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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 June 30, 2019

OR

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

For the transition period from to

Commission File Number 000-55409

QVC, Inc.

(Exact name of Registrant as specified in its charter)

State of Delaware (State or other jurisdiction of incorporation or organization)	**23-2414041** (I.R.S. Employer Identification Number)
1200 Wilson Drive **West Chester, Pennsylvania** (Address of principal executive offices)	**19380** (Zip Code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
6.375% Senior Secured Notes due 2067	QVCD	New York Stock Exchange

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 ☒

None of the voting stock of the registrant is held by a non-affiliate of the registrant. There is no publicly traded market for any class of voting stock of the registrant. There is one holder of record of our equity, Qurate Retail Group, Inc., an indirect wholly-owned subsidiary of Qurate Retail, Inc.

QVC, Inc.
2019 QUARTERLY REPORT ON FORM 10-Q

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Item 1. Financial Statements

QVC, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

(in millions, except share amounts)		June 30, 2019	December 31, 2018
Assets			
Current assets:			
Cash and cash equivalents	$	450	543
Restricted cash		8	7
Accounts receivable, less allowance for doubtful accounts of $114 at June 30, 2019 and $112 at December 31, 2018		1,254	1,787
Inventories		1,306	1,280
Prepaid expenses and other current assets		135	216
Total current assets		3,153	3,833
Property and equipment, net of accumulated depreciation of $1,348 at June 30, 2019 and $1,281 at December 31, 2018		1,193	1,165
Operating lease right-of-use assets		148	—
Television distribution rights, net		199	140
Goodwill		5,976	5,972
Other intangible assets, net		3,661	3,666
Other noncurrent assets		69	80
Total assets	$	14,399	14,856
Liabilities and equity			
Current liabilities:			
Current portion of debt and finance lease obligations	$	20	421
Accounts payable-trade		702	1,008
Accrued liabilities		857	1,026
Total current liabilities		1,579	2,455
Long-term portion of debt and finance lease obligations		5,072	4,699
Deferred income taxes		690	700
Other long-term liabilities		315	173
Total liabilities		7,656	8,027
Equity:			
QVC, Inc. stockholder's equity:			
Common stock, $0.01 par value, 1 authorized share		—	—
Additional paid-in capital		9,139	9,123
Accumulated deficit		(2,373)	(2,269)
Accumulated other comprehensive loss		(139)	(144)
Total QVC, Inc. stockholder's equity		6,627	6,710
Noncontrolling interest		116	119
Total equity		6,743	6,829
Total liabilities and equity	$	14,399	14,856

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statements of Operations

(unaudited)

(in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net revenue	$ 2,514	2,556	$ 5,015	$ 5,158
Operating costs and expenses:				
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,578	1,589	3,188	3,245
Operating	179	209	356	422
Selling, general and administrative, including transaction related costs and stock-based compensation	268	270	538	547
Depreciation	54	43	100	87
Amortization	70	55	142	111
	2,149	2,166	4,324	4,412
Operating income	365	390	691	746
Other (expense) income:				
Equity in losses of investee	(1)	(2)	(1)	(1)
(Losses) gains on financial instruments	(1)	—	(3)	1
Interest expense, net	(60)	(68)	(121)	(133)
Foreign currency gain (loss)	—	2	(3)	1
	(62)	(68)	(128)	(132)
Income before income taxes	303	322	563	614
Income tax expense	(85)	(78)	(159)	(158)
Net income	218	244	404	456
Less net income attributable to the noncontrolling interest	(12)	(11)	(22)	(22)
Net income attributable to QVC, Inc. stockholder	$ 206	233	382	434

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
(in millions)		**2019**	**2018**	**2019**	**2018**
Net income	$	218	244	404	456
Foreign currency translation adjustments, net of tax		14	(96)	8	(26)
Total comprehensive income		232	148	412	430
Comprehensive income attributable to noncontrolling interest		(15)	(6)	(25)	(24)
Comprehensive income attributable to QVC, Inc. stockholder	$	217	142	387	406

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

		Six months ended June 30,	
(in millions)		**2019**	**2018**
Operating activities:			
Net income	$	404	456
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of investee		1	1
Deferred income taxes		(9)	1
Foreign currency loss (gain)		3	(1)
Depreciation		100	87
Amortization		142	111
Change in fair value of financial instruments and noncash interest		7	3
Stock-based compensation		20	24
Change in other long-term liabilities		(6)	2
Other non-cash charges, net		5	—
Effects of changes in working capital items		32	(33)
Net cash provided by operating activities		699	651
Investing activities:			
Capital expenditures		(153)	(74)
Expenditures for television distribution rights		(124)	(61)
Changes in other noncurrent assets		(13)	—
Other investing activities		29	(8)
Net cash used in investing activities		(261)	(143)
Financing activities:			
Principal payments of senior secured credit facility and finance lease obligations		(1,425)	(1,608)
Principal borrowings of debt from senior secured credit facility		1,795	1,458
Principal repayment of senior secured notes		(400)	—
Capital contribution received from Qurate Retail, Inc.		—	140
Dividends paid to Qurate Retail, Inc.		(469)	(243)
Dividends paid to noncontrolling interest		(28)	(23)
Other financing activities		(4)	(14)
Net cash used in financing activities		(531)	(290)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		1	4
Net (decrease) increase in cash, cash equivalents and restricted cash		(92)	222
Cash, cash equivalents and restricted cash, beginning of period		550	290
Cash, cash equivalents and restricted cash, end of period	$	458	512
Effects of changes in working capital items:			
Decrease in accounts receivable	$	539	616
Increase in inventories		(22)	(118)
Decrease (increase) in prepaid expenses and other current assets		41	(76)
Decrease in accounts payable-trade		(282)	(203)
Decrease in accrued liabilities and other		(244)	(252)
Effects of changes in working capital items	$	32	(33)

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statements of Equity

(unaudited)

	Common stock				Accumulated other		
(in millions, except share data)	Shares	Amount	Additional paid-in capital	Accumulated deficit	comprehensive loss	Noncontrolling interest	Total equity
Balance, December 31, 2017	1	$ —	8,576	(2,797)	(93)	110	5,796
Adjustments due to new accounting pronouncements	—	—	—	13	—	—	13
Net income	—	—	—	434	—	22	456
Foreign currency translation adjustments, net of tax	—	—	—	—	(28)	2	(26)
Capital contribution paid from Qurate Retail, Inc.	—	—	140	—	—	—	140
Dividends paid to Qurate Retail, Inc. and noncontrolling interest and other	—	—	—	(243)	—	(23)	(266)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(3)	—	—	(3)
Withholding taxes on net share settlements of stock-based compensation	—	—	(16)	—	—	—	(16)
Stock-based compensation	—	—	24	—	—	—	24
Balance, June 30, 2018	1	$ —	8,724	(2,596)	(121)	111	6,118

	Common stock				Accumulated other		
(in millions, except share data)	Shares	Amount	Additional paid-in capital	Accumulated deficit	comprehensive loss	Noncontrolling interest	Total equity
Balance, March 31, 2018	1	$ —	8,713	(2,818)	(30)	105	5,970
Net income	—	—	—	233	—	11	244
Foreign currency translation adjustments, net of tax	—	—	—	—	(91)	(5)	(96)
Dividends paid to Qurate Retail, Inc. and noncontrolling interest and other	—	—	—	(10)	—	—	(10)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(1)	—	—	(1)
Withholding taxes on net share settlements of stock-based compensation	—	—	(1)	—	—	—	(1)
Stock-based compensation	—	—	12	—	—	—	12
Balance, June 30, 2018	1	$ —	8,724	(2,596)	(121)	111	6,118

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Condensed Consolidated Statements of Equity

(unaudited)

	Common stock						
(in millions, except share data)	**Shares**	**Amount**	**Additional paid-in capital**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Noncontrolling interest**	**Total equity**
Balance, December 31, 2018	1	$ —	9,123	(2,269)	(144)	119	6,829
Net income	—	—	—	382	—	22	404
Foreign currency translation adjustments, net of tax	—	—	—	—	5	3	8
Dividends paid to Qurate Retail, Inc. and noncontrolling interest and other	—	—	—	(469)	—	(28)	(497)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(17)	—	—	(17)
Withholding taxes on net share settlements of stock-based compensation	—	—	(4)	—	—	—	(4)
Stock-based compensation	—	—	20	—	—	—	20
Balance, June 30, 2019	1	$ —	9,139	(2,373)	(139)	116	6,743

	Common stock						
(in millions, except share data)	**Shares**	**Amount**	**Additional paid-in capital**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Noncontrolling interest**	**Total equity**
Balance, March 31, 2019	1	$ —	9,129	(2,447)	(150)	107	6,639
Net income	—	—	—	206	—	12	218
Foreign currency translation adjustments, net of tax	—	—	—	—	11	3	14
Dividends paid to Qurate Retail, Inc. and noncontrolling interest and other	—	—	—	(115)	—	(6)	(121)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(17)	—	—	(17)
Withholding taxes on net share settlements of stock-based compensation	—	—	(1)	—	—	—	(1)
Stock-based compensation	—	—	11	—	—	—	11
Balance, June 30, 2019	1	$ —	9,139	(2,373)	(139)	116	6,743

See accompanying notes to condensed consolidated financial statements.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements

(unaudited)

(1) Basis of Presentation

QVC, Inc. and its consolidated subsidiaries ("QVC" or the "Company") is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications.

In the United States ("U.S."), QVC's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC2, HSN and HSN2. During the first quarter of 2019, the Company transitioned its Beauty iQ channel to QVC 3. The Company's U.S. programming is also available on QVC.com and HSN.com, QVC's U.S. websites; mobile applications via streaming video; over-the-air broadcasters; and over-the-top content platforms (Roku, Apple TV, Amazon Fire, Facebook, etc.).

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

Internationally, QVC's 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, QVC's 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., our 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.

The Company's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui"). QVC-Japan is owned 60% by the Company and 40% by Mitsui. The Company and Mitsui share in all profits and losses based on their respective ownership interests. During the six months ended June 30, 2019 and 2018, QVC-Japan paid dividends to Mitsui of $28 million and $23 million, respectively.

