Table of Contents -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 001-38654

QVC, Inc.

(Exact name of Registrant as specified in its charter)

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

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
6.375% Senior Secured Notes due 2067	QVCD	New York Stock Exchange
6.250% Senior Secured Notes due 2068	QVCC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, $0.01 par value**

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ▯ Smaller reporting company Emerging growth
▯ company ▯

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

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

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

None of the voting or non-voting common stock of the registrant is held by a non-affiliate of the registrant. There is no publicly traded market for any class of voting or non-voting common 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.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS I(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PERMITTED BY GENERAL INSTRUCTION I(2)

QVC, Inc.
2020 ANNUAL REPORT ON FORM 10-K

Table of Contents

PART I

Item 1. Business

Overview

QVC, Inc. and its consolidated subsidiaries (unless otherwise indicated or required by the context, the terms "we," "our," "us," the "Company," and "QVC" refer to QVC, Inc. and its consolidated subsidiaries) curates and sells a wide variety of consumer products via highly engaging, video-rich, interactive shopping experiences, distributed to approximately 218 million worldwide households each day (excluding our joint venture in China as discussed below in further detail) through our broadcast networks. We also reach audiences through our websites (including QVC.com, HSN.com and others); virtual multichannel video programming distributors (including Hulu + Live TV, AT&T TV and as of January 2021, YouTube TV); our applications via streaming video; Facebook Live, Roku, Apple TV, and Amazon Fire; mobile applications; our social pages and over-the-air broadcasters. We believe we are a global leader in video retailing, e-commerce, mobile commerce and social commerce, with operations based in the United States ("U.S."), Germany, Japan, the United Kingdom ("U.K."), and Italy.

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

For the year ended December 31, 2020, approximately 92% of QVC's worldwide shipped sales were from repeat and reactivated customers (i.e., customers who made a purchase from us during the prior twelve months and customers who previously made a purchase from us but not during the prior twelve months). In the same period, QVC attracted approximately 4.7 million new customers and the global e-commerce operation comprised $6.4 billion, or 56.2%, of QVC's consolidated net revenue for the year ended December 31, 2020.

We offer a wide assortment of high-quality merchandise and classify our products into six groups: home, beauty, apparel, jewelry, accessories and electronics. It is our product sourcing team's mission to research and curate compelling and differentiated products from manufacturers who have sufficient scale to meet anticipated demand. We offer many exclusive and proprietary products, leading national brands and limited distribution brands offering unique items. Many of our products are endorsed by celebrities, designers and other well-known personalities who often join our presenters on our live programming and provide lead-in publicity on their own social pages, websites and other customer touchpoints. We believe that our ability to demonstrate product features and present “faces and places” differentiates and defines the QVC shopping experience. We closely monitor customer demand and our product mix to remain well-positioned and relevant in popular and growing retail segments, which we believe is a significant competitive advantage relative to competitors who operate brick-and-mortar stores.

We operate fifteen distribution centers and eight call centers worldwide. In 2020, our work force consisted of approximately 22,200 employees who handled approximately 115 million customer calls, shipped approximately 239 million units globally and served approximately 16.5 million unique customers. We believe our long-term relationships with major U.S. television distributors, including cable operators (e.g., Comcast, Charter Communications and Cox), satellite television providers (e.g., DISH Network and DIRECTV) and telecommunications companies (e.g., Verizon and AT&T), provide us with broad distribution, favorable channel positioning and significant competitive advantages. We believe that our significant market share, brand awareness, outstanding customer service, repeat customer base, flexible payments options, international reach and scalable infrastructure distinguish us from our competitors.

History

QVC was founded on June 13, 1986 by Joseph Segel. Our first U.S. live broadcast took place at 7:30 PM ET on November 24 of that year, reaching 7.6 million homes. Initially broadcast live from 7:30 PM ET until midnight each weekday and all day Saturdays and Sundays, the channel extended its live U.S. programming to 24 hours per day in January 1987. QVC began its International operations in 1993.

In 1995, Comcast purchased a majority shareholding in QVC. In 2003, Comcast sold its majority share to Qurate Retail, Inc. ("Qurate Retail") (formerly known as Liberty Interactive Corporation).

