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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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
(State or other jurisdiction of
incorporation or organization)

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

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

80112
(Zip Code)

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

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

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

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

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

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

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

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

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

The number of outstanding shares of Qurate Retail, Inc.'s common stock as of October 31, 2022 was:

Series A common stock	373,838,128
Series B common stock	8,373,512

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

	September 30, 2022	December 31, 2021
	amounts in millions	
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 624	587
Trade and other receivables, net of allowance for credit losses of \$107 million and \$107 million, respectively	1,027	1,679
Inventory, net	1,737	1,623
Indemnification agreement receivable	—	324
Other current assets	189	235
Total current assets	<u>3,577</u>	<u>4,448</u>
Property and equipment, net	594	1,030
Intangible assets not subject to amortization (note 5):		
Goodwill	3,430	6,339
Trademarks	2,718	3,038
	<u>6,148</u>	<u>9,377</u>
Intangible assets subject to amortization, net (note 5)	645	745
Other assets, at cost, net of accumulated amortization	832	602
Total assets	<u>\$ 11,796</u>	<u>16,202</u>

(continued)

See accompanying notes to condensed consolidated financial statements.

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

	September 30, 2022	December 31, 2021
	amounts in millions, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 977	1,429
Accrued liabilities	940	1,236
Current portion of debt, \$389 million and \$1,315 million measured at fair value (note 6)	603	1,315
Other current liabilities	214	244
Total current liabilities	2,734	4,224
Long-term debt, \$310 million and zero measured at fair value (note 6)	5,303	5,674
Deferred income tax liabilities	1,447	1,350
Preferred stock (note 7)	1,266	1,261
Other liabilities	698	707
Total liabilities	11,448	13,216
<i>Equity</i>		
Stockholders' equity:		
Series A common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 373,833,469 shares at September 30, 2022 and 371,132,684 shares at December 31, 2021	4	4
Series B common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 8,373,512 shares at September 30, 2022 and 8,163,190 shares at December 31, 2021	—	—
Series C common stock, \$.01 par value. Authorized 400,000,000 shares; no shares issued	—	—
Additional paid-in capital	38	—
Accumulated other comprehensive earnings (loss), net of taxes	(194)	(79)
Retained earnings	387	2,925
Total stockholders' equity	235	2,850
Noncontrolling interests in equity of subsidiaries	113	136
Total equity	348	2,986
Commitments and contingencies (note 8)		
Total liabilities and equity	\$ 11,796	16,202

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions, except per share amounts			
Total revenue, net	\$ 2,744	3,144	8,580	9,985
Operating costs and expenses:				
Cost of goods sold (exclusive of depreciation shown separately below)	1,905	2,069	5,885	6,504
Operating expense	205	204	599	627
Selling, general and administrative, including stock-based compensation (note 2)	464	458	1,370	1,378
Restructuring and fire related costs, net of (recoveries) (note 8)	(134)	—	(123)	—
Depreciation and amortization	107	139	371	396
Impairment of intangible assets (note 5)	3,081	—	3,081	—
(Gains) losses on sales of fixed assets, net (note 8)	(277)	—	(520)	—
	<u>5,351</u>	<u>2,870</u>	<u>10,663</u>	<u>8,905</u>
Operating income (loss)	(2,607)	274	(2,083)	1,080
Other income (expense):				
Interest expense	(107)	(121)	(343)	(356)
Share of earnings (losses) of affiliates, net	—	(24)	(1)	(78)
Realized and unrealized gains (losses) on financial instruments, net (note 4)	(8)	41	29	101
Tax sharing income (expense) with Liberty Broadband	36	(3)	78	(16)
Other, net	37	3	83	6
	<u>(42)</u>	<u>(104)</u>	<u>(154)</u>	<u>(343)</u>
Earnings (loss) before income taxes	(2,649)	170	(2,237)	737
Income tax (expense) benefit	(87)	(20)	(265)	(113)
Net earnings (loss)	(2,736)	150	(2,502)	624
Less net earnings (loss) attributable to the noncontrolling interests	11	23	41	69
Net earnings (loss) attributable to Qurate Retail, Inc. shareholders	<u>\$ (2,747)</u>	<u>127</u>	<u>(2,543)</u>	<u>555</u>
Basic net earnings (loss) attributable to Series A and Series B Qurate Retail, Inc. shareholders per common share (note 3):	\$ (7.21)	0.31	(6.69)	1.36
Diluted net earnings (loss) attributable to Series A and Series B Qurate Retail, Inc. shareholders per common share (note 3):	\$ (7.21)	0.31	(6.69)	1.32

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	amounts in millions			
Net earnings (loss)	\$ (2,736)	150	(2,502)	624
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	(127)	(28)	(330)	(92)
Recognition of previously unrealized losses (gains) on debt, net	(14)	—	(14)	—
Comprehensive earnings (loss) attributable to debt credit risk adjustments	30	(13)	204	(50)
Other comprehensive earnings (loss)	(111)	(41)	(140)	(142)
Comprehensive earnings (loss)	(2,847)	109	(2,642)	482
Less comprehensive earnings (loss) attributable to the noncontrolling interests	5	22	16	59
Comprehensive earnings (loss) attributable to Qurate Retail, Inc. shareholders	\$ (2,852)	87	(2,658)	423

See accompanying notes to condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2022	2021
	amounts in millions	
Cash flows from operating activities:		
Net earnings (loss)	\$ (2,502)	624
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	371	396
Impairment of intangible assets	3,081	—
Stock-based compensation	46	54
Share of (earnings) losses of affiliates, net	1	78
Realized and unrealized (gains) losses on financial instruments, net	(29)	(101)
(Gains) losses on sales of fixed assets, net	(520)	—
Gain on insurance proceeds	(139)	—
Insurance proceeds received for operating losses	96	—
Deferred income tax expense (benefit)	45	(35)
Other, net	(68)	15
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	483	439
Decrease (increase) in inventory	(163)	(453)
Decrease (increase) in prepaid expenses and other assets	98	85
(Decrease) increase in trade accounts payable	(418)	(48)
(Decrease) increase in accrued and other liabilities	(419)	(339)
Net cash provided (used) by operating activities	(37)	715
Cash flows from investing activities:		
Investments in and loans to cost and equity investees	(7)	(177)
Capital expenditures	(171)	(169)
Expenditures for television distribution rights	(36)	(184)
Cash proceeds from dispositions of investments	12	10
Proceeds from sale of fixed assets	701	40
Insurance proceeds	184	—
Other investing activities, net	21	(3)
Net cash provided (used) by investing activities	704	(483)
Cash flows from financing activities:		
Borrowings of debt	2,069	394
Repayments of debt	(2,577)	(284)
Repurchases of Qurate Retail common stock	—	(216)
Withholding taxes on net settlements of stock-based compensation	(7)	(25)
Payments for issuances of financial instruments	—	(107)
Proceeds from settlements of financial instruments	—	88
Dividends paid to noncontrolling interest	(39)	(46)
Dividends paid to common shareholders	(11)	(14)
Other financing activities, net	(6)	(9)
Net cash provided (used) by financing activities	(571)	(219)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash		
Net increase (decrease) in cash, cash equivalents and restricted cash	37	(7)
Cash, cash equivalents and restricted cash at beginning of period	596	814
Cash, cash equivalents and restricted cash at end of period	\$ 633	807

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

	September 30, 2022	December 31, 2021
	in millions	
Cash and cash equivalents	\$ 624	587
Restricted cash included in other current assets	9	9
Total cash, cash equivalents and restricted cash in the condensed consolidated statement of cash flows	\$ 633	596

See accompanying notes to condensed consolidated financial statements.

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

(1) Basis of Presentation

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

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

The accompanying (a) condensed consolidated balance sheet as of December 31, 2021, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. Additionally, certain prior period amounts have been reclassified for comparability with current period presentation. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in Qurate Retail's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 10-K").

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

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

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

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

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

percent or greater interest (measured by vote or value) in the stock of GCI Liberty (or any successor corporation). Following a merger between Liberty Broadband Corporation ("Liberty Broadband") and GCI Liberty, Liberty Broadband (for accounting purposes, a related party of the Company) has assumed the tax sharing agreement.

In December 2019, the Company entered into an amendment to the services agreement in connection with LMC's entry into a new employment arrangement with Gregory B. Maffei, the Company's Chairman of the Board (the "Chairman" or "Mr. Maffei"). Under the amended services agreement, components of his compensation will either be paid directly to him by each of the Company, Liberty TripAdvisor Holdings, Inc., and Liberty Broadband (collectively, the "Service Companies") or reimbursed to LMC, in each case, based on allocations among LMC and the Service Companies set forth in the amended services agreement, currently set at 13% for the Company.

The reorganization agreement with LMC provides for, among other things, provisions governing the relationship between Qurate Retail and LMC, including certain cross-indemnities. Pursuant to the services agreement, LMC provides Qurate Retail with certain general and administrative services including legal, tax, accounting, treasury and investor relations support. Qurate Retail reimburses LMC for direct, out-of-pocket expenses incurred by LMC in providing these services and for Qurate Retail's allocable portion of costs associated with any shared services or personnel based on an estimated percentage of time spent providing services to Qurate Retail. Under the facilities sharing agreement, LMC shares office space and related amenities at its corporate headquarters with Qurate Retail. Under these various agreements, approximately \$1 million and \$2 million was reimbursable to LMC for the three months ended September 30, 2022 and 2021, respectively, and \$6 million and \$8 million was reimbursable to LMC for the nine months ended September 30, 2022 and 2021, respectively. Qurate Retail had a tax sharing payable to LMC and Liberty Broadband in the amount of approximately \$18 million and \$96 million as of September 30, 2022 and December 31, 2021, respectively, included in Other liabilities in the condensed consolidated balance sheets.

Revision of Prior Period Financial Information

The Company has revised its condensed consolidated financial statements and related notes included herein to correct immaterial errors in depreciation expense reported in periods prior to 2021, along with deferred tax adjustments. Revisions have been reflected in the comparative 2021 financial statements to reduce property and equipment, net by \$47 million, reduce deferred income tax liabilities by \$3 million and reduce retained earnings by \$44 million, including the opening balance as of January 1, 2021.