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

The Company is an indirect wholly-owned subsidiary of Qurate Retail, Inc. ("Qurate Retail") (formerly Liberty Interactive Corporation)(Nasdaq: QRTEA and QRTEB), which owns interests in a broad range of digital commerce businesses, including Qurate Retail's other wholly-owned subsidiaries Zulily, LLC ("Zulily"), HSN, Inc. ("HSN") prior to the transfer of ownership of HSN to QVC (described below), Cornerstone Brands, Inc. (former subsidiary of HSN prior to the transfer of ownership of HSN to QVC, "CBI") and other minority investments. QVC is part of the Qurate Retail Group ("QRG"), formerly QVC Group, a portfolio of brands including QVC, HSN, Zulily and CBI. On March 9, 2018, Qurate Retail, GCI Liberty, Inc. ("GCI Liberty") (formerly General Communication, Inc.), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Qurate Retail completed the previously announced transactions whereby Qurate Retail acquired GCI Liberty through a reorganization in which certain assets and liabilities attributed to Qurate Retail’s Ventures Group were contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. Qurate Retail then effected a tax-free separation of its controlling interest in the combined company. Qurate Retail's QVC Group common stock became the only outstanding common stock of Qurate Retail.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

On October 1, 2015, Qurate Retail acquired all of the outstanding shares of Zulily (now known as Zulily, LLC). Zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day for a limited time period. Zulily is not part of the results of operations or financial position of QVC presented in these condensed consolidated financial statements. During each of the six months ended June 30, 2019 and 2018, QVC and Zulily engaged in multiple transactions relating to sales, sourcing of merchandise, marketing initiatives and business advisory services. QVC allocated expenses of $4 million and $2 million to Zulily for the six months ended June 30, 2019 and 2018, respectively. Zulily allocated expenses of $4 million and $3 million to QVC for the six months ended June 30, 2019 and 2018, respectively.

On December 31, 2018, QVC amended and restated its senior secured credit facility (the "Fourth Amended and Restated Credit Agreement") increasing the revolving credit facility from $2.65 billion to $3.65 billion as explained further in note 6. The Fourth Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by QVC or Zulily. Under the terms of the Fourth Amended and Restated Credit Agreement, QVC and Zulily are jointly and severally liable for all amounts borrowed on the $400 million tranche. In accordance with the accounting guidance for obligations resulting from joint and several liability arrangements, QVC will record a liability for amounts it has borrowed under the credit facility plus any additional amount it expects to repay on behalf of Zulily. As of June 30, 2019, there was $168 million borrowed by Zulily on the $400 million tranche of the Fourth Amended and Restated Credit Agreement, none of which the Company expects to repay on behalf of Zulily.

On December 29, 2017, Qurate Retail completed the acquisition of the remaining 62% ownership interest of HSN that it did not already own in an all-stock transaction. On December 31, 2018, Qurate Retail transferred its 100% ownership interest in HSN to QVC through a transaction among entities under common control. As a result of the transaction, the assets and liabilities of HSN (excluding its ownership interest in CBI) were transferred from Qurate Retail at Qurate Retail's historical cost to QVC through an equity contribution. CBI remained a subsidiary of Qurate Retail outside of the QVC legal structure. Beginning January 1, 2019, the Company's U.S. operations and HSN were combined to form the "QxH" reportable operating segment (see note 12). As a result of the common control transaction with Qurate Retail, the Company retrospectively adjusted certain balances within the consolidated financial statements for the three and six months ended June 30, 2018, in order to combine the financial results of the Company and HSN since Qurate Retail's acquisition of HSN on December 29, 2017. All periods presented are prepared on a combined basis and are referred to as the condensed consolidated financial statements herein. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

QVC engages with CBI, which is a wholly owned subsidiary of Qurate Retail and prior to the common control transaction between QVC and Qurate Retail, included as part of HSN. CBI is not part of the results of operations or financial position of QVC presented in these consolidated financial statements. During the six months ended June 30, 2019, QVC and CBI engaged in multiple transactions relating to sourcing of merchandise, personnel and business advisory services. QVC allocated expenses of $11 million and $26 million to CBI for the six months ended June 30, 2019 and 2018, respectively. CBI allocated expenses of $1 million and $12 million to QVC for the six months ended June 30, 2019 and 2018, respectively. CBI also repaid a $29 million note receivable to QVC during the six months ended June 30, 2019.

On October 2018, QRG announced a series of initiatives designed to better position its QxH businesses (“QRG Initiatives”). As part of the QRG Initiatives, QVC will close its fulfillment centers in Lancaster, Pennsylvania and Roanoke, Virginia and has entered into an agreement to lease a new fulfillment center in Bethlehem, Pennsylvania, commencing in 2019 (see note 7).

In the fourth quarter of 2018, QVC announced the potential closure of its operations in France. The formal announcement to execute the closure was made in March 2019 and broadcasting for QVC in France was subsequently terminated on March 13, 2019.

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

The accompanying (a) condensed consolidated balance sheet as of December 31, 2018, which has been derived from audited financial statements, and (b) the interim unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for such periods have been included. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in QVC's Annual Report on Form 10-K for the year ended December 31, 2018.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates include, but are not limited to, sales returns, uncollectible receivables, inventory obsolescence, internally-developed software, valuation of acquired intangible assets and goodwill and income taxes.

Adoption of new accounting pronouncements

In February 2016 and subsequently, the Financial Accounting Standards Board ("FASB") issued new guidance which revises the accounting related to lessee accounting as part of Accounting Standards Codification ("ASC") 842. Under the new guidance, lessees are required to recognize a lease liability and a right-of-use asset for most operating leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The Company adopted ASC 842 on January 1, 2019 utilizing the modified retrospective transition approach and did not restate comparative periods. The Company elected the package of practical expedients permitted under the transition guidance, which allows it to carry forward its historical lease classification, its determination regarding whether a contract contains a lease and any initial indirect costs that had existed prior to the adoption of this new standard. The Company also elected to combine both lease and non-lease components and elected for all short leases with a term of less than 12 months to not record a related operating lease right-of-use asset and operating lease liability on the consolidated balance sheet. The Company recognized $92 million of operating lease right-of-use assets, $18 million in short-term operating lease liabilities and $87 million of long-term operating lease liabilities on the consolidated balance sheet upon adoption of the new standard. The operating lease liabilities were determined based on the present value of the remaining minimum rental payments and the operating lease right-of-use asset was determined based on the value of the lease liabilities, adjusted for deferred rent balances of $13 million, which were previously included in accrued liabilities and other long-term liabilities.

Accounting pronouncements issued but not adopted

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220),* which addresses the effect of the change in the U.S. federal corporate tax rate due to the enactment of the December 22, 2017 Tax Cuts and Jobs Act on items within accumulated other comprehensive income (loss). The Company has elected not to adopt this guidance as there would have been no significant effect of the standard on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles- Goodwill and Other- Internal-Use Software (Subtopic 350-40)*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance will be effective for the Company in the first quarter of 2020 with early adoption permitted. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(2) Television Distribution Rights, Net

Television distribution rights consisted of the following:

(in millions)		June 30, 2019	December 31, 2018
Television distribution rights	$	769	723
Less accumulated amortization		(570)	(583)
Television distribution rights, net	$	199	140

The Company recorded amortization expense of $32 million and $16 million for the three months ended June 30, 2019 and 2018, respectively, related to television distribution rights. For the six months ended June 30, 2019 and 2018, amortization expense for television distribution rights was $66 million and $32 million, respectively.

As of June 30, 2019, related amortization expense for each of the next five years ended December 31 was as follows (in millions):

Remainder of 2019	$	65
2020		117
2021		14
2022		3
2023		—

(3) Goodwill

The changes in the carrying amount of goodwill for the six months ended June 30, 2019 were as follows:

(in millions)		QxH	QVC-International	Total
Balance as of December 31, 2018	$	5,112	860	5,972
Exchange rate fluctuations		—	4	4
Balance as of June 30, 2019	$	5,112	864	5,976

(4) Other Intangible Assets, Net

Other intangible assets consisted of the following:

		June 30, 2019			December 31, 2018		
(in millions)		Gross cost	Accumulated amortization	Other intangible assets, net	Gross cost	Accumulated amortization	Other intangible assets, net
Purchased and internally developed software	$	937	(666)	271	890	(640)	250
Affiliate and customer relationships		2,830	(2,474)	356	2,831	(2,450)	381
Debt origination fees		10	(1)	9	10	—	10
Trademarks (indefinite life)		3,025	—	3,025	3,025	—	3,025
	$	6,802	(3,141)	3,661	6,756	(3,090)	3,666

The Company recorded amortization expense of $38 million and $39 million for the three months ended June 30, 2019 and 2018, respectively, related to other intangible assets. For the six months ended June 30, 2019 and 2018, amortization expense for other intangible assets was $76 million and $79 million, respectively.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

As of June 30, 2019, the related amortization and interest expense for each of the next five years ended December 31 was as follows (in millions):

Remainder of 2019	$ 84
2020	136
2021	112
2022	81
2023	67

(5) Accrued Liabilities

Accrued liabilities consisted of the following:

(in millions)	June 30, 2019	December 31, 2018
Accounts payable non-trade	$ 303	314
Allowance for sales returns	158	242
Accrued compensation and benefits	112	146
Sales and other taxes	64	101
Accrued interest	56	58
Income taxes	47	37
Deferred revenue	25	24
Accrued cable distribution fees	19	39
Other	73	65
	$ 857	1,026

(6) Long-Term Debt and Finance Lease Obligations

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

(in millions)	June 30, 2019	December 31, 2018
3.125% Senior Secured Notes due 2019, net of original issue discount	$ —	399
5.125% Senior Secured Notes due 2022	500	500
4.375% Senior Secured Notes due 2023, net of original issue discount	750	750
4.85% Senior Secured Notes due 2024, net of original issue discount	600	600
4.45% Senior Secured Notes due 2025, net of original issue discount	599	599
5.45% Senior Secured Notes due 2034, net of original issue discount	399	399
5.95% Senior Secured Notes due 2043, net of original issue discount	300	300
6.375% Senior Secured Notes due 2067	225	225
Senior secured credit facility	1,565	1,185
Finance lease obligations	178	188
Less debt issuance costs, net	(24)	(25)
Total debt and finance lease obligations	5,092	5,120
Less current portion	(20)	(421)
Long-term portion of debt and finance lease obligations	$ 5,072	4,699

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and certain of its subsidiaries and have equal priority to the senior secured credit facility. With exception of the notes in the following paragraph, the interest on QVC's senior secured notes is payable semi-annually. The 3.125% senior secured notes due 2019 were repaid in April 2019.

In September 2018, QVC completed a registered debt offering for $225 million of 6.375% Senior Secured Notes due 2067 (the "2067 Notes") at par. The proceeds were used to partially repay existing indebtedness under QVC's senior secured credit facility and for general corporate purposes. The costs to complete the financing were deferred and are being amortized to interest expense over the term of the 2067 Notes. Interest on the 2067 Notes will be paid quarterly in March, June, September and December. QVC has the option to call the 2067 Notes after 5 years at par value.

Senior Secured Credit Facility

On December 31, 2018, QVC entered into the Fourth Amended and Restated Credit Agreement with Zulily as borrowers (collectively, the “Borrowers”) which is a multi-currency facility that provides for a $3.65 billion revolving credit facility with a $450 million sub-limit for standby letters of credit and $1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Fourth Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by the Company or Zulily with a $50 million sub-limit for standby letters of credit (see note 1). The remaining $3.25 billion and any incremental loans may be borrowed only by the Company. Borrowings that are alternate base rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% and 0.75% depending on the Borrowers’ combined ratio of Consolidated Total Debt to Consolidated EBITDA (the “Combined Consolidated Leverage Ratio”). Borrowings that are London Interbank Offered Rate ("LIBOR") loans will bear interest at a per annum rate equal to the applicable LIBOR rate plus a margin that varies between 1.25% and 1.75% depending on the Borrowers’ Combined Consolidated Leverage Ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than when borrowings and letter of credit usage exceed availability; provided that, if Zulily ceases to be controlled by Qurate Retail, all of its loans must be repaid and its letters of credit cash collateralized. The facility matures on December 31, 2023. Payment of loans may be accelerated following certain customary events of default.