HSN, Inc. ("HSN"), now a subsidiary of QVC, began broadcasting television home shopping programming from its studios in St. Petersburg, Florida in 1981 and, by 1985, was broadcasting its programming through a national network of cable and local television stations 24 hours a day, seven days a week.

On December 29, 2017, Qurate Retail completed the acquisition of the remaining 62% ownership interest of HSN it did not previously 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.

Operating segments

QVC has two reportable segments: QxH and QVC-International. These segments reflect the way the Company evaluates its business performance and manages its operations. For financial information about our operating segments, please refer to note 16 of our accompanying consolidated financial statements, as well as to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

QxH

QxH's programming is distributed in the U.S., 20 hours per day of live programming, 364 days per year, to approximately 94 million television households and is distributed to approximately 99% of households subscribing to services offered by television distributors. QxH's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full time basis, including the main QVC and HSN channels as well as the additional channels of QVC2, QVC3 and HSN2. These additional channels offer viewers access to a broader range of QxH programming options as well as more relevant programming for viewers in different time zones. QxH also has over-the-air broadcasting in designated U.S. markets that can be accessed by any household with a digital antenna in such markets, regardless of whether it subscribes to a paid television service. This allows QxH to reach customers who previously did not have access to the program through other television platforms.

QxH's programming is also available through QVC.com and HSN.com (our "Websites") as well as virtual multichannel video programming distributors (including Hulu + Live TV, AT&T TV and as of January 2021, YouTube TV); applications via streaming video; Facebook Live, Roku, Apple TV, and Amazon Fire; mobile applications; our social pages and over-the-air broadcasters (collectively, our "Digital Platforms"). Our Digital Platforms enable consumers to purchase goods offered on our broadcast programming along with a wide assortment of products that are available only on our Websites. Our Websites and other Digital Platforms 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, our Websites and mobile applications allow shoppers to browse, research, compare and perform targeted searches for products, read customer reviews, control the order-entry process and conveniently access their account. For the year ended December 31, 2020, approximately 85% of our new QxH customers made their first purchase through our digital platforms. QxH, including our Digital Platforms, contributed $8.5 billion, or 74%, of consolidated net revenue, $1,128 million of operating income and $1,547 million of Adjusted OIBDA (defined in note 16 to the accompanying notes to our consolidated financial statements) for the year ended December 31, 2020.

The table below illustrates QxH's digital sales growth since 2018:

	Years ended December 31,		
(in millions)	**2020**	**2019**	**2018**
QxH digital platform revenue	$ 5,089	4,708	4,748
Total QxH net revenue	8,505	8,277	8,544
QxH digital platform % of total QxH net revenue	59.8 %	56.9 %	55.6 %

QVC-International

Our international business brings the QVC shopping experience to approximately 124 million households outside the U.S., primarily in Germany, Austria, Japan, the U.K., the Republic of Ireland, and Italy. Similar to QxH, our international business engages customers via multiple platforms, including broadcast networks, websites, mobile applications and social pages. Our international product sourcing teams select products tailored to the interests of each local market. For the year ended December 31, 2020, our international operations, including our Digital platforms, generated $3.0 billion, or 26%, of consolidated net revenue, $439 million of operating income and $510 million of Adjusted OIBDA (defined in note 16 to the accompanying notes to our consolidated financial statements).

The table below illustrates QVC-International's digital sales growth since 2018:

		Years ended December 31,	
(in millions)	**2020**	**2019**	**2018**
QVC - International digital platform revenue	$ 1,359	1,114	1,051
Total QVC - International net revenue	2,967	2,706	2,738
QVC - International digital platform % of total QVC - International net revenue	45.8 %	41.2 %	38.4 %

QVC-Japan. We own 60% of QVC-Japan through a venture with Mitsui & Co., LTD. QVC-Japan launched in April 2001 and currently broadcasts 19 hours of live programming each day and reaches approximately 29 million households. QVC-Japan also operates digital platforms including a website, mobile applications and social pages. In 2014, QVC-Japan launched Q-plus, which consists of infomercial programming distributed by purchasing available airtime on certain channels. On December 1, 2018, QVC-Japan launched 4K high dynamic range broadcasting ("HDR"), making QVC-Japan the first network in Japan to broadcast native, full-scale 4K HDR programming 24 hours a day.

