you are acknowledging the terms and conditions of the Award set forth in this Agreement as though you and the Company had signed an original copy of the Agreement.

28. Code Section 409A . The Awards made hereunder are intended to be “stock rights” exempt from Section 409A and this Agreement shall be interpreted and administered accordingly. Notwithstanding the foregoing, to the extent that Section 409A of the Code or the related regulations and Treasury pronouncements (“Section 409A”) are applicable to you in connection with the Award, this Award is subject to the provisions of Section 10.17 of the Plan regarding Section 409A and each payment under this Agreement shall be treated as a separate payment under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the Award or the Plan shall

be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to the Award or the Plan. If this Agreement fails to meet the requirements of Section 409A, neither the Company nor any of its Affiliates shall have any liability for any tax, penalty or interest imposed on you by Section 409A, and you shall have no recourse against the Company or any of its Affiliate for payment of any such tax, penalty or interest imposed by Section 409A.

29. Forfeiture for Misconduct and Repayment of Certain Amounts. If (a) a material restatement of any financial statement of the Company (including any consolidated financial statement of the Company and its consolidated Subsidiaries) is required and (b) in the reasonable judgment of the Plan Administrator, (i) such restatement is due to material noncompliance with any financial reporting requirement under applicable securities laws and (ii) such noncompliance is a result of misconduct on your part, you will repay to the Company Forfeitable Benefits you received during the Misstatement Period in such amount as the Plan Administrator may reasonably determine, taking into account, in addition to any other factors deemed relevant by the Plan Administrator, the extent to which the market value of Common Stock during the Misstatement Period was affected by the error(s) giving rise to the need for such restatement. “Forfeitable Benefits” means (A) any and all cash and/or shares of Common Stock you received (I) upon the exercise during the Misstatement Period of any Options and SARs you held or (II) upon the payment during the Misstatement Period of any Cash Award or Performance Award you held, the value of which is determined in whole or in part with reference to the value of Common Stock, and (B) any proceeds you received from the sale, exchange, transfer or other disposition during the Misstatement Period of any shares of Common Stock you received upon the exercise, vesting or payment during the Misstatement Period of any Award you held. By way of clarification, “Forfeitable Benefits” will not include any shares of Common Stock you received upon vesting of any Restricted Stock Units during the Misstatement Period that are not sold, exchanged, transferred or otherwise disposed of during the Misstatement Period. “Misstatement Period” means the 12-month period beginning on the date of the first public issuance or the filing with the Securities and Exchange Commission, whichever occurs earlier, of the financial statement requiring restatement. Further, in the event that the Plan Administrator, in its reasonable judgment, determines that you breached Section 11 (Confidential Information) or any other non-competition or non-solicitation provisions included in this Agreement, the Plan Administrator may require you to forfeit, return or repay to the Company (X) all or any portion of the Options, whether exercisable or unexercisable, that remain outstanding, and any and all rights with respect to any such Options, (Y) any shares of Common Stock received upon the exercise of any Options during the 12-month period prior to such breach or any time after such breach occurs and (Z) any proceeds realized on the sale of any shares of Common Stock received upon the exercise of any Options during the 12-month period prior to such breach or any time after such breach occurs. For the avoidance of doubt, any such forfeiture, return or repayment will not limit, restrict or otherwise affect your continuing obligations under Section 11 (Confidential Information) or any other non-competition or non-solicitation provisions included in this Agreement, or the Company’s right to seek injunctive relief or any other relief in the event of your breach of Section 11 (Confidential Information) or any other non-competition or non-solicitation provisions included in this Agreement.

30. Changes to Forfeiture Provisions and Policies. Please note Section 29 (Forfeiture for Misconduct and Repayment of Certain Amounts), which reflects an important policy of the Company. The Plan Administrator has determined that Awards made under the Plan (including the Award represented by this Agreement) are subject to forfeiture and recoupment in certain circumstances. By accepting this Award, you agree that the Plan Administrator may change the Forfeiture section of any or all of the grant agreements (including this Agreement) from time to time without your further consent to reflect changes in law, government regulation, stock exchange listing requirements or Company policy.