QVC had $1,895 million available under the terms of the Fourth Amended and Restated Credit Agreement as of June 30, 2019, including the portion available under the $400 million tranche that Zulily may also borrow on. The interest rate on the Fourth Amended and Restated Credit Agreement was 3.9% as of June 30, 2019.

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

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

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Interest Rate Swap Arrangements

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of $125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement did not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in (losses) gains on financial instruments in the accompanying condensed consolidated statements of operations. The swap arrangement expired in June 2019. In July 2019, the Company entered into a three-year interest swap arrangement with a notional amount of $125 million. The new swap arrangement will not qualify as a cash flow hedge under U.S. GAAP.

As of December 31, 2017, HSN had an outstanding interest rate swap that effectively converted $250 million of its variable rate bank credit facility to a fixed rate of 1.05% with a maturity date in January 2020. The Company accounted for the interest rate swap at fair value with changes recorded through (losses) gains on financial instruments in the condensed consolidated statements of operations. On December 31, 2018, the interest rate swap was terminated as a result of the termination of HSN's $1.25 billion five-year syndicated credit agreement entered into on January 27, 2015. Subsequently, QVC entered into a thirteen month interest rate swap arrangement with the same terms. The new swap instrument does not qualify as a cash flow hedge and the fair value of the swap instrument was in a net asset position of approximately $1 million as of June 30, 2019, which was included in prepaid expenses and other current assets.

Other Debt Related Information

QVC was in compliance with all of its debt covenants as of June 30, 2019.

The weighted average interest rate applicable to all of the outstanding debt (excluding finance leases) prior to amortization of bond discounts and related debt issuance costs was 4.6% as of June 30, 2019.

(7) Leases

The Company has finance lease agreements with transponder and transmitter network suppliers for the right to transmit its signals in the U.S., Germany and France. The Company is also party to a finance lease agreement for data processing hardware and a warehouse.

QVC also leases data processing equipment, facilities, office space and land. These leases are classified as operating leases. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future lease payments using our incremental borrowing rate. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Our leases have remaining lease terms of less than 1 year to 15 years, some of which may include the option to extend or terminate the leases.

The components of lease cost for the three and six months ended June 30, 2019, were as follows:

(in millions)		Three months ended June 30, 2019	Six months ended June 30, 2019
Finance lease cost			
Depreciation of leased assets	$	5	10
Interest on lease liabilities		2	4
Total finance lease cost		7	14
Operating lease cost		8	14
Total lease cost	$	15	28

For the three months ended June 30, 2018, the Company recorded depreciation expense on finance leases (previously referred to as capital leases) of $4 million and recorded operating lease expenses of $9 million. For the six months ended June 30, 2018 the Company recorded depreciation expense on finance leases (previously referred to as capital leases) of $8 million and recorded operating lease expenses of $18 million.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

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

	June 30, 2019
Weighted-average remaining lease term (years):	
Finance leases	9.3
Operating leases	12.1
Weighted-average discount rate:	
Finance leases	5.0%
Operating leases	6.1%

Supplemental balance sheet information related to leases was as follows:

(in millions)		June 30, 2019
Operating Leases:		
Operating lease right-of-use assets	$	148
Accrued liabilities	$	21
Other long-term liabilities	147	
Total operating lease liabilities	$	168
Finance Leases:		
Property and equipment	$	277
Accumulated depreciation		(128)
Property and equipment, net	$	149
Current portion of debt and finance lease obligations	$	20
Long-term portion of debt and finance lease obligations	158	
Total finance lease liabilities	$	178

Supplemental cash flow information related to leases was as follows:

(in millions)		Six months ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	$	12
Operating cash flows from finance leases		4
Financing cash flows from finance leases		10
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases		72
Finance leases	$	—

Future payments under noncancelable operating leases and finance leases with initial terms of one year or more as of June 30, 2019 consisted of the following:

(in millions)		Finance leases	Operating leases	Total leases
Remainder of 2019	$	15	14	29
2020		27	29	56
2021		25	20	45
2022		23	18	41
2023		22	16	38
Thereafter		117	155	272
Total lease payments		229	252	481
Less: imputed interest		(51)	(84)	(135)
Total lease liabilities	$	178	168	346

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

The Company concluded that it was the deemed owner (for accounting purposes only) of the Premises during the construction period under build to suit lease accounting. Upon opening the distribution center, the Company evaluated whether the Lease met the criteria for "sale-leaseback" treatment under U.S. GAAP and concluded that it did not and therefore treated the Lease as a financing obligation and lease payments were attributed to: (1) a reduction of the principal financing obligation; (2) imputed interest expense; and (3) land lease expense representing an imputed cost to lease the underlying land of the Premises.

In August 2018, QVC exercised the right to purchase the Premises and related land from the landlord by entering into an amended and restated agreement ("New Lease"). QVC made an initial payment of $10 million and will make annual payments of $12 million over a term of 13 years. The Company classifies the New Lease within finance lease obligations and lease payments are attributed to: (1) a reduction of the principal obligation and (2) imputed interest expense. In connection with the New Lease, QVC capitalized the related land at fair market value while the building asset is currently being depreciated over its estimated useful life of 20 years.

On October 5, 2018, QVC entered into a lease ("ECDC Lease") for an East Coast distribution center. The 1.7 million square foot rental building is located in Bethlehem, Pennsylvania and will be leased to QVC for an initial term of 15 years. QVC obtained access to a portion of the ECDC Lease during March 2019 and recorded a right of use asset of $68 million and an operating lease liability of $69 million. The Company expects the remaining portion of the lease to commence during the third quarter of 2019. Under the ECDC Lease, QVC is required to pay an initial base rent of approximately $10 million per year, with payments expected to begin in the fourth quarter of 2019 and increasing to approximately $14 million per year, as well as all real estate taxes and other building operating costs. QVC also has the option to extend the term of the ECDC Lease for up to two consecutive terms of 5 years each and one final term of 4 years.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(8) Revenue

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

	Three months ended June 30, 2019			Six months ended June 30, 2019		
(in millions)	**QxH**	**QVC-International**	**Total**	**QxH**	**QVC-International**	**Total**
Home	$ 655	231	886	1,334	478	1,812
Apparel	344	108	452	670	220	890
Beauty	317	158	475	609	301	910
Accessories	247	65	312	467	127	594
Electronics	173	22	195	354	47	401
Jewelry	93	50	143	205	102	307
Other revenue	45	6	51	92	9	101
Total net revenue	$ 1,874	640	2,514	3,731	1,284	5,015

	Three months ended June 30, 2018			Six months ended June 30, 2018		
(in millions)	**QxH**	**QVC-International**	**Total**	**QxH**	**QVC-International**	**Total**
Home	$ 651	235	886	1,377	495	1,872
Apparel	378	116	494	703	235	938
Beauty	316	158	474	622	302	924
Accessories	230	72	302	448	139	587
Electronics	164	22	186	338	48	386
Jewelry	113	48	161	245	103	348
Other revenue	48	5	53	93	10	103
Total net revenue	$ 1,900	656	2,556	3,826	1,332	5,158

Consumer Product Revenue and Other Revenue

QVC's revenue includes sales of consumer products in the following categories; home, apparel, beauty, accessories, electronics and jewelry, which are primarily sold through live merchandise-focused televised shopping programs and via our websites and other interactive media.

Other revenue consists primarily of income generated from our Private Label Credit Card ("PLCC") program in which a large consumer financial services company provides revolving credit directly to QVC's customers for the sole purpose of purchasing merchandise or services with a PLCC. In return, the Company receives a portion of the net economics of the credit card program.

Revenue Recognition

For the three and six months ended June 30, 2019 and 2018, respectively, revenue is recognized when obligations with our customer are satisfied; generally this occurs at the time of shipment to our customers consistent with when control of the shipped product passes. The recognized revenue reflects the consideration we expect to receive in exchange for transferring goods, net of allowances for returns.

The Company generally recognizes revenue related to the PLCC program over time as the PLCC is used by QVC's customers.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Sales, value add, use and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

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

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

Significant Judgments

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

(9) Income Taxes

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

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

For the three months ended June 30, 2019 and 2018, the Company recorded a tax provision of $85 million and $78 million, respectively, which represented an effective tax rate of 28.1% and 24.2%, respectively. For the six months ended June 30, 2019 and 2018, the Company recorded a tax provision of $159 million and $158 million, respectively, which represented an effective tax rate of 28.2% and 25.7%, respectively. The 2019 rate differs from the U.S. federal income tax rate of 21% due primarily to state and foreign tax expenses and valuation allowances established for foreign net operating losses and excess U.S. foreign tax credits. The 2019 effective tax rate has increased from the prior year for both periods presented primarily due to an increase in state accruals and additional valuation allowances on foreign net operating losses and foreign tax credits in the current year.

The Company participates in a consolidated federal return filing with Qurate Retail. As of June 30, 2019, the Company's tax years through 2014 are closed for federal income tax purposes, and the IRS has completed its examination of the Company's 2015, 2016, and 2017 tax years. The Company's 2018 and 2019 tax years are being examined currently as part of the Qurate Retail consolidated return under the IRS's Compliance Assurance Process program. The Company, or one of its subsidiaries, files income tax returns in various states and foreign jurisdictions. As of June 30, 2019, the Company was under examination in the states of Florida, Pennsylvania and Wisconsin and certain of the Company's subsidiaries were under examination in Germany.

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

The amounts of the tax-related balances due to Qurate Retail as ofJune 30, 2019 and December 31, 2018 were$33 million and $26 million, respectively, and were included in accrued liabilities in the accompanying condensed consolidated balance sheets.

(10) Commitments and Contingencies

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

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

(11) Financial Instruments and Fair Value Measurements

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

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

		Fair value measurements at June 30, 2019 using		
(in millions)	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Current assets:				
Cash equivalents	$ 222	222	—	—
Interest rate swap arrangements (note 6)	1	—	1	—
Debt (note 6)	4,980	226	4,754	—

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

		Fair value measurements at December 31, 2018 using		
(in millions)	**Total**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Current assets:				
Cash equivalents	$ 267	267	—	—
Interest rate swap arrangements (note 6)	5	—	5	—
Debt (note 6)	4,758	189	4,569	—

The 2067 Notes (ticker: QVCD) are considered Level 1 fair value instruments as reported in the foregoing tables as they are traded on the New York Stock Exchange, which the Company considers to be an "active market," as defined by U.S. GAAP. The remainder of the Company's Level 2 financial liabilities are debt instruments with quoted market prices that are not considered to be traded on "active markets." Accordingly, these financial instruments are reported in the foregoing tables as Level 2 fair value instruments.