(2) Stock-Based Compensation

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

Included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations are \$15 million and \$19 million of stock-based compensation during the three months ended September 30, 2022 and 2021, respectively, and \$46 million and \$54 million of stock-based compensation during the nine months ended September 30, 2022 and 2021, respectively.

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

Qurate Retail—RSUs

The following table presents the number and weighted average GDFV of RSUs granted by the Company during the nine months ended September 30, 2022:

	Nine months ended September 30, 2022	
	RSUs Granted (000's)	Weighted Average GDFV
Series A Qurate Retail common stock, subsidiary employees (1)	11,101	\$ 4.82
Series A Qurate Retail common stock, Qurate Retail employees and directors (2)	217	\$ 4.91
Series A Qurate Retail common stock, Qurate Retail President and CEO (3)	596	\$ 4.91
Series B Qurate Retail common stock, Qurate Retail Chairman of the Board (4)	327	\$ 4.95

- (1) Grants mainly vest equally over three years.
- (2) Grants mainly vest one year from the month of grant, subject to the satisfaction of certain performance objectives.
- (3) Grant vests one year from the month of grant, subject to the satisfaction of certain performance objectives. Grant was made in connection with the employment agreement of our President and Chief Executive Officer.
- (4) Grant vests one year from the month of grant, subject to the satisfaction of certain performance objectives. Grant was made in connection with our Chairman's employment agreement.

For awards that are performance-based, performance objectives, which are subjective, are considered in determining the timing and amount of compensation expense recognized. When the satisfaction of the performance objectives becomes probable, the Company records compensation expense. The probability of satisfying the performance objectives is assessed at the end of each reporting period.

Pursuant to the terms of the Stock Exchange Agreement, dated as of June 3, 2021, by and between Mr. Maffei and the Company, on March 25, 2022, Mr. Maffei transferred to the Company an aggregate of 229,022 shares of Series A common stock of Qurate Retail ("QRTEA") received by Mr. Maffei upon vesting of the performance-based restricted stock unit award granted to Mr. Maffei on March 10, 2021 and in exchange, the Company issued to Mr. Maffei an equivalent number of shares of Series B common stock of Qurate Retail ("QRTEB"). Each share of QRTEB stock is convertible, at the option of the holder, into one share of QRTEA.

Qurate Retail—Outstanding Awards

The following tables present the number and weighted average exercise price ("WAEP") of the options 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 options.

	Series A (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Options outstanding at January 1, 2022	42,110	\$ 9.23		
Granted	—	\$ —		
Exercised	(392)	\$ 2.26		
Forfeited/Cancelled	(4,705)	\$ 10.70		
Options outstanding at September 30, 2022	37,013	\$ 9.12	2.8 years	\$ —
Options exercisable at September 30, 2022	25,260	\$ 10.81	2.0 years	\$ —

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

	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Options outstanding at January 1, 2022	2,221	\$ 12.25		
Granted	—	\$ —		
Exercised	—	\$ —		
Forfeited/Cancelled	—	\$ —		
Options outstanding at September 30, 2022	2,221	\$ 12.25	1.0 year	\$ —
Options exercisable at September 30, 2022	2,221	\$ 12.25	1.0 year	\$ —

The following table presents the number and weighted average GDFV of RSUs granted to certain officers, employees and directors of the Company.

	Series A (000's)	Weighted Average GDFV	Series B (000's)	Weighted Average GDFV
RSUs outstanding at January 1, 2022	12,905	\$ 9.38	—	\$ —
Granted	11,914	\$ 4.83	327	\$ 4.95
Vested	(3,859)	\$ 10.02	—	\$ —
Forfeited/Cancelled	(3,479)	\$ 7.54	—	\$ —
RSUs outstanding at September 30, 2022	17,481	\$ 6.50	327	\$ 4.95

As of September 30, 2022, Qurate Retail also had 1.1 million QRTEB RSAs and 95 thousand Qurate Retail 8.0% Series A Cumulative Redeemable Preferred Stock RSAs and RSUs outstanding. The QRTEB unvested RSAs had a weighted average GDFV of \$13.65 per share, and 82 thousand of the Qurate Retail 8.0% Series A Cumulative Redeemable Preferred Stock unvested RSUs had an incremental cost of \$49.50 per share.

As of September 30, 2022, the total unrecognized compensation cost related to unvested Awards was approximately \$105 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.3 years.

As of September 30, 2022, Qurate Retail reserved for issuance upon exercise of outstanding stock options approximately 37.0 million shares of QRTEA and 2.2 million shares of QRTEB common stock.

(3) Earnings (Loss) Per Common Share

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

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

Excluded from diluted EPS for the three months ended September 30, 2022 and 2021 are 34 million and 22 million potential common shares, respectively, because their inclusion would have been antidilutive. Excluded from diluted EPS for the nine months ended September 30, 2022 and 2021 are 32 million and 22 million potential common shares, respectively, because their inclusion would have been antidilutive.

	Qurate Retail Common Stock			
	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	number of shares in millions			
Basic WASO	381	404	380	408
Potentially dilutive shares	1	12	3	12
Diluted WASO	382	416	383	420

(4) Assets and Liabilities Measured at Fair Value

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

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

Description	Fair Value Measurements at September 30, 2022			Fair Value Measurements at December 31, 2021		
	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	\$ 314	314	—	149	149	—
Indemnification asset	\$ 35	—	35	324	—	324
Debt	\$ 699	—	699	1,315	—	1,315

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

The indemnification asset relates to Liberty Broadband's agreement to indemnify Liberty Interactive LLC ("LI LLC") and pertains to the ability of holders of LI LLC's 1.75% exchangeable debentures due 2046 (the "1.75% Exchangeable Debentures") to exercise their exchange right according to the terms of the debentures on or before October 5, 2023. Such amount will equal the difference between the exchange value and par value of the 1.75% Exchangeable Debentures at the time the exchange occurs. The indemnification asset recorded in the condensed consolidated balance sheets as of September 30, 2022 represents the fair value of the estimated exchange feature included in the 1.75% Exchangeable Debentures primarily based on market observable inputs (Level 2). As of September 30, 2022, a holder of the 1.75% Exchangeable Debentures does not have the ability to exchange and, accordingly, such indemnification asset is included as a long-term asset in our condensed consolidated balance sheet as of that date.

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

Realized and Unrealized Gains (Losses) on Financial Instruments

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Equity securities	—	48	(5)	98
Exchangeable senior debentures	130	(50)	320	(183)
Indemnification asset	(138)	8	(287)	49
Other financial instruments	—	35	1	137
	<u>\$ (8)</u>	<u>41</u>	<u>29</u>	<u>101</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 condensed consolidated statement of operations are primarily due to market factors primarily driven by changes in the fair value of the underlying shares into which the debt is exchangeable. The Company isolates the portion of the unrealized gain (loss) attributable to the change in the instrument specific credit risk and recognizes such amount in other comprehensive earnings (loss). The change in the fair value of the exchangeable senior debentures attributable to changes in the instrument specific credit risk was a gain of \$22 million and a loss of \$16 million for the three months ended September 30, 2022 and 2021, respectively, and a gain of \$246 million and a loss of \$60 million for the nine months ended September 30, 2022 and 2021, respectively. The cumulative change was a gain of \$394 million as of September 30, 2022, net of the recognition of previously unrecognized gains and losses.

(5) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill are as follows:

	QxH	QVC Int'l	Zulily	Corporate and Other	Total
	amounts in millions				
Balance at January 1, 2022	\$ 5,228	855	244	12	6,339
Impairments	(2,535)	—	(226)	—	(2,761)
Foreign currency translation adjustments	—	(148)	—	—	(148)
Balance at September 30, 2022	<u>\$ 2,693</u>	<u>707</u>	<u>18</u>	<u>12</u>	<u>3,430</u>

As a result of recent financial performance of certain subsidiary businesses, macroeconomic conditions including inflation and higher interest rates and a decline in the Company's stock price, the Company initiated a process to evaluate those subsidiaries' current business models and long-term business strategies. It was determined during the third quarter of 2022 that an indication of impairment existed for the QxH and Zulily reporting units related to their tradenames and goodwill. With the assistance of a third party specialist, the fair value of the tradenames was determined using the relief from royalty method, primarily using a discounted cash flow model using QxH's and Zulily's projections of future operating performance (income approach) and applying a royalty rate (market approach) (Level 3), and impairments in the amounts of \$180 million and \$140 million for QxH (related to the HSN tradename) and Zulily, respectively, were recorded during the third quarter of 2022, in the impairment of intangible assets line item in the consolidated statements of operations. With the assistance of a third party specialist, the fair value of the QxH and Zulily reporting units was determined using a discounted cash flow method (Level 3), and goodwill impairments in the amounts of \$2,535 million and \$226 million for QxH and Zulily, respectively, were recorded during the third quarter of 2022, in the impairment of intangible assets line item in the consolidated statements of operations.

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As of September 30, 2022 the Company had accumulated goodwill impairment losses of \$899 million attributed to the Zulily reporting unit, and goodwill impairment losses of \$2,535 million attributed to the QxH reporting unit.

Based on the quantitative assessment performed during the third quarter and the resulting impairment losses recorded, the estimated fair values of the HSN and Zulily tradenames and the QxH and Zulily reporting units equal their carrying values as of September 30, 2022.