QVC-Germany. QVC-Germany went on air in December 1996 and currently broadcasts 17 hours of live programming each day and reaches approximately 42 million households that are located in both Germany and Austria. Beyond the main channel, QVC-Germany also broadcasts shows on two additional channels, QVC Style and QVC2, which provide a broader range of programming options. QVC-Germany also operates digital platforms including a website, a mobile application, smart TV applications, and social pages.

QVC-U.K. QVC-U.K. went on air in October 1993 and currently broadcasts 16 hours of live programming each day and reaches approximately 28 million households that are located in both the U.K. and the Republic of Ireland. Beyond the main channel, QVC-U.K. also broadcasts shows on three additional channels, QVC Beauty, QVC Extra, and QVC Style, which provides a broader range of programming options, along with digital platforms including a website, mobile applications and social pages.

QVC-Italy. QVC-Italy went on air in October 2010 and currently reaches approximately 25 million households. QVC-Italy broadcasts live for 17 hours each day on satellite and digital terrestrial television. QVC-Italy also operates digital platforms including a website, a mobile application and social pages.

China Joint Venture. On July 4, 2012, we entered into a joint venture with Beijing-based CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR"), China's government-owned radio division. The joint venture, CNR Home Shopping Co., Ltd. ("CNRS"), is owned 49% by QVC and 51% by CNR through subsidiaries of each company. CNRS operates a retailing business in China through a television shopping channel with an associated website. CNRS distributes live programming for approximately 10 hours each day. The CNRS joint venture is accounted for as an equity method investment recorded as equity in losses of investee in our consolidated statements of operations.

Merchandise

We believe that our ability to combine product and programming helps us create competitive advantages over traditional brick-and-mortar and Internet retailers. We seek to offer our customers an assortment of compelling, high-quality products. In the U.S., the QVC and HSN brands present on average 632 products and 500 products, respectively, every week on our live programming, approximately 24.2% and 28.4%, respectively, of which have not been presented previously to our television audience. We offer customers high-quality and brand name products, presented in a creative, informative, entertaining and engaging style. We provide a differentiated shopping experience by offering customers the opportunity to experience not only the product being sold, but also the people and places behind that product, thereby enhancing their overall shopping experience.

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

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

Unlike traditional brick-and-mortar retailers with inventories across a network of stores, we are able to quickly adapt our offerings in direct response to changes in our customer's purchasing patterns. We utilize a test and re-order model to determine initial customer demand. Through constant monitoring, we manage our product offerings to maximize net revenue and fulfill current demand in large growth segments where we can gain a greater share of our customers' purchases. Our merchandising team is dedicated to continually researching, pursuing and launching new products and brands. With a mandate to deliver hard-to-find value, our merchants find and curate collections of high quality goods from manufacturers with the scale to offer sufficient supply to our existing and future customers. We maintain strong relationships with our vendors, which are attracted by the showcasing and story-telling elements of our programming, and the volume of sales during featured presentations.

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

We do not depend on any single supplier or designer for a significant portion of our inventory purchases.

Distribution

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

We continually seek to expand and enhance our broadcast and e-commerce platforms, as well as to further our international operations and multimedia capabilities. We offer native high definition ("HD") programming in addition to standard definition programming, which provides additional channel locations and allows us to utilize a typically wider screen with crisper and more colorful images to present a larger “storefront,” which we believe captures the attention of channel “surfers” and engages our customers. In the U.S., our HD programming reaches approximately 77 million households. We continue to develop and launch features to further enrich the viewing experience.

Affiliation agreements

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

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

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

Demographics of customers

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

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

We do not depend on any single customer for a significant portion of our revenue.

Order taking and fulfillment

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

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

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

Third party carriers transport our packages from our distribution centers to our customers. In each market where we operate, we have negotiated long-term contracts with shipping companies, which in certain circumstances provide for favorable shipping rates.

Competition

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

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

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

Human Capital

Headcount. QVC employed approximately 22,200 full-time and part-time employees as of December 31, 2020, which includes 15,500 employees at QxH and 6,700 employees at QVC-International. Employment levels fluctuate due to seasonal factors affecting our business. Additionally, we utilize independent contractors and temporary staffing personnel to supplement our workforce, particularly on a seasonal basis. We consider our employee relations to be good and a key factor in our workforce strategy.