(12) Information about QVC's Operating Segments

The Company evaluates performance and makes decisions about allocating resources to its operating segments based on financial measures such as net revenue, Adjusted OIBDA, gross margin, average sales price per unit, number of units shipped and revenue or sales per subscriber equivalent. The Company defines Adjusted OIBDA, a non-GAAP measure, as net revenue less cost of goods sold, operating expenses, and selling, general and administrative expenses (excluding restructuring, integration and advisory fees incurred by QVC as a result of the acquisition of HSN by Qurate Retail on December 29, 2017 as well as the closure of the France market ("transaction related costs") and stock-based compensation). The Company believes this measure is an important indicator of the operational strength and performance of its segments by identifying those items that are not directly a reflection of each segment's performance or indicative of ongoing business trends. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking among the Company's businesses and identify strategies to improve performance. This measure of performance excludes depreciation, amortization, stock-based compensation and transaction related costs that are included in the measurement of operating income pursuant to U.S. GAAP. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. GAAP.

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

During the first quarter of 2019, the Company changed its reportable operating segments to combine QVC-U.S. and HSN into one reportable segment called QxH and presented prior period information to conform with this change. As a result of the QRG Initiatives and additional synergies between QVC-U.S. and HSN, the CODM began reviewing the QVC-U.S. and HSN information as one business unit during the first quarter.

For the three and six months ended June 30, 2019, QVC has identified QxH and QVC-International as its two reportable segments. Both operating segments are retailers of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised-shopping programs as well as via the Internet and mobile applications in certain markets.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Performance measures

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
(in millions)	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA
QxH	$ 1,874	395	1,900	401	3,731	747	3,826	770
QVC-International	640	106	656	100	1,284	207	1,332	207
Consolidated QVC	$ 2,514	501	2,556	501	5,015	954	5,158	977

Other information

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
(in millions)	Depreciation	Amortization	Depreciation	Amortization	Depreciation	Amortization	Depreciation	Amortization
QxH	$ 28	67	30	52	56	136	59	105
QVC-International	26	3	13	3	44	6	28	6
Consolidated QVC	$ 54	70	43	55	100	142	87	111

	June 30, 2019		
(in millions)	Total assets	Capital expenditures	Property and equipment, net
QxH	$ 12,244	140	776
QVC-International	2,155	13	417
Consolidated QVC	$ 14,399	153	1,193

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

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2019	2018	2019	2018
Adjusted OIBDA	$ 501	501	$ 954	$ 977
Transaction related costs	(1)	(1)	(1)	(9)
Stock-based compensation	(11)	(12)	(20)	(24)
Depreciation and amortization	(124)	(98)	(242)	(198)
Equity in losses of investee	(1)	(2)	(1)	(1)
(Losses) gains on financial instruments	(1)	—	(3)	1
Interest expense, net	(60)	(68)	(121)	(133)
Foreign currency gain (loss)	—	2	(3)	1
Income before income taxes	$ 303	322	563	614

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(13) Other Comprehensive Income

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

(in millions)	Foreign currency translation adjustments	AOCL
Balance at January 1, 2019	$ (144)	(144)
Other comprehensive income attributable to QVC, Inc. stockholder	5	5
Balance at June 30, 2019	(139)	(139)
Balance at January 1, 2018	$ (93)	(93)
Other comprehensive income attributable to QVC, Inc. stockholder	(28)	(28)
Balance at June 30, 2018	(121)	(121)

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

(in millions)	Before-tax amount	Tax expense	Net-of-tax amount
Three months ended June 30, 2019			
Foreign currency translation adjustments	$ 14	—	14
Other comprehensive income	14	—	14
Three months ended June 30, 2018			
Foreign currency translation adjustments	$ (97)	1	(96)
Other comprehensive income	(97)	1	(96)
Six months ended June 30, 2019			
Foreign currency translation adjustments	$ 8	—	8
Other comprehensive income	8	—	8
Six months ended June 30, 2018			
Foreign currency translation adjustments	$ (26)	—	(26)
Other comprehensive income	(26)	—	(26)

(14) Subsequent Event

Subsequent to June 30, 2019, QVC declared and paid dividends to Qurate Retail in the amount of $170 million.

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

(15) Guarantor/Non-guarantor Subsidiary Financial Information

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

In connection with the Fourth Amended and Restated Credit Agreement (refer to Note 6) on December 31, 2018, the following subsidiaries became part of the combined subsidiary guarantors: QVC Deutschland GP, Inc.; HSN, Inc.; HSNi, LLC; HSN Holding LLC; AST Sub, Inc.; Home Shopping Network En Espanol, L.P.; Home Shopping Network En Espanol, L.L.C; H.O.T. Networks Holdings (Delaware) LLC; HSN of Nevada LLC; Ingenious Designs LLC; NLG Merger Corp.; Ventana Television, Inc. and Ventana Television Holdings, Inc. The Company has shown all of the subsidiaries of our HSN segment as combined subsidiary guarantors as of December 29, 2017, the date in which HSN became a subsidiary of QVC through a common control transaction with Qurate Retail.

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

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

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

Condensed Consolidating Balance Sheets

					June 30, 2019
(in millions)	Parent issuer-QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	$ 11	186	253	—	450
Restricted cash	5	—	3	—	8
Accounts receivable, net	783	181	290	—	1,254
Inventories	752	274	280	—	1,306
Prepaid expenses and other current assets	65	17	53	—	135
Total current assets	1,616	658	879	—	3,153
Property and equipment, net	268	236	689	—	1,193
Operating lease right-of-use assets	3	14	131	—	148
Television distribution rights, net	—	198	1	—	199
Goodwill	4,190	922	864	—	5,976
Other intangible assets, net	547	3,087	27	—	3,661
Other noncurrent assets	11	12	46	—	69
Investments in subsidiaries	5,717	943	—	(6,660)	—
Total assets	$ 12,352	6,070	2,637	(6,660)	14,399
Liabilities and equity					
Current liabilities:					
Current portion of debt and finance lease obligations	$ 3	1	16	—	20
Accounts payable-trade	372	106	224	—	702
Accrued liabilities	150	372	335	—	857
Intercompany accounts payable (receivable)	62	(1,216)	1,154	—	—
Total current liabilities	587	(737)	1,729	—	1,579
Long-term portion of debt and finance lease obligations	4,921	6	145	—	5,072
Deferred income taxes	65	684	(59)	—	690
Other long-term liabilities	152	22	141	—	315
Total liabilities	5,725	(25)	1,956	—	7,656
Equity:					
QVC, Inc. stockholder's equity	6,627	6,095	565	(6,660)	6,627
Noncontrolling interest	—	—	116	—	116
Total equity	6,627	6,095	681	(6,660)	6,743
Total liabilities and equity	$ 12,352	6,070	2,637	(6,660)	14,399

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Condensed Consolidating Balance Sheets

					December 31, 2018
(in millions)	Parent issuer-QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	$ 73	192	278	—	543
Restricted cash	5	—	2	—	7
Accounts receivable, net	1,166	307	314	—	1,787
Inventories	725	310	245	—	1,280
Prepaid expenses and other current assets	95	73	48	—	216
Total current assets	2,064	882	887	—	3,833
Property and equipment, net	281	213	671	—	1,165
Television distribution rights, net	—	139	1	—	140
Goodwill	4,190	922	860	—	5,972
Other intangible assets, net	529	3,116	21	—	3,666
Other noncurrent assets	8	20	52	—	80
Investments in subsidiaries	5,523	885	—	(6,408)	—
Total assets	$ 12,595	6,177	2,492	(6,408)	14,856
Liabilities and equity					
Current liabilities:					
Current portion of debt and capital lease obligations	$ 403	1	17	—	421
Accounts payable-trade	494	201	313	—	1,008
Accrued liabilities	358	394	274	—	1,026
Intercompany accounts (receivable) payable	(95)	(1,015)	1,110	—	—
Total current liabilities	1,160	(419)	1,714	—	2,455
Long-term portion of debt and capital lease obligations	4,540	6	153	—	4,699
Deferred income taxes	63	695	(58)	—	700
Other long-term liabilities	122	34	17	—	173
Total liabilities	5,885	316	1,826	—	8,027
Equity:					
QVC, Inc. stockholder's equity	6,710	5,861	547	(6,408)	6,710
Noncontrolling interest	—	—	119	—	119
Total equity	6,710	5,861	666	(6,408)	6,829
Total liabilities and equity	$ 12,595	6,177	2,492	(6,408)	14,856

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Condensed Consolidating Statements of Operations

	Three months ended June 30, 2019				
(in millions)	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net revenue	$ 1,423	695	693	(297)	2,514
Operating costs and expenses					
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	847	342	422	(33)	1,578
Operating	101	98	67	(87)	179
Selling, general and administrative, including transaction related costs and stock-based compensation	286	45	114	(177)	268
Depreciation	15	9	30	—	54
Amortization	18	48	4	—	70
	1,267	542	637	(297)	2,149
Operating income	156	153	56	—	365
Other (expense) income:					
Equity in losses of investee	—	—	(1)	—	(1)
Losses on financial instruments	(1)	—	—	—	(1)
Interest (expense) income, net	(59)	—	(1)	—	(60)
Foreign currency gain (loss)	1	—	(1)	—	—
Intercompany interest income (expense)	8	10	(18)	—	—
	(51)	10	(21)	—	(62)
Income before income taxes	105	163	35	—	303
Income tax expense	(32)	(32)	(21)	—	(85)
Equity in earnings of subsidiaries, net of tax	145	—	—	(145)	—
Net income	218	131	14	(145)	218
Less net income attributable to the noncontrolling interest	(12)	—	(12)	12	(12)
Net income attributable to QVC, Inc. stockholder	$ 206	131	2	(133)	206

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Condensed Consolidating Statements of Operations

	Three months ended June 30, 2018				
(in millions)	Parent issuer-QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Net revenue	$ 1,460	691	704	(299)	2,556
Operating costs and expenses					
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	858	335	433	(37)	1,589
Operating	97	123	70	(81)	209
Selling, general and administrative, including transaction related costs and stock-based compensation	273	62	116	(181)	270
Depreciation	17	9	17	—	43
Amortization	19	34	2	—	55
	1,264	563	638	(299)	2,166
Operating income	196	128	66	—	390
Other (expense) income:					
Equity in losses of investee	—	—	(2)	—	(2)
Interest expense, net	(57)	(9)	(2)	—	(68)
Foreign currency gain (loss)	6	—	(4)	—	2
Intercompany interest (expense) income	(8)	38	(30)	—	—
	(59)	29	(38)	—	(68)
Income before income taxes	137	157	28	—	322
Income tax expense	(38)	(27)	(13)	—	(78)
Equity in earnings of subsidiaries, net of tax	145	9	—	(154)	—
Net income	244	139	15	(154)	244
Less net income attributable to the noncontrolling interest	(11)	—	(11)	11	(11)
Net income attributable to QVC, Inc. stockholder	$ 233	139	4	(143)	233

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Condensed Consolidating Statements of Operations