Intangible Assets Subject to Amortization

Amortization expense for intangible assets with finite useful lives was \$81 million and \$94 million for the three months ended September 30, 2022 and 2021, respectively, and \$241 million and \$261 million for the nine months ended September 30, 2022 and 2021, respectively. Based on its amortizable intangible assets as of September 30, 2022, Qurate Retail expects that amortization expense will be as follows for the next five years (amounts in millions):

Remainder of 2022	\$	87
2023	\$	254
2024	\$	165
2025	\$	79
2026	\$	50

(6) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal at September 30, 2022	Carrying value	
		September 30, 2022	December 31, 2021
amounts in millions			
Corporate level debentures			
8.5% Senior Debentures due 2029	\$ 287	286	286
8.25% Senior Debentures due 2030	505	503	503
4% Exchangeable Senior Debentures due 2029	354	176	328
3.75% Exchangeable Senior Debentures due 2030	430	213	347
1.75% Exchangeable Senior Debentures due 2046	330	310	640
Subsidiary level notes and facilities			
QVC 4.375% Senior Secured Notes due 2023	214	214	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 4.75% Senior Secured Notes due 2027	575	575	575
QVC 4.375% Senior Secured Notes due 2028	500	500	500
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC 6.375% Senior Secured Notes due 2067	225	225	225
QVC 6.25% Senior Secured Notes due 2068	500	500	500
QVC Senior Secured Credit Facility	545	545	481
Deferred loan costs	—	(39)	(44)
Total consolidated Qurate Retail debt	<u>\$ 6,365</u>	<u>5,906</u>	<u>6,989</u>
Less current classification		(603)	(1,315)
Total long-term debt		<u>\$ 5,303</u>	<u>5,674</u>

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QVC Senior Secured Notes

In June 2022, QVC completed its purchase of \$536 million of the outstanding 4.375% Senior Secured Notes due 2023 (the "2023 Notes") pursuant to a cash tender offer to purchase any and all of its outstanding 2023 Notes (the "Tender Offer"). As a result of the Tender Offer, the Company recorded a loss on extinguishment of debt in the condensed consolidated statements of operations of \$6 million for the nine months ended September 30, 2022. As of September 30, 2022, the remaining outstanding 4.375% Senior Secured Notes due 2023 are classified within current portion of debt as they mature in less than one year.

QVC Senior Secured Credit Facility

On October 27, 2021, QVC amended and restated its latest credit agreement (as amended and restated, the "Fifth Amended and Restated Credit Agreement") and refinanced QVC's existing bank credit facility by entering into a fifth amended and restated agreement with QVC, Zulily, Cornerstone, and QVC Global Corporate Holdings, LLC ("QVC Global"), each a direct or indirect wholly owned subsidiary of Qurate Retail, as borrowers (QVC, Zulily, Cornerstone and QVC Global, collectively, the "Borrowers"), JPMorgan Chase Bank, N.A., as administrative agent, and the other parties named therein.

The Fifth Amended and Restated Credit Agreement is a multi-currency facility providing for a \$3.25 billion revolving credit facility (the "New Credit Facility"), with a \$450 million sub-limit for letters of credit and an alternative currency revolving sub-limit equal to 50% of the revolving commitments thereunder. The New Credit Facility may be borrowed by any Borrower, with each Borrower jointly and severally liable for the outstanding borrowings. Borrowings under the Fifth Amended and Restated Credit Agreement bear interest at either the alternate base rate (such rate, the "ABR Rate") or a LIBOR-based rate (or the applicable non-U.S. Dollar equivalent rate) (such rate, the "Term Benchmark/RFR Rate") at the applicable Borrower's election in each case plus a margin. Borrowings that are ABR Rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% and 0.625% depending on the Borrowers' combined ratio of consolidated total debt to consolidated EBITDA (the "consolidated leverage ratio"). Borrowings that are Term Benchmark/RFR Rate loans will bear interest at a per annum rate equal to the applicable rate plus a margin that varies between 1.25% and 1.625% depending on the Borrowers' 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, Cornerstone, QVC Global or any other borrower under the New Credit Facility (other than QVC) is removed, at the election of QVC, as a borrower thereunder, all of its loans must be repaid and its letters of credit are terminated or cash collateralized. Any amounts prepaid on the New Credit Facility may be reborrowed.

The loans under the New Credit Facility are scheduled to mature on October 27, 2026. Payment of the loans may be accelerated following certain customary events of default.

The payment and performance of the Borrowers' obligations under the Fifth Amended and Restated Credit Agreement are guaranteed by each of QVC's, QVC Global's, Zulily's and Cornerstone's Material Domestic Subsidiaries (as defined in the Fifth Amended and Restated Credit Agreement), if any, and certain other subsidiaries of any Borrower that such Borrower has chosen to provide guarantees. Further, the borrowings under the Fifth Amended and Restated Credit Agreement are secured, *pari passu* with QVC's existing notes, by a pledge of all of QVC's equity interests. The borrowings under the Fifth Amended and Restated Credit Agreement are also secured by a pledge of all of Zulily's and Cornerstone's equity interests.

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

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Notes to Condensed Consolidated Financial Statements (Continued)
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Borrowings under the Fifth Amended and Restated Credit Agreement may be used to repay outstanding indebtedness, pay certain fees and expenses, finance working capital needs and general purposes of the Borrowers and their respective subsidiaries and make certain restricted payments and loans to the Borrowers' respective parents and affiliates.

Availability under the Fifth Amended and Restated Credit Agreement at September 30, 2022 was \$2,683 million. The interest rate on the Fifth Amended and Restated Credit Agreement was 4.5% at September 30, 2022.

Exchangeable Senior Debentures

The Company has elected to account for its exchangeable senior debentures using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as unrealized gains (losses) in the statements of operations. See note 4 for information related to unrealized gains (losses) on debt measured at fair value. As of September 30, 2022 the Company's exchangeable debentures have been classified as current because the Company does not own shares to exchange the debentures or they are currently exchangeable, with the exception of the 1.75% Exchangeable Senior Debentures due 2046 which are classified as long-term as they are not currently exchangeable. The Company reviews the terms of the debentures on a quarterly basis to determine whether a triggering event has occurred to require current classification of the exchangeables upon a call event. Although we do not own shares underlying certain of the exchangeable senior debentures, the Company has entered into certain derivative transactions in order to hedge against upward price fluctuations on certain shares. Such derivative instruments are recognized in the other current assets line item in the condensed consolidated balance sheets, and are marked to fair value each reporting period. The changes in fair value are recognized in the realized and unrealized gains (losses) on financial instruments, net line item in the condensed statement of operations.

Debt Covenants

Qurate Retail and its subsidiaries are in compliance with all debt covenants at September 30, 2022.

Fair Value of Debt

Qurate Retail estimates the fair value of its debt based on the quoted market prices for the same or similar issues or on the current rate offered to Qurate Retail for debt of the same remaining maturities (Level 2). The QVC 6.375% Senior Secured Notes due 2067 ("2067 Notes") and the QVC 6.25% Senior Secured Notes Due 2068 ("2068 Notes") are traded on the New York Stock Exchange, and the Company considers them to be actively traded. As such, the 2067 Notes and 2068 Notes are valued based on their trading price (Level 1). The fair value of Qurate Retail's publicly traded debt securities that are not reported at fair value in the accompanying condensed consolidated balance sheet at September 30, 2022 are as follows (amounts in millions):

Senior debentures	\$	547
QVC senior secured notes	\$	3,068

Due to the variable rate nature, Qurate Retail believes that the carrying amount of its other debt, not discussed above, approximated fair value at September 30, 2022.

(7) Preferred Stock

On September 14, 2020, Qurate Retail issued its 8.0% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Preferred Stock"). There were 13,500,000 shares of Preferred Stock authorized and 12,671,984 shares of Preferred Stock issued and outstanding at September 30, 2022.

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,

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

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dissolution or winding up of Qurate Retail's affairs. Shares of Preferred Stock are not convertible into shares of common stock of Qurate Retail.

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

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

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

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

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

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

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

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(8) Commitments and Contingencies

Litigation

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

Fire at Rocky Mount Fulfillment Center

On December 18, 2021, QVC experienced a fire at its Rocky Mount, Inc. fulfillment center in North Carolina. Rocky Mount was QVC's second-largest fulfillment center for the operating segment comprised of QVC U.S. and HSN ("QxH") and QVC's primary returns center for hard goods.

QVC maintains property, general liability and business interruption insurance coverage. Based on provisions of QVC's insurance policies, the Company records estimated insurance recoveries for fire related costs for which recovery is deemed probable.

For the year ended December 31, 2021, QVC recorded \$250 million of fire related costs and estimated insurance recoveries of \$229 million for which recovery was deemed probable. As of December 31, 2021, the Company received \$100 million of insurance proceeds and had an insurance receivable of \$129 million which was recorded in Trade and other receivables, net in the condensed consolidated balance sheet.

For the nine months ended September 30, 2022, the Company recorded an additional \$147 million of fire related costs, including \$95 million for the write-down of inventory, and estimated insurance recoveries of \$47 million for which recovery was deemed probable. For the nine months ended September 30, 2022, the Company received \$280 million of insurance proceeds for inventory, fixed asset losses and other fire related costs and recorded a gain of \$139 million in Restructuring and fire related costs, net of (recoveries) in the condensed consolidated statement of operations, representing the proceeds received in excess of losses recognized. The Company recorded an insurance receivable, net of advance proceeds received, for other fire related costs for which recovery was deemed probable of \$35 million which was recorded in Trade and other receivables, net in the condensed consolidated balance sheet.

During the nine months ended September 30, 2022, inventory write-downs related to Rocky Mount inventory of \$95 million were included in cost of goods sold. Due to the circumstances surrounding the write-downs of inventory, these write-downs have been excluded from Adjusted OIBDA (as defined in note 9). QVC is in the process of submitting its business interruption claim with the insurance company; however, there can be no guarantee that all business interruption losses will be recovered. QVC expects to continue to record additional costs and recoveries until the insurance claim is fully settled.

Zulily Restructuring

In the first quarter of 2022, Zulily began to execute a series of transformation initiatives, beginning with the announcement of the closure of its fulfillment center in Bethlehem, Pennsylvania, and reduction in corporate workforce. These initiatives are consistent with Zulily's strategy to operate more efficiently as it implements its turnaround plan, and Zulily expects to incur additional expenses related to these transformation initiatives in future periods. Zulily recorded \$3 million and \$8 million of restructuring charges during the three and nine months ended September 30, 2022, respectively, principally related to its regional office space strategy and expenses associated with the Pennsylvania facility closure. Zulily recorded \$3 million of restructuring charges during the nine months ended September 30, 2022 related to its reduction in corporate workforce.