31. Additional Conditions and Restrictions. You may be subject to additional conditions and restrictions. If a Schedule II is attached hereto, the additional conditions and restrictions specified therein are considered part of this Agreement.

32. Administrative Blackouts. In addition to its other powers under the Plan, the Plan Administrator has the authority to suspend (a) the exercise of Options and (b) any other transactions under the Plan as it deems necessary or appropriate for administrative reasons.

33. Stock Ownership Guidelines. This Award may be subject to any applicable stock ownership guidelines adopted by the Company, as amended or superseded from time to time.

34. Company Information. You can access the Company's most recent annual, quarterly and current reports as filed with the Securities and Exchange Commission on the Company's website specified in Schedule I hereto. Please refer to these reports as well as the Company's future filings with the Securities and Exchange Commission (also available on the Company's website) for important information regarding the Company and its Common Stock.

Schedule I
to
Nonqualified Stock Option Agreement
[Insert Grant Code]

Grant Date: []

Issuer/Company: Qurate Retail, Inc., a Delaware corporation

Plan: Qurate Retail, Inc. 2020 Omnibus Incentive Plan, as amended from time to time

Common Stock: Qurate Retail, Inc. Series A Common Stock (“QRTEA Common Stock”)

Option Termination Date: []

Option Exercise Price: QRTEA Common Stock: \$[]

General Vesting Schedule: Subject to your continuous employment with the Company from the Grant Date through the following applicable vesting date, each class of the Options will vest and become exercisable, rounded down to the nearest whole number, on the following schedule:

Vesting Date	Vesting Percentage
[]	[]%
[]	[]%
[]	[]%
[]	[]%

Each portion of the Options that relates to a particular type of Common Stock and is subject to a particular vesting date is referred to herein as an individual “Tranche” (e.g., if this Award includes Options to acquire three types of Common Stock and there are three vesting dates for each type of Common Stock, then there are nine Tranches).

Vesting Terms Upon a Termination without Cause: Notwithstanding Section 3(a) of the Agreement, if your employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause, subject to your execution of, and delivery to the Company in accordance with the notice requirements of this Agreement, a general release agreement in a form satisfactory to the Company and such release becoming irrevocable in accordance with its terms, in each case, no later than 60 days following the Employment Termination Date (the “Release Conditions”), a Pro Rata Portion (as defined below) of each remaining unvested Tranche will become vested and exercisable upon the Release Conditions being met.

For purposes of this Agreement, a Pro Rata Portion shall be equal to the product of "A" multiplied by "B," where "A" equals the number of Options in the applicable Tranche that are not vested on the Employment Termination Date, and "B" is a fraction, the numerator of which is the number of calendar days that have elapsed from the Grant Date through the Employment Termination Date plus (i) an additional 270 calendar days if you are an Assistant Vice President or Vice President of the Company or a Subsidiary on the Employment Termination Date or (ii) an additional 365 calendar days if you are a Senior Vice President, Executive Vice President or Chief of the Company or a Subsidiary on the Employment Termination Date, and the denominator of which is the number of days in the entire vesting period for such Tranche (in no event to exceed the total number of unvested Options in such Tranche as of the Employment Termination Date). The vesting period for each Tranche of Options is the period that begins on the Grant Date and ends on the vesting date for such Tranche.

Post-Termination without Cause Exercise Period: Notwithstanding Section 7(b)(i) of the Agreement, if your employment with the Company or a Subsidiary is terminated by the Company or such Subsidiary without Cause, subject to the Release Conditions being met, those Options which are then exercisable (after taking into account the applicable accelerated vesting treatment) shall remain exercisable for the period of time beginning on the Employment Termination Date and continuing for the number of days that is equal to the sum of (i) 90, plus (ii) 180 multiplied by your total Years of Continuous Service.

Company Notice Address: Qurate Retail, Inc.
12300 Liberty Boulevard
Englewood, Colorado 80112
Attn: Chief Legal Officer

Company Website: www.qurateretail.com

Plan Access: You can access the Plan via the link at the end of the Agreement or by contacting Qurate Retail, Inc.'s Legal Department.