	Six months ended June 30, 2019				
(in millions)	Parent issuer-QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated-QVC, Inc. and subsidiaries
Net revenue	$ 2,810	1,408	1,390	(593)	5,015
Operating costs and expenses					
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,692	715	851	(70)	3,188
Operating	204	192	137	(177)	356
Selling, general and administrative, including transaction related costs and stock-based compensation	559	99	226	(346)	538
Depreciation	31	18	51	—	100
Amortization	37	98	7	—	142
	2,523	1,122	1,272	(593)	4,324
Operating income	287	286	118	—	691
Other (expense) income:					
Equity in losses of investee	—	—	(1)	—	(1)
Losses on financial instruments	(3)	—	—	—	(3)
Interest expense, net	(120)	2	(3)	—	(121)
Foreign currency (loss) gain	(1)	—	(2)	—	(3)
Intercompany interest (expense) income	16	18	(34)	—	—
	(108)	20	(40)	—	(128)
Income before income taxes	179	306	78	—	563
Income tax expense	(58)	(57)	(44)	—	(159)
Equity in earnings of subsidiaries, net of tax	283	5	—	(288)	—
Net income	404	254	34	(288)	404
Less net income attributable to the noncontrolling interest	(22)	—	(22)	22	(22)
Net income attributable to QVC, Inc. stockholder	$ 382	254	12	(266)	382

Condensed Consolidating Statements of Operations

	Six months ended June 30, 2018				
(in millions)	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net revenue	$ 2,915	1,423	1,432	(612)	5,158
Operating costs and expenses					
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,736	706	880	(77)	3,245
Operating	199	249	144	(170)	422
Selling, general and administrative, including transaction related costs and stock-based compensation	552	131	229	(365)	547
Depreciation	33	18	36	—	87
Amortization	39	67	5	—	111
	2,559	1,171	1,294	(612)	4,412
Operating income	356	252	138	—	746
Other (expense) income:					
Equity in losses of investee	—	—	(1)	—	(1)
Gains on financial instruments	—	1	—	—	1
Interest expense, net	(114)	(17)	(2)	—	(133)
Foreign currency (loss) gain	2	—	(1)	—	1
Intercompany interest (expense) income	(15)	76	(61)	—	—
	(127)	60	(65)	—	(132)
Income before income taxes	229	312	73	—	614
Income tax expense	(60)	(62)	(36)	—	(158)
Equity in earnings of subsidiaries, net of tax	287	34	—	(321)	—
Net income	456	284	37	(321)	456
Less net income attributable to the noncontrolling interest	(22)	—	(22)	22	(22)
Net income attributable to QVC, Inc. stockholder	$ 434	284	15	(299)	434

Condensed Consolidating Statements of Comprehensive Income

	Three months ended June 30, 2019				
(in millions)	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net income	$ 218	131	14	(145)	218
Foreign currency translation adjustments, net of tax	14	—	14	(14)	14
Total comprehensive income	232	131	28	(159)	232
Comprehensive income attributable to noncontrolling interest	(15)	—	(15)	15	(15)
Comprehensive income attributable to QVC, Inc. stockholder	$ 217	131	13	(144)	217

Condensed Consolidating Statements of Comprehensive Income

	Three months ended June 30, 2018				
(in millions)	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net income	$ 244	139	15	(154)	244
Foreign currency translation adjustments, net of tax	(96)	—	(96)	96	(96)
Total comprehensive income	148	139	(81)	(58)	148
Comprehensive income attributable to noncontrolling interest	(6)	—	(6)	6	(6)
Comprehensive income attributable to QVC, Inc. stockholder	$ 142	139	(87)	(52)	142

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Condensed Consolidating Statements of Comprehensive Income

	Six months ended June 30, 2019				
(in millions)	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net income	$ 404	254	34	(288)	404
Foreign currency translation adjustments	8	—	8	(8)	8
Total comprehensive income	412	254	42	(296)	412
Comprehensive income attributable to noncontrolling interest	(25)	—	(25)	25	(25)
Comprehensive income attributable to QVC, Inc. stockholder	$ 387	254	17	(271)	387

Condensed Consolidating Statements of Comprehensive Income

	Six months ended June 30, 2018				
(in millions)	Parent issuer- QVC, Inc.	Combined subsidiary guarantors	Combined non-guarantor subsidiaries	Eliminations	Consolidated- QVC, Inc. and subsidiaries
Net income	$ 456	284	37	(321)	456
Foreign currency translation adjustments	(26)	—	(26)	26	(26)
Total comprehensive income	430	284	11	(295)	430
Comprehensive income attributable to noncontrolling interest	(24)	—	(24)	24	(24)
Comprehensive income attributable to QVC, Inc. stockholder	$ 406	284	(13)	(271)	406

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Condensed Consolidating Statements of Cash Flows

	Six months ended June 30, 2019				
(in millions)	**Parent issuer-QVC, Inc.**	**Combined subsidiary guarantors**	**Combined non-guarantor subsidiaries**	**Eliminations**	**Consolidated-QVC, Inc. and subsidiaries**
Operating activities:					
Net cash provided by operating activities	$ 293	383	23	—	699
Investing activities:					
Capital expenditures	(61)	(28)	(64)	—	(153)
Expenditures for television distribution rights	—	(124)	—	—	(124)
Changes in other noncurrent assets	(10)	8	(11)	—	(13)
Other investing activities	—	29	—	—	29
Intercompany investing activities	77	(319)	—	242	—
Net cash provided by (used in) investing activities	6	(434)	(75)	242	(261)
Financing activities:					
Principal payments of debt and finance lease obligations	(1,420)	—	(5)	—	(1,425)
Principal borrowings of debt from senior secured credit facility	1,795	—	—	—	1,795
Principal repayment of senior secured notes	(400)	—	—	—	(400)
Dividends paid to Qurate Retail, Inc.	(469)	—	—	—	(469)
Dividends paid to noncontrolling interest	—	—	(28)	—	(28)
Other financing activities	(4)	—	—	—	(4)
Net short-term intercompany debt borrowings (repayments)	157	(201)	44	—	—
Other intercompany financing activities	(20)	246	16	(242)	—
Net cash (used in) provided by financing activities	(361)	45	27	(242)	(531)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	—	—	1	—	1
Net decrease in cash, cash equivalents and restricted cash	(62)	(6)	(24)	—	(92)
Cash, cash equivalents and restricted cash, beginning of period	78	192	280	—	550
Cash, cash equivalents and restricted cash, end of period	$ 16	186	256	—	458

QVC, Inc.

Notes to Condensed Consolidated Financial Statements (continued)

(unaudited)

Condensed Consolidating Statements of Cash Flows

	Six months ended June 30, 2018				
(in millions)	**Parent issuer- QVC, Inc.**	**Combined subsidiary guarantors**	**Combined non-guarantor subsidiaries**	**Eliminations**	**Consolidated- QVC, Inc. and subsidiaries**
Operating activities:					
Net cash provided by operating activities	$ 345	252	54	—	651
Investing activities:					
Capital expenditures	(39)	(7)	(28)	—	(74)
Expenditures for television distribution rights	—	(60)	(1)	—	(61)
Other investing activities	—	(8)	—	—	(8)
Changes in other noncurrent assets	1	—	(1)	—	—
Intercompany investing activities	89	(105)	—	16	—
Net cash provided by (used in) investing activities	51	(180)	(30)	16	(143)
Financing activities:					
Principal payments of debt and capital lease obligations	(1,442)	(160)	(6)	—	(1,608)
Principal borrowings of debt from senior secured credit facility	1,278	180	—	—	1,458
Capital contributions received from Qurate Retail, Inc.	140	—	—	—	140
Dividends paid to Qurate Retail, Inc.	(243)	—	—	—	(243)
Dividends paid to noncontrolling interest	—	—	(23)	—	(23)
Other financing activities	(7)	(7)	—	—	(14)
Net short-term intercompany debt (repayments) borrowings	(86)	36	50	—	—
Other intercompany financing activities	(14)	5	25	(16)	—
Net cash (used in) provided by financing activities	(374)	54	46	(16)	(290)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	—	—	4	—	4
Net increase in cash, cash equivalents and restricted cash	22	126	74	—	222
Cash, cash equivalents and restricted cash, beginning of period	7	55	228	—	290
Cash, cash equivalents and restricted cash, end of period	$ 29	181	302	—	512

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; QRG initiatives; revenue growth; remediation of material weaknesses; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash and contractual obligations; interest rate swap arrangements; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- customer demand for our products and services and our ability to anticipate customer demand and to adapt to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic on our websites and our ability to convert visitors into consumers or contributors;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our future financial performance, including availability, terms and deployment of capital;
- our ability to successfully integrate and recognize anticipated efficiencies and benefits from the businesses we acquire;
- the cost and ability of shipping companies, suppliers and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
- changes in the nature of key strategic relationships with partners, distributors, suppliers and vendors;
- domestic and international economic and business conditions and industry trends;
- changes in tariffs, trade policy and trade relations following the 2016 U.S. presidential election and the vote by the United Kingdom ("U.K.") to exit from the European Union (“Brexit”);
- consumer spending levels, including the availability and amount of individual consumer debt and customer bad debt;
- advertising spending levels;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and Internet Protocol television and their impact on home shopping programming;
- rapid technological changes;
- failure to protect the security of personal information, subjecting us to potentially costly government enforcement actions and/or private litigation and reputational damage;
- the regulatory and competitive environment of the industries in which we operate;
- threatened terrorist attacks, political unrest in international markets and ongoing military action around the world;

- fluctuations in foreign currency exchange rates; and
- Qurate Retail, Inc.'s ("Qurate Retail") (formerly known as Liberty Interactive Corporation) dependence on our cash flow for servicing its debt and for other purposes.

For additional risk factors, please see Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto and our Annual Report on Form 10-K for the year ended December 31, 2018.

Overview

QVC, Inc. and its consolidated subsidiaries (unless otherwise indicated or required by the context, the terms "we," "our," "QVC" or the "Company" refer to QVC, Inc. and its consolidated subsidiaries) is a retailer of a wide range of consumer products, which are marketed and sold primarily by merchandise-focused televised shopping programs, the Internet and mobile applications.

In the United States ("U.S."), our televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC2, HSN and HSN2. During the first quarter of 2019, the Company transitioned its Beauty iQ channel to QVC 3. Our U.S. programming is also available on QVC.com and HSN.com, our U.S. websites; mobile applications via streaming video; over-the-air broadcasters; and over-the-top content platforms (Roku, Apple TV, Amazon Fire, Facebook, etc.).

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

Internationally, QVC's televised shopping programs, including live and recorded content, are distributed to households outside of the U.S., primarily in Germany, Austria, Japan, the U.K., the Republic of Ireland and Italy. In some of the countries where QVC operates, QVC's 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., our international businesses also engage customers via websites, mobile applications, and social pages. Our international business employs product sourcing teams who select products tailored to the interests of each local market.

The Company's Japanese operations ("QVC-Japan") are conducted through a joint venture with Mitsui & Co., LTD ("Mitsui"). QVC-Japan is owned 60% by the Company and 40% by Mitsui. The Company and Mitsui share in all profits and losses based on their respective ownership interests. During the six months ended June 30, 2019 and 2018, QVC-Japan paid dividends to Mitsui of $28 million and $23 million, respectively.