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Gain on Sale of Fixed Assets

In June 2022, QVC modified the finance lease for its distribution center in Ontario, California which reduced the term of the lease and removed QVC's ability to take ownership of the distribution center at the end of the lease term. QVC will make annual payments over the modified lease term. Since the lease was modified and removed QVC's ability to take ownership at the end of the lease term, the Company accounted for the modification similar to a sale and leaseback transaction, and as a result, QVC recognized a \$240 million gain on the sale of the distribution center during the second quarter of 2022 calculated as the difference between the aggregate consideration received (including cash and forgiveness of the remaining financing obligation of \$84 million) and the carrying value of the distribution center. The gain is included in (gain) loss on sale of fixed assets, net in the condensed consolidated statement of operations. The Company accounted for the modified lease as an operating lease and recorded a \$37 million right-of-use asset and a \$31 million operating lease liability, with the difference attributable to prepaid rent.

In July 2022, QVC sold five owned and operated properties located in the U.S. to an independent third party and received net cash proceeds of \$443 million. Concurrent with the sale, the Company entered into agreements to lease each of the properties back from the purchaser over an initial term of 20 years with the option to extend the terms of the property leases for up to four consecutive terms of five years. QVC recognized a \$277 million gain related to the successful sale leaseback for the three and nine months ended September 30, 2022, calculated as the difference between the aggregate consideration received and the carrying value of the properties. The Company accounted for the leases as operating leases and recorded a \$207 million right-of-use asset and a \$205 million operating lease liability, with the difference attributable to initial direct costs.

On November 2, 2022 and November 3, 2022, QVC entered into agreements to sell two properties located in Germany and the U.K. to an independent third party. Under the terms of the agreements, QVC will receive cash payments of approximately €97 million related to its German facility and approximately £68 million related to its U.K. facility before fees, taxes and other expenses. The sale is expected to close in the first quarter of fiscal year 2023. Contingent on the closing of the sale, the Company entered into agreements to lease each of the properties back from the purchaser over an initial term of 20 years with the option to extend the terms of the property leases for up to four consecutive terms of five years. QVC expects to record a gain in 2023 at the close of the sale leaseback transaction.

(9) Information About Qurate Retail's Operating Segments

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

The Qurate Retail chief operating decision maker primarily evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as revenue and Adjusted OIBDA. In addition, Qurate Retail reviews nonfinancial measures such as unique website visitors, number of units shipped, conversion rates and active customers, as appropriate.

For the nine months ended September 30, 2022, Qurate Retail has identified the following operating segments as its reportable segments:

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

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countries through flash sales and other curated events, primarily through its app, mobile and desktop experiences.

Qurate Retail's operating segments are strategic business units that offer different products and services. They are managed separately because each segment requires different technologies, distribution channels and marketing strategies. The accounting policies of the segments are the same as those described in the Company's Summary of Significant Accounting Policies in the 2021 10-K.

Performance Measures

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

	Three months ended September 30, 2022				
	QxH	QVC Int'l	Zulily in millions	Corp and other	Total
Home	\$ 621	208	53	283	1,165
Apparel	330	100	79	44	553
Beauty	252	129	9	—	390
Accessories	190	49	47	—	286
Electronics	152	20	2	—	174
Jewelry	73	45	6	—	124
Other revenue	45	3	4	—	52
Total Revenue	<u>\$ 1,663</u>	<u>554</u>	<u>200</u>	<u>327</u>	<u>2,744</u>

	Nine months ended September 30, 2022				
	QxH	QVC Int'l	Zulily in millions	Corp and other	Total
Home	\$ 1,950	729	167	825	3,671
Apparel	982	334	265	140	1,721
Beauty	766	419	30	—	1,215
Accessories	633	162	145	—	940
Electronics	411	71	5	—	487
Jewelry	231	139	23	—	393
Other revenue	128	8	17	—	153
Total Revenue	<u>\$ 5,101</u>	<u>1,862</u>	<u>652</u>	<u>965</u>	<u>8,580</u>

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

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

For segment reporting purposes, Qurate Retail defines Adjusted OIBDA as revenue less cost of goods sold, operating expenses, and selling, general and administrative expenses excluding stock-based compensation and, where applicable, separately identified items impacting comparability. 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, and where applicable, separately identified impairments, litigation settlements, restructuring, acquisition-related costs, fire related costs, net (including Rocky Mount inventory losses) and gains (losses) on sales of fixed assets, net, that are included in the measurement of operating income (loss) pursuant to GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income (loss), net earnings (loss), cash flows provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Qurate Retail generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current prices.

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Adjusted OIBDA is summarized as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
QxH	\$ 143	325	600	1,065
QVC International	62	115	261	402
Zulily	(25)	(17)	(61)	(2)
Corporate and other	5	9	67	65
Consolidated Qurate Retail	<u>\$ 185</u>	<u>432</u>	<u>867</u>	<u>1,530</u>

Other Information

	September 30, 2022	
	Total assets	Capital expenditures
	amounts in millions	
QxH	\$ 8,929	116
QVC International	1,767	19
Zulily	228	10
Corporate and other	872	26
Consolidated Qurate Retail	<u>\$ 11,796</u>	<u>171</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Adjusted OIBDA	\$ 185	432	867	1,530
Stock-based compensation	(15)	(19)	(46)	(54)
Depreciation and amortization	(107)	(139)	(371)	(396)
Restructuring and fire related costs, net of recoveries (including Rocky Mount inventory losses, see note 8)	134	—	28	—
Impairment of intangible assets	(3,081)	—	(3,081)	—
Gains (losses) on sales of fixed assets, net	277	—	520	—
Operating income (loss)	<u>\$ (2,607)</u>	<u>274</u>	<u>(2,083)</u>	<u>1,080</u>
Interest expense	(107)	(121)	(343)	(356)
Share of earnings (loss) of affiliates, net	—	(24)	(1)	(78)
Realized and unrealized gains (losses) on financial instruments, net	(8)	41	29	101
Tax sharing income (expense) with Liberty Broadband	36	(3)	78	(16)
Other, net	37	3	83	6
Earnings (loss) before income taxes	<u>\$ (2,649)</u>	<u>170</u>	<u>(2,237)</u>	<u>737</u>

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

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

- the impact of the novel coronavirus ("COVID-19") pandemic and local, state and federal governmental responses to the pandemic on the economy, our customers, our vendors and our businesses generally;
- customer demand for our products and services and our ability to attract new customers and retain existing customers by anticipating customer demand and adapting to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic to our businesses' websites and our ability to convert visitors into customers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms, deployment of capital and our level of indebtedness;
- our ability to effectively manage our installment sales plans and revolving credit card programs;
- the cost and ability of shipping companies, manufacturers, suppliers, digital marketing channels, and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- the impact of the seasonality of our businesses;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends, including the impact of inflation and the United Kingdom's exit from the European Union;
- 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.

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For additional risk factors, please see Part II, Item 1A. of this Quarterly Report and Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 10-K”). These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and the 2021 10-K.

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

Overview

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

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

In December 2019, COVID-19 was reported to have surfaced in Wuhan, China and 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 imposed travel restrictions, local quarantines or stay at home restrictions to contain the spread, which caused a significant disruption to most sectors of the economy.

QVC transitioned most administrative employees to a hybrid work model and certain employees have moved to permanent work from home arrangements which has resulted in the reduction of office space. Due to ongoing staffing issues and labor shortages, QVC increased wages and offered incentives, resulting in additional costs to the company. As a result of these resource constraints QVC experienced some delays in shipping at certain fulfillment centers.

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, from the end of the first quarter of 2020 and continuing through the first quarter of 2021, QVC observed an increase in new customers and an increase in demand for certain categories, such as home. Beginning in the second quarter of 2021 through the third quarter of 2022, QVC observed a decline in new customers and a decline in demand for its home product category, while also seeing an increase in demand for its apparel product category.

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 its capital and liquidity. These include reduced demand for products we sell; decreases in the disposable income of existing and potential new customers; the impacts of any recession and other uncertainties with respect to government responses to COVID-19; increased currency volatility resulting in adverse currency rate fluctuations; higher unemployment; labor shortages; and an adverse impact to our supply chain and shipping disruptions for both the products we import and purchase domestically and the products we sell, including essential products experiencing higher demand, due to factory closures, labor shortages and other resource constraints. While the future 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.

Beginning in the second quarter of 2021, QVC saw increased product shortages as a result of high market demand in some product categories such as home and electronics. QVC also experienced escalating shipping disruptions due to challenges in the global supply chain and labor market causing extended lead time on inventory orders. As a result, the

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delayed receipt of inventory ordered in prior periods impacted QVC's ability to have the right products at the right time and has contributed to higher inventory levels as of September 30, 2022. These factors also impacted QVC's ability to offer certain goods and ship orders timely to its customers. In addition, QVC has seen increasing inflationary pressures during the period including higher wages, freight, and merchandise costs. Russia's invasion of Ukraine, as well as the related international response, is exacerbating inflationary pressures. If these pressures persist, inflated costs may continue to outpace QVC's pricing power in the near term.

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

On December 18, 2021, QVC experienced a fire at its Rocky Mount, Inc. fulfillment center in North Carolina. Rocky Mount was QVC's second-largest fulfillment center, processing approximately 25% to 30% of volume for QVC U.S., and also served as QVC U.S.'s primary returns center for hard goods. The building was significantly damaged as a result of the fire and related smoke and will not reopen. QVC has made a decision not to rebuild the facility; however, it is still in the process of determining future plans for the property. QVC has taken steps to mitigate disruption to operations including diverting inbound orders, leveraging its existing fulfillment centers and supplementing these facilities with short-term leased space as needed.