As of December 31, 2020

A table of subsidiaries of Qurate Retail, Inc. is set forth below, indicating as to each the state or jurisdiction of organization and the names under which such subsidiaries do business. Subsidiaries not included in the table are inactive or, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Entity Name	Domicile
1227844 Ontario Ltd.	Ontario
Affiliate Distribution & Mktg., Inc. (fka Affiliate Sales & Marketing, Inc.)	DE
Affiliate Investment, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
AMI 2, Inc.	DE
Ballard Designs, Inc.	GA
Cinmar, LLC	DE
Contract Décor, Inc.	DE
Cornerstone Brands, Inc.	DE
Cornerstone Shared Services, LLC (fka Cornerstone Services, Inc.)	DE
Diamonique Canada Holdings, Inc.	DE
DMS DE, Inc.	DE
ER Development International, Inc. (dba QVC International Development)	PA
ER Marks, Inc.	DE
Frontgate Marketing, Inc.	DE
Garnet Hill, Inc.	NH
GC Marks, Inc. (fka TATV, Inc.)	DE
Home Shopping Espanol (Mexico) S. de R. L. de CV	Mexico

Home Shopping Espanol Servicios (Mexico) S. de R. L. de CV	Mexico
Home Shopping Network En Espanol, L.L.C.	DE
Home Shopping Network En Espanol, L.P.	DE
HSN Catalog Services, Inc.	DE
HSN Holding LLC	DE
HSN Improvements LLC	DE
HSN, Inc.	DE
HSNi, LLC	DE
IC Marks, Inc.	DE
IM Experience, Inc.	PA
Influence Marketing Corp (dba QVC @ theMall)	Nova Scotia
Influence Marketing Services, Inc.	Ontario
Ingenious Designs LLC	DE
Innovative Retailing, Inc.	DE
Liberty Interactive LLC	DE
Liberty QVC Holding, LLC	DE
Liberty USA Holdings, LLC	DE
NLG Merger Corp.	DE
NSTBC, Inc.	DE
QC Marks, Inc.	DE
QExhibits, Inc.	DE
QHealth, Inc.	DE
QLocal, Inc. (fka QVC Local, Inc.) (dba QVC Productions; QVC Remote Productions)	DE
QRI Cornerstone, Inc.	DE

Qurate Retail Group, Inc.	DE
QVC (Barbados) International Finance SRL	Barbados
QVC Britain	UK
QVC Call Center GmbH & Co. KG	Germany
QVC Call Center Verwaltungs-GmbH	Germany
QVC Cayman Holdings LLC	DE
QVC Cayman, Ltd.	Cayman Islands
QVC Chesapeake, LLC	VA
QVC China Holdings Limited	Hong Kong
QVC China Licensing, Inc.(fka AI 2, Inc.)	DE
QVC China, Inc.	DE
QVC Delaware LLC (fka QVC Delaware, Inc.)	DE
QVC Delaware Holdings, Inc.	DE
QVC eDistribution LLC & Co. KG (fka QVC eDistribution Inc. & Co. KG)	Germany
QVC eService LLC & Co. KG (fka QVC eService Inc. & Co. KG)	Germany
QVC France Holdings, S.à r.l. (fka QVC Brazil Holdings I, S.à r.l.)	Luxembourg
QVC France SAS	France
QVC GCH Company, LLC	DE
QVC Germany I S.à r.l. (fka QVC Germany I, Inc.; QVC Germany I LLC)	Luxembourg
QVC Germany II S.à r.l. (fka QVC Germany II, Inc.; QVC German II LLC)	Luxembourg
QVC Global Corporate Holdings, LLC	DE
QVC Global DDGS, Inc.	DE
QVC Global Holdings I, Inc.	DE