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

The Company is an indirect wholly-owned subsidiary of Qurate Retail(Nasdaq: QRTEA and QRTEB), which owns interests in a broad range of digital commerce businesses, including Qurate Retail's other wholly-owned subsidiaries Zulily, LLC ("Zulily"), HSN, Inc. ("HSN") prior to the transfer of ownership of HSN to QVC (described below), Cornerstone Brands, Inc. (former subsidiary of HSN prior to the transfer of ownership of HSN to QVC, "CBI") and other minority investments. QVC is part of the Qurate Retail Group ("QRG"), formerly QVC Group, a portfolio of brands including QVC, HSN, Zulily and CBI. On March 9, 2018, Qurate Retail, GCI Liberty, Inc. ("GCI Liberty") (formerly General Communication, Inc.), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Qurate Retail completed the previously announced transactions whereby Qurate Retail acquired GCI Liberty through a reorganization in which certain assets and liabilities attributed to Qurate Retail's Ventures Group were contributed to GCI Liberty in exchange for a controlling interest in GCI Liberty. Qurate Retail then effected a tax-free separation of its controlling interest in the combined company. Qurate Retail's QVC Group common stock became the only outstanding common stock of Qurate Retail.

On October 1, 2015, Qurate Retail acquired all of the outstanding shares of Zulily (now known as Zulily, LLC). Zulily is an online retailer offering customers a fun and entertaining shopping experience with a fresh selection of new product styles launched each day for a limited time period. Zulily is not part of the results of operations or financial position of QVC presented in the accompanying consolidated financial statements. During each of the six months ended June 30, 2019 and 2018QVC and Zulily engaged in multiple transactions relating to sales, sourcing of merchandise, marketing initiatives and business advisory services. QVC allocated expenses of $4 million and $2 million to Zulily for the six months ended June 30, 2019 and 2018, respectively. Zulily allocated expenses of$4 million and $3 million to QVC for the six months ended June 30, 2019 and 2018, respectively.

On December 31, 2018, QVC amended and restated its senior secured credit facility (the "Fourth Amended and Restated Credit Agreement") increasing the revolving credit facility from $2.65 billion to $3.65 billion as explained further in notes 1 and 6 in the accompanying condensed consolidated financial statements. The Fourth Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by QVC or Zulily. Under the terms of the Fourth Amended and Restated Credit Agreement, QVC and Zulily are jointly and severally liable for all amounts borrowed on the $400 million tranche. In accordance with the accounting guidance for obligations resulting from joint and several liability arrangements, QVC will record a liability for amounts it has borrowed under the credit facility plus any additional amount it expects to repay on behalf of Zulily. As of June 30, 2019, there was $168 million borrowed by Zulily on the $400 million tranche of the Fourth Amended and Restated Credit Agreement, none of which the Company expects to repay on behalf of Zulily.

On December 29, 2017, Qurate Retail completed the acquisition of the remaining62% ownership interest of HSN that it did not already own in an all-stock transaction. On December 31, 2018, Qurate Retail transferred its 100% ownership interest in HSN to QVC through a transaction among entities under common control. As a result of the transaction, the assets and liabilities of HSN (excluding its ownership interest in CBI) were transferred from Qurate Retail at Qurate Retail's historical cost to QVC through an equity contribution. CBI remained a subsidiary of Qurate Retail outside of the QVC structure. Beginning January 1, 2019, the Company's U.S. operations and HSN were combined to form the "QxH" reportable operating segment. As a result of the common control transaction with Qurate Retail, the Company retrospectively adjusted certain balances within the consolidated financial statements for the six months ended June 30, 2018, in order to combine the financial results of the Company and HSN since Qurate Retail's acquisition of HSN on December 29, 2017. All periods presented are prepared on a combined basis and are referred to as the condensed consolidated financial statements herein. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

QVC engages with CBI, which is a wholly owned subsidiary of Qurate Retail and prior to the common control transaction between QVC and Qurate Retail, included as part of HSN. CBI is not part of the results of operations or financial position of QVC presented in these consolidated financial statements. During the six months ended June 30, 2019, QVC and CBI engaged in multiple transactions relating to sourcing of merchandise, personnel and business advisory services. QVC allocated expenses of $11 million and $26 million to CBI for the six months ended June 30, 2019 and 2018, respectively. CBI allocated expenses of$1 million and $12 million to QVC for the six months ended June 30, 2019 and 2018, respectively. CBI also repaid a $29 million note receivable to QVC during the six months ended June 30, 2019.

On October 2018, QRG announced a series of initiatives designed to better position its QxH businesses ("QRG Initiatives"). As part of the QRG Initiatives, QVC will close its fulfillment centers in Lancaster, Pennsylvania and Roanoke, Virginia and has entered into an agreement to lease a new fulfillment center in Bethlehem, Pennsylvania, commencing in 2019.

In the fourth quarter of 2018, QVC announced the potential closure of its operations in France. The formal announcement to execute the closure was made in March 2019 and broadcasting for QVC in France was subsequently terminated on March 13, 2019.

Strategies and challenges of business units

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

QVC intends to employ several strategies to achieve these objectives. Among these strategies are to (i) extend the breadth, relevance and exposure of the QVC and HSN brands; (ii) source products that represent unique quality and value; (iii) create engaging, video-rich shopping experiences across our broadcast networks, websites, mobile applications and social pages; (iv) leverage customer loyalty and continue multi-platform expansion; and (v) create a compelling and differentiated customer service experience. In addition, we are exploring opportunities to evolve the International operating model to pursue growth opportunities in a more leveraged way across markets.

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

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

On June 23, 2016, the U.K. held a referendum in which British citizens approved an exit from the European Union (the "E.U."), commonly referred to as "Brexit." As a result of the referendum, the global markets and currencies have been adversely impacted, including a sharp decline in the value of the U.K. Pound Sterling as compared to the U.S. Dollar. Volatility in exchange rates is expected to continue in the short term as the U.K. negotiates its exit from the E.U. In the longer term, any impact from Brexit on us will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, or whether the U.K. will leave the E.U. with any agreement as to the terms of its withdrawal, it is possible that new terms may adversely affect our operations and financial results in a number of ways, not all of which are currently readily apparent. The U.K. is scheduled to withdraw from the E.U. no later than October 31, 2019. The U.K. government's draft agreement on the withdrawal of the U.K. from the E.U. was defeated in the House of Commons on January 15, 2019. As a result, the final terms of the U.K.'s exit from the E.U. are, and will remain for the immediate future, unclear. The U.K. may leave the E.U. without any agreement as to the terms of its withdrawal or the future economic relationship between the U.K. and the E.U. It is also possible that the U.K. will withdraw its notification to leave the E.U. or that there will be a second referendum on Brexit.

The current President of the U.S. has expressed apprehension towards trade agreements, such as the Trans-Pacific Partnership, and suggested that the U.S. would renegotiate or withdraw from certain trade agreements. He has advocated for and imposed tariffs on certain goods imported into the U.S., particularly from China. On January 23, 2017, the President of the U.S. signed a presidential memorandum to withdraw the U.S. from the Trans-Pacific Partnership. On October 1, 2018, the U.S., Mexico and Canada agreed to the terms of the United States-Mexico-Canada Agreement, a successor to the North American Free Trade Agreement, which will impact imports and exports among those countries. These and other proposed actions, if implemented, could adversely affect our business because we sell imported products.

Results of Operations

QVC's operating results were as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2019**	**2018**	**2019**	**2018**
Net revenue	$ 2,514	2,556	5,015	5,158
Operating costs and expenses:				
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	1,578	1,589	3,188	3,245
Operating	179	209	356	422
Selling, general and administrative, excluding transaction related costs and stock-based compensation	256	257	517	514
Adjusted OIBDA (defined below)	501	501	954	977
Transaction related costs	1	1	1	9
Stock-based compensation	11	12	20	24
Depreciation	54	43	100	87
Amortization	70	55	142	111
Operating income	365	390	691	746
Other (expense) income:				
Equity in losses of investee	(1)	(2)	(1)	(1)
(Losses) gains on financial instruments	(1)	—	(3)	1
Interest expense, net	(60)	(68)	(121)	(133)
Foreign currency gain (loss)	—	2	(3)	1
	(62)	(68)	(128)	(132)
Income before income taxes	303	322	563	614
Income tax expense	(85)	(78)	(159)	(158)
Net income	218	244	404	456
Less net income attributable to the noncontrolling interest	(12)	(11)	(22)	(22)
Net income attributable to QVC, Inc. stockholder	$ 206	233	382	434

Net revenue

Net revenue by segment was as follows:

(in millions)		Three months ended June 30, 2019	2018	Six months ended June 30, 2019	2018
QxH	$	1,874	1,900	3,731	3,826
QVC-International		640	656	1,284	1,332
Consolidated QVC	$	2,514	2,556	5,015	5,158

QVC's consolidated net revenue decreased 1.6% and 2.8% for the three and six months ended June 30, 2019, respectively, as compared to the corresponding period in the prior year. The three month decrease in net revenue is primarily due to a 0.6% decrease in units shipped and $26 million in unfavorable foreign exchange rates across all markets, which was partially offset by a slight increase in average selling price per unit ("ASP"). The six months decrease in net revenue is primarily due to a 1.9% decrease in units shipped and $61 million in unfavorable foreign exchange rates across all markets, which was partially offset by a $23 million decrease in estimated product returns, primarily driven by the decrease in sales volume at QxH and a slight increase in ASP driven by the international market.

During the three and six months ended June 30, 2019 and 2018, the changes in revenue and expenses were affected by changes in the exchange rates for the U.K. Pound Sterling, the Euro and the Japanese Yen. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

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

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

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	U.S. Dollars	Foreign Currency Exchange Impact	Constant Currency	U.S. Dollars	Foreign Currency Exchange Impact	Constant Currency
QxH	(1.3)%	— %	(1.3)%	(2.5)%	— %	(2.5)%
QVC-International	(2.4)%	(3.7)%	1.3 %	(3.6)%	(4.6)%	1.0 %

QxH net revenue decrease for the three months ended June 30, 2019 was primarily due to a 2.6% decrease in ASP partially offset by a 1.2% increase in units shipped. For the three months ended June 30, 2019, QxH experienced shipped sales declines in jewelry and apparel, partially offset by growth in accessories and electronics while home and beauty remained flat. For the six months ended June 30, 2019, QxH net revenue decreased due to a 1.7% decrease in units shipped and a 1.3% decline in ASP which was partially offset by a $23 million decrease in estimated product returns, primarily driven by the decrease in sales volume. For the six months ended June 30, 2019, QxH experienced shipped sales decline in all categories except accessories and electronics.