Based on the provisions of QVC's insurance policies and discussions with insurance carriers, QVC determined that recovery of certain fire related costs is probable, and recorded an insurance receivable. For the year ended December 31, 2021, the Company recorded \$250 million of fire related costs and estimated insurance recoveries of \$229 million for which recovery was deemed probable. For the nine months ended September 30, 2022, the Company recorded \$147 million of fire related costs, including \$95 million for the write-down of inventory, and estimated insurance recoveries of \$47 million for which recovery was deemed probable. For the nine months ended September 30, 2022, QVC received \$280 million of insurance proceeds for inventory, fixed asset losses and other fire related costs and recorded a gain of \$139 million in Restructuring and fire related costs, net of (recoveries) in the condensed consolidated statement of operations, representing the proceeds received in excess of losses recognized. The Company recorded an insurance receivable, net of advance proceeds received for other fire related costs for which recovery was deemed probable of \$35 million in Trade and other receivables, net of allowance for credit losses in the condensed consolidated balance sheet.

During the nine months ended September 30, 2022, inventory write-downs related to Rocky Mount of \$95 million were included in cost of goods sold. Due to the circumstances surrounding the write-downs of the inventory, these write-downs have been excluded from Adjusted OIBDA (as defined below). QVC is in the process of submitting its business interruption claim with the insurance company; however, there can be no guarantee that all business interruption losses will be recovered. QVC expects to continue to record additional costs and recoveries until the property damage and inventory recoverability assessment is completed and the insurance claim is fully settled. While QVC has taken steps to minimize the overall impact to the business, it experienced increased warehouse and logistics costs during the nine months ended September 30, 2022 and anticipates these increased warehouse and logistics costs to continue during 2022.

In June 2022, QVC modified the finance lease for its distribution center in Ontario, California which reduced the term of the lease and removed QVC's ability to take ownership of the distribution center at the end of the lease term. QVC will make annual payments over the modified lease term. Since the lease was modified and removed QVC's ability to take ownership at the end of the lease term, the Company concluded that a successful sale and leaseback transaction had occurred. QVC recognized a \$240 million gain on the sale of the distribution center during the second quarter of 2022 calculated as the difference between the aggregate consideration received (including cash and forgiveness of the remaining financing obligation of \$84 million) and the carrying value of the distribution center. The gain is included in (gain) loss on sale of fixed assets, net in the condensed consolidated statement of operations. The Company accounted for the modified lease as an operating lease and recorded a \$37 million right-of-use asset and a \$31 million operating lease liability, with the difference attributable to prepaid rent.

In July 2022, QVC sold five owned and operated properties located in the U.S. to an independent third party and received net cash proceeds of \$443 million. Concurrent with the sale, the Company entered into agreements to lease each

of the properties back from the purchaser over an initial term of 20 years with the option to extend the terms of the property leases for up to four consecutive terms of five years. QVC will make initial base rent payments of \$27 million per year and increasing to \$39 million per year. QVC recognized a \$277 million gain related to the successful sale leaseback for the three and nine months ended September 30, 2022, calculated as the difference between the aggregate consideration received and the carrying value of the properties. The Company accounted for the leases as operating leases and recorded a \$207 million right-of-use asset and a \$205 million operating lease liability, with the difference attributable to initial direct costs.

On November 2, 2022 and November 3, 2022, QVC entered into agreements to sell two properties located in Germany and the U.K. to an independent third party. Under the terms of the agreements, QVC will receive cash payments of approximately €97 million related to its German facility and approximately £68 million related to its U.K. facility before fees, taxes and other expenses. The sale is expected to close in the first quarter of fiscal year 2023. Contingent on the closing of the sale, the Company entered into agreements to lease each of the properties back from the purchaser over an initial term of 20 years with the option to extend the terms of the property leases for up to four consecutive terms of five years. QVC expects to record a gain in 2023 at the close of the sale leaseback transaction.

Results of Operations—Consolidated

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

Operating Results

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
<i>Revenue</i>				
QxH	\$ 1,663	1,813	5,101	5,738
QVC International	554	699	1,862	2,264
Zulily	200	328	652	1,102
Corporate and other	327	304	965	881
Consolidated Qurate Retail	<u>\$ 2,744</u>	<u>3,144</u>	<u>8,580</u>	<u>9,985</u>
<i>Operating Income (Loss)</i>				
QxH	\$ (2,251)	219	(1,848)	771
QVC International	52	97	221	348
Zulily	(403)	(40)	(492)	(73)
Corporate and other	(5)	(2)	36	34
Consolidated Qurate Retail	<u>\$ (2,607)</u>	<u>274</u>	<u>(2,083)</u>	<u>1,080</u>
<i>Adjusted OIBDA</i>				
QxH	\$ 143	325	600	1,065
QVC International	62	115	261	402
Zulily	(25)	(17)	(61)	(2)
Corporate and other	5	9	67	65
Consolidated Qurate Retail	<u>\$ 185</u>	<u>432</u>	<u>867</u>	<u>1,530</u>

Revenue. Consolidated Qurate Retail revenue decreased 12.7% or \$400 million and 14.1% or \$1,405 million for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The decrease in the three months ended September 30, 2022 was due to decreased revenue at QxH of \$150 million, decreased revenue at QVC International of \$145 million, and decreased revenue at Zulily of \$128 million, partially offset

by increased revenue in the Corporate and other segment of \$23 million, compared to the same period in the prior year. The increase in Corporate and other revenue was due to an increase in revenue at Cornerstone due to customer demand in the home category. The decrease in the nine months ended September 30, 2022 was due to decreased revenue at QxH of \$637 million, decreased revenue at Zulily of \$450 million, and decreased revenue at QVC International of \$402 million, partially offset by increased revenue in the Corporate and other segment of \$84 million, compared to the same period in the prior year. The increase in Corporate and other revenue was due to an increase in revenue at Cornerstone due to increased sales across all major product categories. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and Zulily.

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

We recorded \$15 million and \$19 million of stock-based compensation for the three months ended September 30, 2022 and 2021, respectively, and \$46 million and \$54 million of stock-based compensation for the nine months ended September 30, 2022 and 2021, respectively. The decrease of \$4 million for the three months ended September 30, 2022 was primarily due to decreases at QxH, and the decrease of \$8 million for the nine months ended September 30, 2022 was primarily due to decreases at QxH and Zulily. As of September 30, 2022, the total unrecognized compensation cost related to unvested Qurate Retail equity awards was approximately \$105 million. Such amount will be recognized in our condensed consolidated statements of operations over a weighted average period of approximately 2.3 years.

Operating income. Our consolidated operating income decreased \$2,881 million and \$3,163 million for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year, primarily due to impairments recognized at the QxH and Zulily reporting units. The decrease in operating results for the three months ended September 30, 2022 was primarily due to a decrease in operating income at QxH of \$2,470 million, a decrease in operating income at Zulily of \$363 million, a decrease in operating income at QVC International of \$45 million, and a decrease in operating income at the Corporate and other segment of \$3 million, compared to the corresponding period in the prior year. Operating income in the Corporate and other segment decreased for the three months ended September 30, 2022, as compared to the corresponding period in the prior year, primarily related to a decrease in operating income at Cornerstone due to higher supply chain costs and digital marketing investments despite revenue growth and product margin expansion, partially offset by fewer expenses at the corporate level.

The decrease in operating results for the nine months ended September 30, 2022 was primarily due to a decrease in operating income at QxH of \$2,619 million, a decrease in operating income at Zulily of \$419 million, and a decrease in operating income at QVC International of \$127 million, partially offset by an increase in operating income at the Corporate and other segment of \$2 million, compared to the corresponding period in the prior year. Operating income in the Corporate and other segment increased for the nine months ended September 30, 2022, as compared to the corresponding period in the prior year, primarily related to fewer expenses at the corporate level, partially offset by a decrease in operating income at Cornerstone due to higher supply chain costs and digital marketing investments despite revenue growth and product margin expansion. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and Zulily.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Operating income (loss)	\$ (2,607)	274	(2,083)	1,080
Depreciation and amortization	107	139	371	396
Stock-based compensation	15	19	46	54
Restructuring and fire related costs, net of (recoveries) (including Rocky Mount inventory losses)	(134)	—	(28)	—
Impairment of intangible assets	3,081	—	3,081	—
(Gains) on sales of fixed assets, net	(277)	—	(520)	—
Adjusted OIBDA	\$ 185	432	867	1,530

Consolidated Adjusted OIBDA decreased 57.2% or \$247 million and 43.3% or \$663 million for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The decrease in Adjusted OIBDA for the three months ended September 30, 2022 was primarily due to a decrease at QxH of \$182 million, a decrease at QVC International of \$53 million, a decrease at Zulily of \$8 million and a decrease at Corporate and other of \$4 million, compared to the corresponding period in the prior year. The change in the Corporate and other segment for the three months ended September 30, 2022 was primarily due to a decrease in Adjusted OIBDA at Cornerstone due to higher supply chain costs and digital marketing investments despite revenue growth and product margin expansion, partially offset by fewer expenses at the corporate level. The decrease in Adjusted OIBDA for the nine months ended September 30, 2022 was primarily due to a decrease at QxH of \$465 million, a decrease at QVC International of \$141 million, and a decrease at Zulily of \$59 million, partially offset by an increase at Corporate and other of \$2 million, compared to the corresponding period in the prior year. The change in the Corporate and other segment for the nine months ended September 30, 2022 was primarily due to fewer expenses at the corporate level, partially offset by a decrease in Adjusted OIBDA at Cornerstone due to higher supply chain costs and digital marketing investments despite revenue growth and product margin expansion. See "Results of Operations—Businesses" below for a more complete discussion of the results of operations of QVC and Zulily.

Other Income and Expense

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Interest expense	\$ (107)	(121)	(343)	(356)
Share of earnings (losses) of affiliates	—	(24)	(1)	(78)
Realized and unrealized gains (losses) on financial instruments, net	(8)	41	29	101
Tax sharing income (expense) with Liberty Broadband	36	(3)	78	(16)
Other, net	37	3	83	6
Other income (expense)	\$ (42)	(104)	(154)	(343)

Interest expense. Interest expense decreased \$14 million and \$13 million for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The decrease in interest expense for the three and nine months ended September 30, 2022, compared to the same periods in the prior year, is due to lower outstanding debt at QVC, including finance lease obligations.