Diversity, Equity, & Inclusion ("DEI"). We are committed to fostering an inclusive culture that ensures fairness and a sense of belonging for every team member, business partner and customer experience we offer by leveraging diversity in all its forms to deliver on our promise to continuously exceed expectations. Our DEI commitments focus on the following areas: representation, leadership accountability, culture, consumers & marketplace, community impact and transparency. We serve a broad and diverse range of customers around the world and we strive to understand the lives they lead in order to deliver authentic customer experiences with meaningful curated products. For this reason we embrace the benefits that the diverse backgrounds, perspectives and experiences of our team members bring to our culture and the decisions we make. We aim to ensure that we consistently apply a lens of inclusion and equity in our processes and decisions relating to our team members, business partners, products, and customer experiences. We are taking steps to help team members discover new perspectives, build empathy, have critical conversations about race, and support each other. We have launched and expanded Team Member Resource Groups to promote team member connections, career development, community impact and consumer and marketplace growth. We are delivering our DEI training to all team members via online modules, videos, and e-learning experiences. We are also continuing our efforts to attract and grow diverse talent and suppliers, offer inclusive product assortments, and ensure broad representation in our marketing, digital, and on-air activities.

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

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

Government regulation

The manner in which we sell and promote merchandise and related claims and representations made in connection with these efforts is regulated by federal and state law. Some examples of regulatory agencies and regulations that affect the manner in which we sell and promote merchandise include the following:

- The Federal Trade Commission ("FTC") and the state attorneys general regulate the advertising of retail products and services offered for sale in the U.S., including the FTC's Guides Concerning the Use of Endorsements and Testimonials in Advertising and Guides for the Use of Environmental Marketing Claims.
- The Food and Drug Administration has specific regulations regarding claims that can be made about food products and regulates marketing claims that can be made for cosmetic beauty products, medical devices and over-the-counter drugs.
- The Environmental Protection Agency ("EPA") requires products that make certain types of claims, such as "anti-bacterial," to be registered with the EPA prior to making such claims.
- Each of the FTC's Telemarketing Sales Rules, the Federal Communication Commission's ("FCC") rules implementing the Telephone Consumer Protection Act and similar state laws, establish procedures that must be followed when telemarketing or placing particular types of calls to consumers.
- The Consumer Product Safety Commission has specific regulations regarding products that present unreasonable risks of injuries to consumers.

- Import and export laws, including U.S. economic sanction and embargo regulations, U.S. homeland security laws and regulations and other laws such as the U.S. anti-boycott law and U.S. export controls regulations.
- Comparable regulatory agencies and regulations in countries in which we have our non-U.S. operations.

In addition, the FCC regulates the cable television systems, direct broadcast satellite ("DBS") distributors and other multichannel video programming distributors ("MVPDs") that distribute the Company’s services, has adopted various requirements related to the Company’s programming, and also licenses radio transmission facilities that the Company uses in connection with its business, such as satellite uplink facilities and internal private radio systems.

As a result of an interest in various cable operators attributed to Qurate Retail, the Company may be deemed to be a satellite cable programming vendor in which a cable operator has an attributable interest for purposes of various FCC rules regarding the distribution of video programming to MVPDs. These include, for example, the FCC’s program access rules, which, in general, prohibit various unfair practices involving the distribution of video programming to MVPDs; and its program carriage rules, which, among other things, prohibit cable operators from favoring affiliated programmers so as to restrain unreasonably the ability of unaffiliated programmers to compete. The FCC program access and program carriage rules also make provision for enforcement of alleged violations through complaint proceedings initiated by aggrieved entities. The Company also may be subject to program access rules as a result of an FCC condition adopted in connection with its 2008 approval of a transaction involving a predecessor of Qurate Retail and News Corp. Previously adopted FCC channel occupancy rules, which limited carriage by a cable operator of national programming services in which that operator holds an attributable interest, were vacated and remanded by the U.S. Court of Appeals for the District of Columbia Circuit in 2001. The FCC issued further notices of proposed rulemaking in 2001 and 2005 to consider channel occupancy limitations, but has not adopted any rules.