QVC-International net revenue growth in constant currency for the three months ended June 30, 2019 was primarily due to a 6.7% increase in ASP, driven by ASP increases in all markets as well as a $2 million decrease in estimated product returns which was partially offset by a 4.5% decrease in units shipped driven by Germany and the U.K. The decrease in estimated product returns was primarily due to a lower return rate offset by increased sales volume. QVC-International net revenue growth in constant currency for the six months ended June 30, 2019 was primarily due to a 3.8% increase in ASP in all markets, which was partially offset by a 2.3% decrease in units shipped driven by Germany and the U.K. For both the three and six months ended June 30, 2019, QVC-International experienced shipped sales growth in constant currency in all categories except accessories.

Cost of goods sold (excluding depreciation and amortization)

QVC's cost of goods sold as a percentage of net revenue was 62.8% and 63.6% for the three and six months ended June 30, 2019, respectively, compared to 62.2% and 62.9% for the three and six months ended June 30, 2018, respectively. The increase in cost of goods sold as a percentage of revenue is primarily due to an increase in product fulfillment costs at QxH.

Operating expenses

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees and telecommunications expenses. Operating expenses decreased $30 million or 14% and $66 million or 16% for the three and six months ended June 30, 2019, respectively, as compared to the three and six months ended June 30, 2018.

For the three months ended June 30, 2019, operating expenses decreased primarily due to a $25 million decrease in commissions at QxH, a $4 million decrease in personnel costs at QxH and a $2 million decrease due to favorable exchange rates. For the six months ended June 30, 2019, operating expenses decreased primarily due to a $53 million decrease in commissions at QxH, an $8 million decrease in personnel costs at QxH and a $5 million decrease due to favorable exchange rates. The decrease in commissions for both comparable periods is primarily due to new longer term television distribution rights agreements entered into at HSN, which led to increased capitalization of television distribution rights agreements and favorable terms on commissions.

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

QVC's selling, general, and administrative expenses (excluding transaction related costs as defined below and stock-based compensation) include personnel, information technology, provision for doubtful accounts, production costs, and marketing and advertising expenses. Such expenses decreased $1 million and increased $3 million for the three and six months ended June 30, 2019, respectively, as compared to the three and six months ended June 30, 2018. As a percentage of net revenue, such expenses were 10.2% and 10.3% for the three and six months ended June 30, 2019, respectively and were 10.1% and 10.0% for the three and six months ended June 30, 2018, respectively.

For the three months ended June 30, 2019, the decrease was primarily due to a $7 million decrease in personnel costs primarily in QxH, France and the U.K. offset by increases in Japan, and a $4 million decrease due to favorable exchange rates. The decreases were partially offset by a $6 million increase in bad debt expense and a $5 million increase in outside services primarily in QxH. For the six months ended June 30, 2019, the increase was primarily due to a $5 million increase in online marketing expenses primarily in QxH, a $10 million increase in bad debt expense and a $9 million increase in outside services primarily in QxH. These increases were partially offset by a $13 million decrease in personnel costs primarily in QxH, France and the U.K. offset by increases in Japan and Germany, and a $9 million decrease due to favorable exchange rates. The increase in bad debt expense for both comparable periods is primarily due to increased Easy Pay usage and the number of installments taken at QxH, and to a lesser extent, Germany.

Transaction related costs

Transaction related costs include restructuring, integration, and advisory fees ("transaction related costs") that were incurred by QVC as it relates to Qurate Retail's acquisition of HSN on December 29, 2017 as well as the closure of France operations that was effective in March 2019. QVC recorded $1 million in transaction related costs for both the three and six months ended June 30, 2019 and recorded $1 million and $9 million in transaction related costs for the three and six months ended June 30, 2018, respectively.

Stock-based compensation

Stock-based compensation includes compensation related to options and restricted stock units granted to certain officers and employees. QVC recorded $11 million and $20 million of stock-based compensation expense for the three and six months ended June 30, 2019, respectively, and recorded $12 million and $24 million of stock-based compensation expense for the three and six months ended June 30, 2018, respectively. The decrease in stock compensation expense is primarily due to forfeitures of non-vested options from terminated individuals.

Depreciation and amortization

Depreciation and amortization consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2019**	**2018**	**2019**	**2018**
Affiliate agreements	$ 1	1	2	2
Customer relationships	12	12	24	24
Other technology	4	4	8	8
Acquisition related amortization	17	17	34	34
Property and equipment	54	43	100	87
Software amortization	22	22	44	46
Channel placement amortization and related expenses	31	16	64	31
Total depreciation and amortization	$ 124	98	242	198

For the three and six months ended June 30, 2019, channel placement amortization expense increased primarily due to new television distribution contracts entered into at HSN. For the three and six months ended June 30, 2019, property and equipment depreciation increased due to the disposition of assets in France.

Equity in losses of investee

The loss that was associated with our joint venture in China is accounted for as equity method investments.

Interest expense, net

For the three and six months ended June 30, 2019, consolidated interest expense, net decreased $8 million and $12 million, respectively, as compared to the corresponding periods in the prior year. The decreases are primarily related to a decrease in the average debt balances during the three and six months ended June 30, 2019 compared to June 30, 2018.

Foreign currency (loss) gain

Certain loans between QVC and its subsidiaries are deemed to be short-term in nature, and accordingly, the translation of these loans is recorded in the condensed consolidated statements of operations. For the three and six months ended June 30, 2019, the change in foreign currency loss was also due to variances in interest and operating payables balances between QVC and its international subsidiaries denominated in the currency of the subsidiary and the effects of currency exchange rate changes on those balances.

Income taxes

Our effective tax rate was 28.1% and 28.2% for the three and six months ended June 30, 2019, respectively, compared to an effective tax rate of 24.2% and 25.7% for the three and six months ended June 30, 2018, respectively. The 2019 rate differs from the U.S. federal income tax rate of 21% due primarily to state and foreign tax expenses, and valuation allowances established for foreign net operating losses and excess U.S. foreign tax credits. The 2019 effective tax rate has increased from the prior year for both periods presented primarily due to an increase in state accruals and additional valuation allowances on foreign net operating losses and foreign tax credits in the current year.

Adjusted Operating Income before Depreciation and Amortization (Adjusted OIBDA)

To provide investors with additional information regarding our financial statements, we disclose Adjusted OIBDA, which is a non-GAAP measure. QVC defines Adjusted OIBDA as net revenue less cost of goods sold, operating expenses and selling, general and administrative expenses (excluding transaction related costs and stock-based compensation). QVC's chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate the businesses and make decisions about allocating resources among the businesses. QVC believes that this is an important indicator of the operational strength and performance of the segments by identifying those items that are not directly a reflection of each segment's performance or indicative of ongoing business trends. In addition, this measure allows QVC to view operating results, perform analytical comparisons and perform benchmarking among its businesses and identify strategies to improve performance. This measure of performance excludes such costs as depreciation, amortization, stock-based compensation and transaction related costs (including restructuring, integration, and advisory fees) that are included in the measurement of operating income pursuant to U.S. generally accepted accounting principles ("U.S. GAAP"). Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. GAAP.

The primary material limitations associated with the use of Adjusted OIBDA as compared to U.S. GAAP results are (i) it may not be comparable to similarly titled measures used by other companies in the industry, and (ii) it excludes financial information that some may consider important in evaluating QVC's performance. QVC compensates for these limitations by providing disclosure of the difference between Adjusted OIBDA and U.S. GAAP results, including providing a reconciliation of Adjusted OIBDA to U.S. GAAP results, to enable investors to perform their own analysis of QVC's operating results. *Refer to note 12 to the accompanying condensed consolidated financial statements for a reconciliation of Adjusted OIBDA to income before income taxes*.

Seasonality

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

Financial Position, Liquidity and Capital Resources

General

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

As of June 30, 2019, substantially all of QVC's cash and cash equivalents were invested in AAA rated money market funds and time deposits with banks rated equal to or above A.

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and certain of its subsidiaries and have equal priority to the senior secured credit facility. With exception of the 6.375% Senior Secured Notes due 2067, in which the interest is payable quarterly, the interest on QVC's senior secured notes is payable semi-annually.

Senior Secured Credit Facility

On December 31, 2018, QVC entered into the Fourth Amended and Restated Credit Agreement with Zulily as borrowers (collectively, the “Borrowers”) which is a multi-currency facility that provides for a $3.65 billion revolving credit facility with a $450 million sub-limit for standby letters of credit and $1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Fourth Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by the Company or Zulily with a $50 million sub-limit for standby letters of credit. The remaining $3.25 billion and any incremental loans may be borrowed only by the Company. Borrowings that are alternate base rate loans will bear interest at a per annum rate equal to the base rate plus a margin that varies between 0.25% and 0.75% depending on the Borrowers’ combined ratio of Consolidated Total Debt to Consolidated EBITDA for the most recent four fiscal quarter period (the “Combined Consolidated Leverage Ratio”). Borrowings that are London Interbank Offered Rate ("LIBOR") loans will bear interest at a per annum rate equal to the applicable LIBOR rate plus a margin that varies between 1.25% and 1.75% depending on the Borrowers’ Combined Consolidated Leverage Ratio. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs. No mandatory prepayments will be required other than when borrowings and letter of credit usage exceed availability; provided that, if Zulily ceases to be controlled by Qurate Retail, all of its loans must be repaid and its letters of credit cash collateralized. The facility matures on December 31, 2023. Payment of loans may be accelerated following certain customary events of default.

QVC had $1,895 million available under the terms of the Fourth Amended and Restated Credit Agreement as of June 30, 2019, including the portion available under the $400 million tranche that Zulily may also borrow on. The interest rate on the Fourth Amended and Restated Credit Agreement was 3.9% as of June 30, 2019.

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

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

Other Debt Related Information

QVC was in compliance with all of its debt covenants as of June 30, 2019.

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

Interest Rate Swap Arrangements

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of $125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement did not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in (losses) gains on financial instruments in the accompanying condensed consolidated statements of operations. The swap arrangement expired in June 2019. In July 2019, the Company entered into a three-year interest swap arrangement with a notional amount of $125 million. The new swap arrangement will not qualify as a cash flow hedge under U.S. GAAP.

As of December 31, 2017, HSN had an outstanding interest rate swap that effectively converted $250 million of its variable rate bank credit facility to a fixed rate of 1.05% with a maturity date in January 2020. The Company accounted for the interest rate swap at fair value with changes recorded through (losses) gains on financial instruments in the condensed consolidated statements of operations. On December 31, 2018, the interest rate swap was terminated as a result of the termination of HSN's $1.25 billion five-year syndicated credit agreement entered into on January 27, 2015. Subsequently, QVC entered into a thirteen month interest rate swap arrangement with the same terms. The new swap instrument does not qualify as a cash flow hedge and the fair value of the swap instrument was in a net asset position of approximately $1 million as of June 30, 2019, which was included in prepaid expenses and other current assets.

Additional Cash Flow Information

During the six months ended June 30, 2019, QVC's primary uses of cash were $1,425 million of principal payments of the senior secured credit facility and finance lease obligations, $469 million of dividends to Qurate Retail, $400 million of principal repayments of our senior secured notes, $277 million of capital and television distribution rights expenditures and $28 million in dividend payments from QVC-Japan to Mitsui. These uses of cash were funded primarily with $1,795 million of principal borrowings from the senior secured credit facility and $699 million of cash provided by operating activities. As of June 30, 2019, QVC's cash, cash equivalents and restricted cash balance was $458 million.