Share of earnings (losses) of affiliates. Share of losses of affiliates decreased \$24 million and \$77 million for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The losses decreased during the three and nine months ended September 30, 2022 due to the sale and wind down of the Company's alternative energy entities as the federal tax credits expire. Historically, the alternative energy entities typically

operated at a loss, and the Company recorded its share of such losses, but had favorable tax attributes and credits, which were recorded in the Company's tax accounts.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Equity securities	—	48	(5)	98
Exchangeable senior debentures	130	(50)	320	(183)
Indemnification asset	(138)	8	(287)	49
Other financial instruments	—	35	1	137
	<u>\$ (8)</u>	<u>41</u>	<u>29</u>	<u>101</u>

The changes in realized and unrealized gains (losses) on financial instruments, net are due to market activity in the applicable period related to the financial instruments that are marked to market on a periodic basis. The decrease in realized and unrealized gains for the three and nine months ended September 30, 2022, compared to the corresponding period in the prior year, was primarily driven by a decrease in unrealized gains on the indemnification asset (described in note 4 of the accompanying condensed consolidated financial statements), a decrease in unrealized gains related to derivative instruments and a decrease in unrealized gains related to several of the Company's equity securities, partially offset by an increase in unrealized gains on the exchangeable senior debentures driven by declines in stock prices of the securities underlying the debentures compared to the prior year.

Tax sharing income (expense) with Liberty Broadband. The Company has a tax sharing agreement with Liberty Broadband. As a result, the Company recognized tax sharing income of \$36 million and \$78 million for the three and nine months ended September 30, 2022, respectively, and tax sharing expense of \$3 million and \$16 million for the three and nine months ended September 30, 2021, respectively.

Other, net. Other, net income increased \$34 million and \$77 million for the three and nine months ended September 30, 2022, respectively, compared to the corresponding periods in the prior year. The increase for the three months ended September 30, 2022, compared to the same period in the prior year, was primarily the result of an increase in foreign currency exchange gains, and a gain on early extinguishment of debt in the current year. The increase for the nine months ended September 30, 2022, compared to the same period in the prior year, was primarily the result of an increase in foreign currency exchange gains, the sale of warrants at QVC in the current year, and a gain on early extinguishment of debt in the current year.

Income taxes. During the three months ended September 30, 2022 and 2021, we had losses before income taxes of \$2,649 million and income before income taxes of \$170 million, respectively, and income tax expense of \$87 million and \$20 million, respectively. The most significant portion of the losses before income taxes during the three months ended September 30, 2022 relate to a goodwill impairment that is not deductible for tax purposes. During the three months ended September 30, 2021, the Company recognized additional tax benefit due to tax benefits from tax credits generated by our alternative energy investments, partially offset by state and foreign income tax expense, and an increase in the valuation allowance against certain deferred taxes. During the nine months ended September 30, 2022 and 2021, we had losses before income taxes of \$2,237 million and income before income taxes of \$737 million, respectively, and income tax expense of \$265 million and \$113 million, respectively. The most significant portion of the losses before income taxes during the nine months ended September 30, 2022 relate to a goodwill impairment that is not deductible for tax purposes. During the nine months ended September 30, 2021, the Company recognized additional tax benefits from tax credits generated by our alternative energy investments, partially offset by state and foreign income tax expense.

Net earnings. We had net losses of \$2,736 million and net earnings of \$150 million for the three months ended September 30, 2022 and 2021, respectively, and net losses of \$2,502 million and net earnings of \$624 million for the nine months ended September 30, 2022 and 2021, respectively. The change in net earnings (loss) was the result of the above-described fluctuations in our revenue, expenses and other gains and losses.

Material Changes in Financial Condition

As of September 30, 2022, substantially all of our cash and cash equivalents are invested in U.S. Treasury securities, securities of other government agencies, AAA rated money market funds and other highly rated financial and corporate debt instruments.

The following are potential sources of liquidity: available cash balances, equity issuances, dividend and interest receipts, proceeds from asset sales, debt (including availability under QVC's bank credit facilities, as discussed in note 6 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. For example, under QVC's bond indentures, it is able to pay dividends or make other restricted payments if it is not in default on its senior secured notes and its consolidated leverage ratio is no greater than 3.5 to 1.0. In addition, under QVC's bank credit facility it is able to pay dividends or make other restricted payments if it is not in default on the bank credit facility and the consolidated leverage ratio of QVC, QVC Global Corporate Holdings, LLC, Zulily and Cornerstone is no greater than 4.0 to 1.0. Further, under QVC's bond indentures and the bank credit facility credit agreement, unlimited dividends are permitted to service the debt of Qurate Retail so long as there is no default (i.e., no leverage test is needed).

As of September 30, 2022, Qurate Retail's liquidity position included the following:

	Cash and cash equivalents	
	amounts in millions	
QVC	\$	517
Zulily		5
Corporate and other		102
Total Qurate Retail	\$	624
	Borrowing capacity	
	amount in millions	
QVC Senior Secured Credit Facility	\$	2,683

To the extent that the Company recognizes any taxable gains from the sale of assets we may incur tax expense and be required to make tax payments, thereby reducing any cash proceeds. As of September 30, 2022, the Company had approximately \$219 million of cash, cash equivalents and restricted cash held in foreign subsidiaries that is available for domestic purposes with no significant tax consequences upon repatriation to the United States. QVC accrues foreign taxes on the unremitted earnings of its international subsidiaries. Approximately 82% of QVC's foreign cash balance was that of QVC-Japan (as defined below). QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui & Co., LTD ("Mitsui").

Additionally, our operating businesses have generated, on average, more than \$1 billion in annual cash provided by operating activities over the prior three years and although we believe our businesses will generate positive cash flow from operations we anticipate significant reductions from the historical average during 2022.

	Nine months ended September 30,	
	2022	2021
	amounts in millions	
Cash Flow Information		
Net cash provided (used) by operating activities	\$ (37)	715
Net cash provided (used) by investing activities	\$ 704	(483)
Net cash provided (used) by financing activities	\$ (571)	(219)

During the nine months ended September 30, 2022, Qurate Retail's primary sources of cash were proceeds from the sale of fixed assets of \$701 million and insurance proceeds related to the Rocky Mount fire of \$280 million (see note 8 to the accompanying condensed consolidated financial statements), partially offset by net debt repayments of \$508 million, capital expenditures of \$171 million and dividends paid to noncontrolling interests of \$38 million. The cash proceeds from

the sale of fixed assets of \$701 million were used to repay amounts outstanding under QVC's Senior Secured Credit Facility.

The projected uses of Qurate Retail cash for the remainder of 2022 are continued capital improvement spending between \$100 million and \$127 million, debt service payments (including approximately \$42 million for interest payments on outstanding debt), repayment of debt, payment of dividends to the holders of Qurate Retail 8.0% Series A Cumulative Redeemable Preferred Stock (the "Preferred Stock"), the potential buyback of common stock under the approved share buyback program, and additional investments in existing or new businesses. We also may be required to make net payments of income tax liabilities to settle items under discussion with tax authorities. We expect that cash on hand and cash provided by operating activities and borrowing capacity in future periods will be sufficient to fund projected uses of cash.

In July 2022, QVC generated cash through a series of sale-leaseback transactions (see note 8 to the accompanying condensed consolidated financial statements), and used this cash to repay amounts outstanding under QVC's Senior Secured Credit Facility.

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. QVC U.S. programming is also available on QVC.com and HSN.com, QVC's U.S. websites; virtual multichannel video programming distributors (including Hulu + Live TV, AT&T TV, and You Tube TV); applications via streaming video; Facebook Live, Roku, Apple TV, Amazon Fire, Xfinity Flex and Samsung TV Plus; 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 its U.S. websites. QVC.com and its other digital platforms (including its 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 Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui. QVC-Japan is owned 60% by QVC and 40% by Mitsui. QVC and Mitsui share in all profits and losses based on their respective ownership interests. During the nine months ended September 30, 2022 and 2021, QVC-Japan paid dividends to Mitsui of \$39 million and \$46 million, respectively.

QVC's operating results were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Net revenue	\$ 2,217	2,512	6,963	8,002
Cost of goods sold (excluding depreciation, amortization and Rocky Mount inventory losses shown below)	(1,526)	(1,617)	(4,680)	(5,130)
Operating expenses	(186)	(183)	(543)	(565)
SG&A expenses (excluding stock-based compensation)	(300)	(272)	(879)	(840)
Adjusted OIBDA	205	440	861	1,467
Fire related costs, net of (recoveries) (including Rocky Mount inventory losses)	137	—	39	—
Gains (losses) on sales of fixed assets, net	277	—	520	—
Impairment of intangible assets	(2,715)	—	(2,715)	—
Stock-based compensation	(9)	(13)	(27)	(33)
Depreciation and amortization	(94)	(111)	(305)	(315)
Operating income	\$ (2,199)	316	(1,627)	1,119

Net revenue was generated in the following geographical areas:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
QxH	\$ 1,663	1,813	5,101	5,738
QVC International	554	699	1,862	2,264
Consolidated QVC	\$ 2,217	2,512	6,963	8,002

QVC's consolidated net revenue decreased 11.7% and 13.0% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The three month decrease in net revenue is primarily due to a 6.6% decrease in units shipped, \$113 million in unfavorable foreign exchange rates, a \$23 million decrease in shipping and handling revenue driven by QxH and a slight decline in average selling price per unit ("ASP") primarily at QxH, partially offset by an increase in ASP at QVC-International. These decreases were partially offset by a \$30 million decrease in estimated product returns driven by QxH. The nine month decrease in net revenue is primarily due to an 8.5% decrease in units shipped, \$256 million in unfavorable foreign exchange rates, a \$77 million decrease in shipping and handling revenue, and a slight decline in ASP primarily at QxH, partially offset by an increase in ASP at QVC-International. These declines were partially offset by a \$92 million decrease in estimated product returns primarily driven by QxH.