In 2000, we became subject to a consent decree issued by the FTC barring us from making certain deceptive claims for dietary supplements and specified products related to the common cold, pneumonia, hay fever and allergies. We also became subject to an expanded consent decree issued by the FTC in 2009 that terminates on the later of May 26, 2029, or 20 years from the most recent date that the U.S. or the FTC files a complaint in federal court alleging any violation thereunder. Pursuant to this expanded consent decree, we are prohibited from making certain claims about specified weight-loss, dietary supplement and anti-cellulite products unless we have competent and reliable scientific evidence to substantiate such claims. Violation of the QVC order may result in the imposition of significant civil penalties for non-compliance and related redress to consumers and/or the issuance of an injunction enjoining us from engaging in prohibited activities. Additionally, HSN was subject to a consent order issued by the FTC that expired in 2019 and which barred HSN (including its subsidiaries and affiliates) from making certain claims with respect to specified categories of products.

Congress enacted the Commercial Advertisement Loudness Mitigation ("CALM") Act in 2010. The CALM Act directs the FCC to incorporate into its rules and make mandatory a technical standard that is designed to prevent digital television commercial advertisements from being transmitted at louder volumes than the program material they accompany. Although the FCC's CALM Act regulations place direct compliance responsibility on broadcasters and MVPDs, the FCC adopted a "safe harbor" compliance approach applicable to commercials embedded in programming provided by programmers, such as the Company. Under the FCC's safe harbor approach, broadcasters and MVPDs may meet their CALM Act compliance obligations through reliance on programmer-provided CALM Act compliance certifications that are made "widely available" to broadcasters and MVPDs through a website or other means. The Company has determined that its programming is CALM Act compliant, and in response to requests from its distributors, and in order to allow its distributors to meet the FCC's safe harbor, the Company has posted a CALM Act compliance certification to a website that is available to its distributors.

FCC rules adopted pursuant to the Telecommunications Act of 1996 generally require closed captioning of the Company’s televised programming distributed on broadcast television stations, cable television systems, DBS and other MVPDs, with only limited exemptions. The FCC’s closed captioning rules applicable to televised programming initially placed closed captioning compliance obligations directly on the Company’s distributors, and are enforced with respect to the Company’s programming through its affiliation agreements with its distributors. Amendments to those rules adopted by the FCC in 2016 extend direct compliance responsibility, jointly with distributors, to video programmers such as the Company, impose certain registration and certification requirements on the Company, and subject the Company to new captioning complaint procedures. Certain aspects of these amended rules have not yet become effective.

Regulations adopted by the FCC pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 impose captioning requirements on various types of programming distributed via Internet protocol ("IP") that was previously televised with captions. The Company is subject to the IP-captioning rules as a Video Programming Owner and as a Video Programming Distributor that distributes covered programming on its website and via mobile and video streaming platforms. In 2014, the FCC adopted closed captioning quality standards for televised programming distributed by the Company's distributors. Although compliance obligations for the captioning quality standards are placed directly on the Company's distributors, under the captioning quality rules, the Company's distributors can demonstrate compliance with the quality rules by relying on a certification from programmers, such as the Company, that its programming satisfies the caption quality standards adopted by the FCC, that the programmer has adopted and follows captioning best practices for video programmers adopted by the FCC, or that its programming is exempt from captioning requirements. These closed captioning quality requirements took effect in March 2015. In the 2016 amendments to the closed captioning rules noted above, the FCC also extended direct responsibility for televised captioning quality to video programmers such as the Company. As a result of the foregoing changes and rules involving captioning of IP-delivered programming and captioning quality standards, QVC may incur additional costs and compliance obligations related to closed captioning of its programming.

We market and provide a broad range of merchandise through our broadcast networks, websites, mobile applications and social pages. As a result, we are subject to a wide variety of statutes, rules, regulations, policies and procedures in various jurisdictions that are subject to change at any time, including laws regarding consumer protection, privacy, the regulation of retailers generally, the importation, sale and promotion of merchandise and the operation of retail stores and warehouse facilities, as well as laws and regulations applicable to the Internet and businesses engaged in online commerce, such as those regulating the sending of unsolicited, commercial electronic mail and texts.