During the six months ended June 30, 2018, QVC's primary uses of cash were $1,608 million of principal payments on debt and finance lease obligations, $243 million of dividends to Qurate Retail, $135 million of capital and television distribution rights expenditures and $23 million in dividend payments from QVC-Japan to Mitsui. These uses of cash were funded primarily with $1,458 million of principal borrowings from the senior secured credit facility, $651 million of cash provided by operating activities and a $140 million capital contribution from Qurate Retail. As of June 30, 2018, QVC's cash, cash equivalents balance and restricted cash was $512 million.

The change in cash provided by operating activities for the six months ended June 30, 2019 compared to the previous year was primarily due to changes in working capital offset by lower net income. Working capital at any specific point in time is subject to many variables, including seasonality, inventory management, the timing of cash receipts and payments, vendor payment terms, and fluctuations in foreign exchange rates.

As of June 30, 2019, $210 million of the $458 million in cash, cash equivalents and restricted cash was held by foreign subsidiaries. Cash in foreign subsidiaries is available for domestic purposes with no significant tax consequences upon repatriation to the U.S. QVC accrues taxes on the unremitted earnings of its international subsidiaries. Approximately 64% of this foreign cash balance was that of QVC-Japan. QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui. We believe that we currently have appropriate legal structures in place to repatriate foreign cash as tax efficiently as possible and meet the business needs of QVC.

Other

Capital expenditures in 2019 are expected to be between $330 to $350 million, including $153 million already expended and $48 million in non-cash capital additions for the six months ended June 30, 2019.

Refer to the chart under the "Off-balance Sheet Arrangements and Aggregate Contractual Obligations" section below for additional information concerning the amount and timing of expected future payments under QVC's contractual obligations as of June 30, 2019.

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

Off-balance Sheet Arrangements and Aggregate Contractual Obligations

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations as of June 30, 2019 is summarized below:

						Payments due by period	
(in millions)	**Remainder of 2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Long-term debt (1)	$ —	—	—	500	2,315	2,125	4,940
Interest payments (2)	116	235	234	234	192	1,270	2,281
Finance lease obligations (including imputed interest)	15	27	25	23	22	117	229
Operating lease obligations	$ 14	29	20	18	16	155	252

(1) Amounts exclude Finance lease obligations and the issue discounts on the 4.375%, 4.45%, 4.85%, 5.45% and 5.95% Senior Secured Notes.

(2) Amounts (i) are based on the terms of QVC's senior secured credit facility and senior secured notes, (ii) assumes the interest rates on the floating rate debt remain constant at the rates in effect as of June 30, 2019, (iii) assumes that our existing debt is repaid at maturity and (iv) excludes finance lease obligations.

Adoption of new accounting pronouncements

In February 2016 and subsequently, the Financial Accounting Standards Board ("FASB") issued new guidance which revises the accounting related to lessee accounting as part of Accounting Standards Codification ("ASC") 842. Under the new guidance, lessees are required to recognize a lease liability and a right-of-use asset for most operating leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The Company adopted ASC 842 on January 1, 2019 utilizing the modified retrospective transition approach and did not restate comparative periods. The Company elected the package of practical expedients permitted under the transition guidance, which allows it to carry forward its historical lease classification, its determination regarding whether a contract contains a lease and any initial indirect costs that had existed prior to the adoption of this new standard. The Company also elected to combine both lease and non-lease components and elected for all short leases with a term of less than 12 months to not record a related operating lease right-of-use asset and operating lease liability on the consolidated balance sheet. The Company recognized $92 million of operating lease right-of-use assets, $18 million in short-term operating lease liabilities and $87 million of long-term operating lease liabilities on the consolidated balance sheet upon adoption of the new standard. The operating lease liabilities were determined based on the present value of the remaining minimum rental payments and the operating lease right-of-use asset was determined based on the value of the lease liabilities, adjusted for deferred rent balances of $13 million, which were previously included in accrued liabilities and other long-term liabilities.

Accounting pronouncements issued but not adopted

In February 2018, the FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220),* which addresses the effect of the change in the U.S. federal corporate tax rate due to the enactment of the December 22, 2017 Tax Cuts and Jobs Act on items within accumulated other comprehensive income (loss). The Company has elected not to adopt this guidance as there would have been no significant effect of the standard on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles- Goodwill and Other- Internal-Use Software (Subtopic 350-40)*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance will be effective for the Company in the first quarter of 2020 with early adoption permitted. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest rate risk

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

The table below summarizes the Company's debt obligations, related interest rates and fair value of debt at June 30, 2019:

(in millions, except percentages)		Remainder of 2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
Fixed rate debt (1)	$	—	—	—	500	750	2,125	3,375	3,415
Weighted average interest rate on fixed rate debt		—%	—%	—%	5.1%	4.4%	5.2%	5.0%	N/A
Variable rate debt (1)	$	—	—	—	—	1,565	—	1,565	1,565
Average interest rate on variable rate debt		—%	—%	—%	—%	3.9%	—%	3.9%	N/A

(1) Amounts exclude finance lease obligations and the issue discounts on the 4.375%, 4.45%, 4.85%, 5.45% and 5.95% Senior Secured Notes.

N/A - Not applicable.

During the year ended December 31, 2016, QVC entered into a three-year interest rate swap arrangement with a notional amount of $125 million to mitigate the interest rate risk associated with interest payments related to its variable rate debt. The swap arrangement did not qualify as a cash flow hedge under U.S. GAAP. Accordingly, changes in the fair value of the swap are reflected in (losses) gains on financial instruments in the accompanying condensed consolidated statements of operations. The swap arrangement expired in June 2019. In July 2019, the Company entered into a three-year interest swap arrangement with a notional amount of $125 million. The new swap arrangement will not qualify as a cash flow hedge under U.S. GAAP.

As of December 31, 2017, HSN had an outstanding interest rate swap that effectively converted $250 million of its variable rate bank credit facility to a fixed rate of 1.05% with a maturity date in January 2020. The Company accounted for the interest rate swap at fair value with changes recorded through (losses) gains on financial instruments in the condensed consolidated statements of operations. On December 31, 2018, the interest rate swap was terminated as a result of the termination of HSN's $1.25 billion five-year syndicated credit agreement entered into on January 27, 2015. Subsequently, QVC entered into a thirteen month interest rate swap arrangement with the same terms. The new swap instrument does not qualify as a cash flow hedge and the fair value of the swap instrument was in a net asset position of approximately $1 million as of June 30, 2019, which was included in prepaid expenses and other current assets. A 1% change in the one-month U.S. LIBOR rate (floating portion of the interest rate swap) will result in a change in the value of the swap instrument of less than $2 million.

Foreign currency exchange rate risk

QVC is exposed to foreign exchange rate fluctuations related to the monetary assets and liabilities and the financial results of its foreign subsidiaries. Assets and liabilities of foreign subsidiaries for which the functional currency is the local currency are translated into U.S. Dollars at period-end exchange rates, and the statements of operations are translated at the average exchange rate for the period. Exchange rate fluctuations on translating foreign currency financial statements into U.S. Dollars that result in unrealized gains or losses are referred to as translation adjustments. Cumulative translation adjustments are recorded in other comprehensive income as a separate component of stockholder's equity. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses, which are reflected in income as unrealized (based on period-end transactions) or realized upon settlement of the transactions. Cash flows from operations in foreign countries are translated at the average rate for the period. Accordingly, QVC may experience economic loss and a negative impact on earnings and equity with respect to its holdings solely as a result of foreign currency exchange rate fluctuations. QVC's reported Adjusted OIBDA for the three and six months ended June 30, 2019 would have been impacted by approximately $1 million and $2 million, respectively, for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

The Fourth Amended and Restated Credit Agreement provides QVC with the ability to borrow in multiple currencies. This allows QVC to somewhat mitigate foreign currency exchange rate risks. As of June 30, 2019, no borrowings in foreign currencies were outstanding.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2019 because of the material weaknesses in our internal control over financial reporting as discussed in more detail in our Form 10-K for the year ended December 31, 2018. Management has continued to monitor the implementation of the remediation plan described in our 10-K for the year ended December 31, 2018, as described below.

Changes in Internal Control Over Financial Reporting

During the three months ending June 30, 2019, we continued to review the design of our controls, made adjustments and continued implementing controls to alleviate the noted control deficiencies. Other than these items, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Remediation Plan for Material Weaknesses in Internal Control Over Financial Reporting

In response to the material weaknesses identified in Management’s Report on Internal Control Over Financial Reporting as set forth in Part II, Item 9A in our Annual Report on Form 10-K for the year ended December 31, 2018, the Company developed a plan with oversight from the Audit Committee of the Board of Directors of Qurate Retail to remediate the material weaknesses. The remediation efforts being implemented include the following:

- Improvement of the design and operation of control activities and procedures associated with user and administrator access to the affected IT systems, including removing all inappropriate IT system access associated with the information technology general controls ("ITGCs") material weakness;
- Improvement of change management and computer operation control activities that contributed to the ITGC material weakness;
- Implementation of user activity monitoring for control activities contributing to the ITGC material weakness;
- Delivery of training to control owners addressing control operating protocols including ITGCs and policies; and
- Enhancement of the design and operation of control activities meant to validate the completeness and accuracy of revenue recorded in the U.K.

The Company believes the foregoing efforts will remediate the material weaknesses disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weaknesses will require on-going review and evidence of effectiveness prior to concluding that the controls are effective. Our remediation efforts are underway, and we expect that the remediation of these material weaknesses will be completed prior to the end of 2019.

Additionally, the Company will continue to enhance the ITGC and U.K. revenue risk assessment process, evaluate talent and address identified gaps, deliver training on internal control over financial reporting, and monitor information system access and program changes to determine whether additional adjustments should be made to reduce or eliminate the occurrence of access and program change management issues.

PART II

Item 6. Exhibits

(a) *Exhibits*

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

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

*Filed herewith.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QVC, Inc.

Date: August 8, 2019	By:/s/ MICHAEL A. GEORGE
	Michael A. George
	President and Chief Executive Officer (Principal Executive Officer)
Date: August 8, 2019	By:/s/ JEFFREY A. DAVIS
	Jeffrey A. Davis
	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Michael A. George, certify that:

1. I have reviewed this report on Form 10-Q of QVC, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

By:/s/ MICHAEL A. GEORGE

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

Exhibit 31.2

CERTIFICATION

I, Jeffrey A. Davis, certify that:

1. I have reviewed this report on Form 10-Q of QVC, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

By:/s/ JEFFREY A. DAVIS

Jeffrey A. Davis

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

Exhibit 32.1

Certification

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

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

The Report on Form 10-Q for the quarter endedJune 30, 2019 (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: August 8, 2019	By:/s/ MICHAEL A. GEORGE
	Michael A. George
	President and Chief Executive Officer (Principal Executive Officer)
Date: August 8, 2019	By:/s/ JEFFREY A. DAVIS
	Jeffrey A. Davis
	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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