During the nine months ended September 30, 2022 and 2021, the changes in revenue and expenses were affected by changes in the exchange rates for the U.K. Pound Sterling, the Euro and the Japanese Yen. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

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

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

	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	U.S. Dollars	Foreign Currency Exchange Impact	Constant Currency	U.S. Dollars	Foreign Currency Exchange Impact	Constant currency
QxH	(8.3)%	— %	(8.3)%	(11.1)%	— %	(11.1)%
QVC International	(20.7)%	(16.0)%	(4.7)%	(17.8)%	(11.3)%	(6.5)%

The decrease in QxH net revenue for the three months ended September 30, 2022 was primarily due to a 6.4% decrease in units shipped, a 1.9% decline in ASP and a \$19 million decrease in shipping and handling revenue. These declines were partially offset by a \$27 million decrease in estimated product returns. For the three months ended September 30, 2022, QxH experienced shipped sales declines across all categories. For the nine months ended September 30, 2022, QxH net revenue decreased due to a 9.3% decrease in units shipped, a 1.5% decline in ASP, and a \$61 million decrease in shipping and handling revenue. These declines were partially offset by an \$83 million decrease in estimated product returns. For the nine months ended September 30, 2022, QxH experienced shipped sales declines across all categories. The decrease in estimated product returns for the three and nine months ended September 30, 2022 was primarily due to a decrease in sales volume. The decline in ASP for the three and nine months ended September 30, 2022 was primarily due to inventory reduction actions.

QVC International net revenue decline in constant currency for the three months ended September 30, 2022 was primarily due to 7.1% decrease in units shipped driven by Germany and the U.K. and a \$4 million decrease in shipping and handling revenue. These declines were partially offset by a 3.5% increase in ASP across all markets except Italy. For the three months ended September 30, 2022, QVC International experienced shipped sales growth in constant currency in apparel and jewelry with declines across all product categories except electronics which remained flat. QVC International net revenue decline in constant currency for the nine months ended September 30, 2022 was primarily due to a 6.7% decrease in units shipped across all markets except Japan and a \$16 million decrease in shipping and handling revenue. These declines were partially offset by a 1.4% increase in ASP driven by the U.K. and a \$10 million decrease in estimated product returns across all markets except the U.K. For the nine months ended September 30, 2022, QVC-International experienced shipped sales decline in constant currency across all product categories except apparel.

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

QVC's cost of goods sold as a percentage of net revenue was 68.8% and 67.2% for the three and nine months ended September 30, 2022, respectively, compared to 64.4% and 64.1% for the three and nine months ended September 30, 2021, respectively. The increase in cost of goods sold as a percentage of revenue for the three and nine months ended September 30, 2022 is primarily due to higher fulfillment costs driven by QxH due to increased freight and warehousing costs. QVC also experienced product margin pressure at QxH and increased inventory obsolescence across both segments. The increase in cost of goods sold as a percentage of revenue for the nine months ended September 30, 2022 is primarily due to higher fulfillment costs across both segments driven by increased freight and warehousing costs. The increase in cost of goods sold was also impacted by increased inventory obsolescence at QxH. Higher fulfillment costs at QxH for the three and nine months ended September 30, 2022 were also impacted by strains on our fulfillment network due to the loss of the Rocky Mount fulfillment center, and rent related to warehouses sold and leased back during the period, partially offset by efficiencies from fulfillment centers closed in the prior year.

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QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees and telecommunications expenses. Operating expenses were 8.4% and 7.8% of net revenue for the three and nine months ended September 30, 2022, respectively, and were 7.3% and 7.1% for the three and nine months ended September 30, 2021, respectively. Operating expenses increased \$3 million and decreased \$22 million for the three and nine months ended September 30, 2022, as compared to the same periods in the prior year. The three month increase is primarily due to a \$6 million increase in telecommunications expenses, and a \$3 million increase in personnel costs driven by higher wages at QxH. The increase in costs was partially offset by \$10 million as a result of favorable exchange rates. The nine month decrease is primarily due to a \$22 million decrease as a result of favorable exchange rates.

QVC's SG&A expenses (excluding stock-based compensation) include personnel, information technology, provision for doubtful accounts, production costs, and marketing and advertising expenses. Such expenses increased \$28 million and increased \$39 million for the three and nine months ended September 30, 2022, respectively, as compared to the same periods in the prior year, and as a percentage of net revenue, increased from 10.8% to 13.5% and from 10.5% to 12.6% for the three and nine months ended September 30, 2022, respectively, as compared to the three and nine months ended September 30, 2021. For the three months ended September 30, 2022, there was a \$14 million increase in personnel costs across both segments, a \$14 million increase in marketing primarily at QxH and to a lesser extent QVC International, a \$5 million increase in consulting expenses at QxH, and a \$4 million increase in rent expense, primarily at QxH. These increases were partially offset by a \$17 million decrease due to favorable exchange rates. The increase in personnel costs for the three months ended September 30, 2022 was due to higher wages across both segments. For the nine months ended September 30, 2022, the increase was primarily due to a \$28 million increase in credit losses, primarily at QxH, a \$14 million increase in marketing expenses primarily at QxH and to a lesser extent QVC International, a \$13 million increase in consulting expenses primarily at QxH, and increases in IT expenses, non-income related taxes and rent expenses. These increases were partially offset by a \$35 million decrease due to favorable exchange rates. The increase to estimated credit losses for the nine months ended September 30, 2022 was due to lower expected collections in the current year compared to favorable adjustments recognized in the prior year based on actual collections experience.

For the three months ended September 30, 2022, the gain in the fire related costs, net of (recoveries) line primarily related to insurance proceeds received for inventory and fixed asset losses. For the nine months ended September 30, 2022, the gain primarily related to insurance proceeds received for inventory and fixed asset losses partially offset by write-downs on Rocky Mount inventory. Fire related costs, net of (recoveries) includes expenses directly related to the Rocky Mount fulfillment center fire net of expected and received insurance recoveries. Expenses indirectly related to the Rocky Mount fulfillment center fire, including operational inefficiencies, are primarily included in Cost of goods sold. These indirect expenses will be submitted as part of QVC's business interruption insurance claim; however, there can be no guarantee they will be recovered.

QVC recorded \$277 million and \$520 million of gains on sales of fixed assets for the three and nine months ended September 30, 2022, respectively. For the three months ended September 30, 2022, the gain related to the sale leaseback of five owned and operated U.S. properties. For the nine months ended September 30, 2022, the gain was primarily related to the sale leaseback of five U.S. properties and the Ontario, California distribution center.

QVC recorded impairment losses of \$2,715 million for the three and nine months ended September 30, 2022, related to the decrease in the fair value of the HSN indefinite-lived tradename and the QxH reporting unit as a result of the quantitative assessments that were performed by the Company (see note 5 to the accompanying consolidated financial statements).

Stock-based compensation includes compensation related to options and restricted stock units granted to certain officers and employees. QVC recorded \$9 million and \$27 million of stock-based compensation expense for the three and nine months ended September 30, 2022, respectively, and \$13 million and \$33 million for the three and nine months ended September 30, 2021, respectively. The decrease in stock-compensation expense is primarily due to the retirement of QVC's former Chief Executive Officer.

Depreciation and amortization decreased \$17 million and \$10 million for the three and nine months ended September 30, 2022, respectively, and included \$15 million of acquisition related amortization for both of the three months ended September 30, 2022 and 2021, respectively, and \$46 million for both of the nine months ended September 30, 2022 and 2021. The decrease for the three and nine months ended September 30, 2022 was primarily related to a decrease in

depreciation due to assets disposed of related to the Rocky Mount fulfillment center fire and assets sold as part of the Ontario distribution center and U.S. properties sale leasebacks, partially offset by an increase in software amortization associated with QVC's new enterprise resource planning system and increased channel placement amortization and related expenses.

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

Zulily's stand-alone operating results for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	amounts in millions			
Net revenue	\$ 200	328	652	1,102
Costs of goods sold	(160)	(262)	(508)	(851)
Operating expenses	(6)	(10)	(20)	(30)
SG&A expenses (excluding stock-based compensation)	(59)	(73)	(185)	(223)
Adjusted OIBDA	(25)	(17)	(61)	(2)
Restructuring charges	(3)	—	(11)	—
Stock-based compensation	(2)	(3)	(8)	(11)
Depreciation and amortization	(7)	(20)	(46)	(60)
Impairment of intangible assets	(366)	—	(366)	—
Operating income (loss)	\$ (403)	(40)	(492)	(73)

Zulily's consolidated net revenue decreased 39.0% and 40.8% for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The decrease in net revenue for the three and nine months ended September 30, 2022 was the result of a 46.0% and 47.5% decline, respectively, in total units shipped offset by a 13.6% and 12.7% increase, respectively, in ASP. The decline in shipped units primarily resulted from a 42.9% decline in active customers due to a reduction in total marketing spend and product scarcity.

Zulily's cost of goods sold as a percentage of net revenue was 80.0% and 79.9% for the three months ended September 30, 2022 and 2021, respectively, and 77.9% and 77.2% for the nine months ended September 30, 2022 and 2021, respectively. For the three months ended September 30, 2022, the increase was primarily due to unfavorable fixed costs driven mostly by sales deleverage. For the nine months ended September 30, 2022, the increase was primarily due to unfavorable fixed costs driven mostly by sales deleverage, partially offset by favorable product margin.

Operating expenses are principally comprised of credit card processing fees and customer service expenses. For the three and nine months ended September 30, 2022, operating expenses decreased compared to the corresponding period in the prior year due to decreased sales volumes.

Zulily's SG&A expenses (excluding stock-based compensation) include personnel related costs for general corporate functions, marketing and advertising expenses, information technology, and the costs associated with the use by these functions of facilities and equipment, including rent. For the three months ended September 30, 2022, as a percentage of net revenue, these expenses increased from 22.3% to 29.5% and for the nine months ended September 30, 2022, as a percentage of net revenue, these expenses increased from 20.2% to 28.4%. For the three and nine months ended September 30, 2022, the increase was primarily attributable to sales deleverage and an increase in technology spend partially offset by reduced marketing spend.