QVC Global Markets S.à r.l.	Luxembourg
QVC Grundstücksverwaltungs GmbH	Germany
QVC Handel S.à r.l. & Co. KG (fka QVC International Management LLC & Co. KG; QVC Handel LLC & Co. KG)	Germany
QVC HK Holdings, LLC	DE
QVC Iberia, S.L.	Spain
QVC India, Ltd.	DE
QVC Information and Technologies (Shenzhen) Co., Ltd	China
QVC International Holdings S.à r.l.	Luxembourg
QVC International Management GP S.à r.l. (fka QVC International Management GP LLC)	Luxembourg
QVC Italia S.r.l.	Italy
QVC Italy Holdings, LLC	DE
QVC Japan Services, LLC (fka QVC Japan Services, Inc.)	DE
QVC Japan, Inc.	Japan
QVC Northeast LLC	DE
QVC Ontario Holdings, LLC	DE
QVC Ontario, LLC	DE
QVC Poland Global Services sp. z o.o.	Poland
QVC Realty, LLC	PA
QVC Rocky Mount, Inc.	NC
QVC RS Naples, Inc.	FL
QVC San Antonio, LLC (fka QVC San Antonio, Inc.)	TX
QVC Satellite, Inc.	Japan
QVC (Shanghai) Management Co., Ltd	China

QVC Shop International, Inc. (fka EZShop International, Inc.)	DE
QVC St. Lucie, Inc.	FL
QVC STT Holdings, LLC	DE
QVC Suisse Finance GmbH	Switzerland
QVC Suisse Holdings GmbH	Switzerland
QVC Suffolk, LLC (fka QVC Suffolk, Inc.; CVN Distribution Co., Inc.; C.O.M.B. Distribution Co.)	VA
QVC Trading (Shanghai) Co., Ltd.	China
QVC Trading (Shenzhen) Co., Ltd.	China
QVC UK (formerly QVC)	England-Wales
QVC UK Holdings Limited	England-Wales
QVC Vendor Development, Inc.	DE
QVC, Inc.	DE
RQ Holdings Corp	Nova Scotia
RS Marks, Inc.	DE
RS Mebane, Inc.	NC
RS Myrtle Beach, Inc.	SC
Savor North Carolina, Inc.	NC
Send the Trend, Inc.	DE
Shopping Holdings, LLC	DE
The Cornerstone Brands Group, Inc.	DE
The Cornerstone Holdings Group, Inc.	DE
TOBH, Inc.	DE
Triple Z Logistics, Inc.	DE
Ventana Television Holdings, Inc.	DE

Ventana Television, Inc.	DE
zulily Australia Pty, Ltd.	Australia
zulily Canada, Inc.	British Columbia
zulily Hong Kong Limited	Hong Kong
zulily (Shenzhen) Commercial Consulting Co., Ltd.	China
zulily Ireland Limited	Ireland
zulily UK Ltd.	UK
Zulily, LLC (fka Ziggy Merger Sub, LLC and zulily, Inc.)	DE

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Qurate Retail, Inc.:

We consent to the incorporation by reference in the following registration statements of Qurate Retail, Inc. of our reports dated February 26, 2021, with respect to the consolidated balance sheets of Qurate Retail, Inc. and subsidiaries as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive earnings (loss), cash flows, and equity for each of the years in the three-year period ended December 31, 2020, and the related notes, and the effectiveness of internal control over financial reporting as of December 31, 2020, which reports appear in the December 31, 2020 annual report on Form 10-K of Qurate Retail, Inc.

Our report refers to a change in the method of accounting for leases.

Description	Registration Statement No.	Description
S-8	333-134114	Liberty Interactive Corporation 2002 Nonemployee Director Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-134115	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-142626	Qurate Retail, Inc. 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171192	Liberty Interactive Corporation 2000 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-171193	Qurate Retail, Inc. 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-172512	Qurate Retail, Inc. 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-176989	Liberty Media 401(k) Savings Plan
S-8	333-177840	Qurate Retail, Inc. 2011 Nonemployee Director Incentive Plan (As Amended and Restated as of December 17, 2015), as amended
S-8	333-177841	Qurate Retail, Inc. 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-177842	Qurate Retail, Inc. 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-184901	Qurate Retail, Inc. 2012 Incentive Plan (As Amended and Restated as of March 31, 2015), as amended
S-8	333-184904	Qurate Retail, Inc. 2011 Nonemployee Director Incentive Plan (As Amended and Restated as of December 17, 2015), as amended
S-8	333-184902	Qurate Retail, Inc. 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-201010	Qurate Retail, Inc. 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended
S-8	333-202436	Qurate Retail, Inc. 2012 Incentive Plan (As Amended and Restated as of March 31, 2015), as amended
S-8	333-207326	zulily, inc. 2009 Equity Incentive Plan and zulily, inc. 2013 Equity Plan
S-8	333-209872	Qurate Retail, Inc. 2012 Incentive Plan (As Amended and Restated as of March 31, 2015), as amended
S-8	333-210662	Qurate Retail, Inc. 2012 Incentive Plan (As Amended and Restated as of March 31, 2015), as amended