Zulily recorded \$3 million and \$11 million of restructuring charges during the three and nine months ended September 30, 2022, respectively, principally related to its regional office space strategy and expenses associated with its Pennsylvania facility closure, coupled with reduction in corporate workforce.

Zulily's total depreciation and amortization expense decreased \$13 million and \$14 million for the three and nine months ended September 30, 2022, respectively, as compared to the corresponding periods in the prior year. The decrease for the three months ended September 30, 2022 was primarily due to amortization of Zulily's customer relationship asset reaching the end of its useful life on December, 31, 2021. The decrease for the nine months ended September 30, 2022 was primarily due to amortization of Zulily's customer relationship asset reaching the end of its useful life on December, 31, 2021, partially offset by accelerated depreciation resulting from its Pennsylvania facility closure.

Zulily recorded impairments of its trademarks and goodwill in the amounts of \$140 million and \$226 million, respectively, during the three and nine months ended September 30, 2022. See note 5 in the accompanying notes to the condensed consolidated financial statements for additional information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

We are exposed to changes in interest rates primarily as a result of our borrowing and investment activities, which include investments in fixed and floating rate debt instruments and borrowings used to maintain liquidity and to fund business operations. The nature and amount of our long-term and short-term debt are expected to vary as a result of future requirements, market conditions and other factors. We manage our exposure to interest rates by maintaining what we believe is an appropriate mix of fixed and variable rate debt. We believe this best protects us from interest rate risk. We have achieved this mix by (i) issuing fixed rate debt that we believe has a low stated interest rate and significant term to maturity, (ii) issuing variable rate debt with appropriate maturities and interest rates and (iii) entering into interest rate swap arrangements when we deem appropriate. As of September 30, 2022, our debt is comprised of the following amounts:

	Variable rate debt		Fixed rate debt	
	Principal amount	Weighted average interest rate	Principal amount	Weighted average interest rate
	dollar amounts in millions			
QxH and QVC International	\$ 244	4.5 %	\$ 3,914	5.1 %
Zulily	\$ 261	4.5 %	\$ —	— %
Corporate and other	\$ 40	4.5 %	\$ 1,906	5.4 %

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 nine months ended September 30, 2022 would have been impacted by approximately \$3 million, for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

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

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the “Executives”), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company’s disclosure controls and procedures were not effective as of September 30, 2022 because of the material weakness in its internal control over financial reporting that is described below in “Material Weakness in Internal Control over Financial Reporting.”

However, giving full consideration to the material weakness, the Company’s management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company’s financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. generally accepted accounting principles (“GAAP”).

Changes in Internal Control Over Financial Reporting

In response to the material weakness described below, the Company reviewed the design of Zulily’s and QVC’s controls and began remediation activities to alleviate the noted control deficiencies. Other than these items, there was no change in the Company’s internal control over financial reporting that occurred during the Company’s quarter ended September 30, 2022, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. We have identified a material weakness related to information technology general controls (“ITGCs”) at Zulily which also impact an inventory management system in place for certain QVC and HSN fulfillment centers. These ITGCs were not designed and operating effectively to ensure (i) that access to applications and data, and the ability to make program changes, were adequately restricted to appropriate personnel, (ii) that the activities of individuals with access to modify data and make program and job changes were appropriately monitored and (iii) that changes introduced in the production environment had undergone sufficient testing and review. Our business process controls (automated and manual) and reports and information that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted.

We believe these control deficiencies are due to:

- Inadequate risk assessment to fully understand the nature and extent of risk related to certain segregation of duties, provisioning and the design of the change control environment.
- Insufficient training of IT personnel related to change management and logical access processes.
- Lack of adequate resources with knowledge of our internal controls over financial reporting related to general information technology systems.
- Failure to select and apply appropriate ITGCs with accountability enforced through formal policies and procedures.

The control deficiencies did not result in any identified misstatements.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

In response to the material weakness described above, the Company has developed a plan with oversight from the Audit Committee of the Board of Directors to remediate the material weakness. The remediation efforts are underway and include the following:

- Enhancing the ITGC risk assessment process;
- Evaluating talent and addressing identified gaps;
- Delivering training on internal control over financial reporting;
- Improving change management and logical access control activities that contributed to the ITGC material weakness including removing all inappropriate IT system access associated with the ITGC material weakness;
- Implementing user activity monitoring for control activities contributing to the ITGC material weakness; and
- Implementing additional compensating control activities over the completeness and accuracy of data provided by the affected systems.

The Company believes the foregoing efforts will remediate the material weakness described above. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weakness will require on-going review and evidence of effectiveness prior to concluding that the controls are effective.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Any further impairment of our goodwill or other intangible assets could have a material adverse effect on our business, results of operations and financial condition.

From time to time we review the recoverability of goodwill and other certain identifiable intangible assets, including whenever events or circumstances indicate that the carrying value of a reporting unit, including goodwill, or an identifiable intangible asset may not be recoverable. We may incur impairment charges on goodwill or identifiable intangible assets if we determine that the fair values of a reporting unit, including goodwill, or identifiable intangible assets are less than their current carrying values. We evaluate, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

As a result of recent financial performance of certain subsidiary businesses, macroeconomic conditions (including inflation and higher interest rates) and a decline in the Company's stock price, the Company identified significant goodwill impairments for the quarter ended September 30, 2022 for the QxH and Zulily reporting units relating to their tradenames and goodwill. These impairment charges resulted in a substantial reduction in our total stockholders' equity.

Recent business trends and global economic conditions may continue to make it a challenge for certain subsidiary businesses to be able to realize their current long-term forecast. The Company will continue to monitor its subsidiary businesses' current business performance versus the current and updated long-term forecasts, among other relevant considerations, to determine if the carrying value of its assets (including goodwill and trademarks) is appropriate. Future outlook declines in revenue, cash flows, or other factors could result in a further decrease in fair value that may result in a determination that carrying value adjustments are required, which could be material, and we could be required to record additional impairment charges on our goodwill or other identifiable intangible assets in the future, which could result in further reductions to stockholders' equity and material non-cash charges to our earnings and may negatively impact our stock price and financial condition.

We have identified a material weakness in our internal control over financial reporting, that, if not properly remediated, could adversely affect our business and results of operations.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. As described in "Item 4. Controls and Procedures," we have concluded that our disclosure controls and procedures were ineffective as of September 30, 2022 due to a material weakness in our internal control over financial reporting. The identified material weakness relates to information technology general controls ("ITGCs") at Zulily, which also include an inventory management system in place for certain QVC and HSN fulfillment centers. Specifically, the ITGCs were not designed and operating effectively to ensure (i) that access to applications and data, and the ability to make program changes, were adequately restricted to appropriate personnel, (ii) that the activities of individuals with access to modify data and make program and job changes were appropriately monitored and (iii) that changes introduced in the production environment had undergone sufficient testing and review. Our business process controls (automated and manual) that are dependent on the affected ITGCs were also deemed ineffective because they could have been adversely impacted.

While the control deficiencies identified did not result in any identified misstatements, a reasonable possibility exists that a material misstatement to the annual or interim consolidated financial statements and disclosures will not be prevented or detected on a timely basis.

As further described in "Item 4. Controls and Procedures," we are taking the necessary steps to remediate the material weakness. However, as the reliability of the internal control process requires repeatable execution, the successful on-going

remediation of this material weakness will require on-going review and evidence of effectiveness prior to concluding that the controls are effective. Therefore, we cannot assure you that the remediation efforts will remain effective following their completion in the future or that additional or a similar material weakness will not develop or be identified.

Implementing any further changes to our internal controls may distract our officers and employees and entail material costs to implement new processes and/or modify our existing processes. Moreover, these changes do not guarantee that we will be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could harm our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm the price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Programs

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

There were no repurchases of QRTEA or QRTEB during the three months ended September 30, 2022 under the Company's share repurchase program.

During the three months ended September 30, 2022, 366 shares of QRTEA, no shares of QRTEB and 11 shares of Preferred Stock were surrendered by our officers and employees to pay withholding taxes and other deductions in connection with the vesting of their restricted stock, restricted stock units, and options.

Item 6. Exhibits

(a) Exhibits

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

31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
99.1	Reconciliation of 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

CERTIFICATION

I, David Rawlinson II, certify that:

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

Date: November 4, 2022

/s/ David Rawlinson II

David Rawlinson II

President and Chief Executive Officer

CERTIFICATION

I, Brian J. Wendling, certify that:

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

Date: November 4, 2022

/s/ BRIAN J. WENDLING

Brian J. Wendling

Chief Accounting Officer and Principal Financial Officer

Certification

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

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

The Quarterly Report on Form 10-Q for the period ended September 30, 2022 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2022

/s/ DAVID RAWLINSON II

David Rawlinson II
President and Chief Executive Officer

Date: November 4, 2022

/s/ BRIAN J. WENDLING

Brian J. Wendling
Chief Accounting Officer and Principal Financial Officer

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

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

September 30, 2022

(unaudited)

amounts in millions

Qurate Retail Net Assets	\$	348
Reconciling items:		
Zulily, LLC ("Zulily") net assets		206
Cornerstone Brands, Inc. ("Cornerstone") net assets (1)		(261)
Equity investment in Cornerstone held by Liberty LLC (1)		94
Tax sharing agreement with Liberty Broadband Corporation ("Liberty Broadband")		7
Preferred Stock liability (2)		1,266
Preferred restricted stock unit liability (2)		25
Accrued preferred dividends payable (2)		4
Liberty LLC Net Assets	<u>\$</u>	<u>1,689</u>
Qurate Retail Net Earnings	\$	(2,502)
Reconciling items:		
Zulily net (earnings) loss		431
Cornerstone net (earnings) loss (1)		(47)
Cornerstone equity method investment share of earnings (loss)		18
Liberty Broadband tax sharing expense		(78)
Accrued preferred dividends payable (2)		76
Liberty LLC Net Earnings	<u>\$</u>	<u>(2,102)</u>

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