S-8	333-214681	Qurate Retail, Inc. 2016 Omnibus Incentive Plan, as amended; Qurate Retail, Inc. 2020 Omnibus Incentive Plan
S-8	333-222062	Qurate Retail, Inc. 2016 Omnibus Incentive Plan, as amended; Qurate Retail, Inc. 2020 Omnibus Incentive Plan
S-8	333-222344	HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan and HSN, Inc. 2017 Omnibus Incentive Plan
S-8	333-229974	Qurate Retail, Inc. 2016 Omnibus Incentive Plan, as amended; Qurate Retail, Inc. 2020 Omnibus Incentive Plan
S-8	333-235370	Qurate Retail, Inc. 2016 Omnibus Incentive Plan, as amended; Qurate Retail, Inc. 2020 Omnibus Incentive Plan
S-8	333-248988	Qurate Retail, Inc. 2007 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended; Qurate Retail, Inc. 2010 Incentive Plan (As Amended and Restated Effective November 7, 2011), as amended; Qurate Retail, Inc. 2011 Nonemployee Director Incentive Plan (Amended and Restated, as of December 17, 2015), as amended; Qurate Retail, Inc. 2012 Incentive Plan (Amended and Restated Effective March 31, 2015), as amended; Qurate Retail, Inc. 2016 Omnibus Incentive Plan, as amended; Qurate Retail, Inc. 2020 Omnibus Incentive Plan; HSN, Inc. Second Amended and Restated 2008 Stock and Annual Incentive Plan; HSN, Inc. 2017 Omnibus Incentive Plan; zulily, inc. 2013 Equity Plan

/s/ KPMG LLP

Denver, Colorado
February 26, 2021

CERTIFICATION

I, Michael A. George, certify that:

1. I have reviewed this annual report on Form 10-K of Qurate Retail, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - 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: February 26, 2021

/s/ MICHAEL A. GEORGE

Michael A. George
President and Chief Executive Officer

CERTIFICATION

I, Brian J. Wendling, certify that:

1. I have reviewed this annual report on Form 10-K of Qurate Retail, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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 annual 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 annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - 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: February 26, 2021

/s/ BRIAN J. WENDLING

Brian J. Wendling

Chief Accounting Officer and Principal 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 Qurate Retail, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2020 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2021

/s/ MICHAEL A. GEORGE

Michael A. George
President and Chief Executive Officer

Date: February 26, 2021

/s/ BRIAN J. WENDLING

Brian J. Wendling
*Chief Accounting Officer and Principal 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-K or as a separate disclosure document.

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

December 31, 2020

(unaudited)

amounts in millions

Qurate Retail Net Assets	\$	3,733
Reconciling items:		
Zulily, LLC ("Zulily") net assets		(623)
Cornerstone Brands, Inc. ("Cornerstone") net assets (1)		(205)
Equity investment in Cornerstone held by Liberty LLC (1)		46
Tax sharing agreement with GCI Liberty, Inc.		119
Preferred Stock liability (2)		1,249
Preferred restricted stock unit liability (2)		56
Accrued preferred dividends payable (2)		4
Liberty LLC Net Assets	\$	<u>4,379</u>
Qurate Retail Net Earnings	\$	1,262
Reconciling items:		
Zulily net (earnings) loss		15
Cornerstone net (earnings) loss (1)		(46)
Cornerstone equity method investment share of earnings (loss)		17
GCI Liberty, Inc. tax sharing expense		39
Accrued preferred dividends payable (2)		29
Liberty LLC Net Earnings	\$	<u>1,316</u>

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