For example, the Children's Online Privacy Protection Act prohibits web sites from collecting personally identifiable information online from children under age 13 without parental consent and imposes a number of operational requirements. Certain email activities are subject to the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, commonly known as the CAN-SPAM Act. The CAN-SPAM Act regulates the sending of unsolicited commercial email by requiring the email sender, among other things, to comply with specific disclosure requirements and to provide an "opt-out" mechanism for recipients. Both of these laws include statutory penalties for non-compliance. The Digital Millennium Copyright Act limits, but does not eliminate, liability for listing or linking to third party websites that may include content that infringes on copyrights or other rights so long as our Internet businesses comply with the statutory requirements. Various states also have adopted laws regulating certain aspects of Internet communications. Federal legislation enacted in 2016 permanently extended the moratorium on state and local taxes on Internet access and commerce.

Our online commerce businesses are subject to domestic and foreign laws governing the collection, use, retention, security and transfer of personally-identifiable information about their users. The enactment, interpretation and application of user data protection laws are in a state of flux, and the interpretation and application of such laws may vary from country to country. For example, the European Union's ("E.U.") General Data Protection Regulation ("GDPR"), which established new data laws that give customers additional rights and impose additional restrictions and penalties on companies for illegal collection and misuse of personal information, took effect in May 2018. Further, in 2015, the Court of Justice of the E.U. invalidated the "Safe Harbor Framework," which had allowed companies to collect and process personal data in E.U. nations for use in the U.S. The E.U.-U.S. Privacy Shield, which replaced the Safe Harbor Framework, and became fully operational on August 1, 2016, provided a mechanism to comply with data protection requirements when transferring personal data from the E.U. to the U.S. On July 16, 2020, the Court of Justice of the E.U. invalidated the E.U.-U.S. Privacy Shield, and imposed new obligations on the use of Standard Contractual Clauses ("SCCs") - another key mechanism to allow data transfers between the U.S. and the E.U.. It is unclear when the U.S. and the E.U. will adopt a new data framework to replace the E.U.-U.S. Privacy Shield. The European Commission has proposed draft revised SCCs, which may be adopted in 2021. The European Commission proposed new regulations regarding privacy and electronic communications in 2017 which remain pending, including additional regulation of the Internet tracking tools known as "cookies." Finally, countries in other regions, most notably Asia, Eastern Europe and Latin America, are increasingly implementing new privacy regulations, resulting in additional compliance burdens and uncertainty as to how some of these laws will be enforced.

In the U.S., the FTC has proposed a privacy policy framework, and Congress may consider legislation that would require organizations that suffer a breach of security related to personal information to notify owners of such information. Many states have adopted laws requiring notification to users when there is a security breach affecting personal data, such as California's Information Practices Act. California also has enacted the California Consumer Privacy Act of 2018 ("CCPA"), which, among other things, allows California consumers to request that certain companies disclose the types of personal information collected by such companies. The CCPA took effect on January 1, 2020. The California Attorney General has issued implementation regulations and guidance regarding the law. In November 2020, California voters approved the California Privacy Rights Act of 2020 ("CPRA"), which amends and extends the CCPA and establishes the California

Privacy Protection Agency to implement and enforce consumer privacy laws. Most of the CPRA's provisions become effective on January 1, 2023. Complying with these different national and state privacy requirements may cause us to incur substantial costs. In addition, we generally have and post on our websites privacy policies and practices regarding the collection, use and disclosure of user data. A failure to comply with such posted privacy policies or with the regulatory requirements of federal, state, or foreign privacy laws could result in proceedings or actions by governmental agencies or others (such as class action litigation) which could adversely affect our business.

Our business is also dependent upon our continued ability to transmit our programming to television distributors from our third party FCC-licensed satellite uplink facilities, which are subject to FCC compliance in the U.S. and foreign regulatory requirements in our international operations.

Intellectual property

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

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

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

We consider the "QVC" and "HSN" names the most significant tradenames and service marks held by us because of their impact on market awareness across all of our geographic markets and on customers' identification with us. As with all U.S. tradenames or service marks, our tradename and service mark registrations in the U.S. are for a ten year period and are renewable every ten years, prior to their respective expirations, as long as the tradenames or service marks are used in the regular course of trade.

Qurate Retail relationship and related party transactions

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") and Cornerstone Brands, Inc. ("CBI"), as well as 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.

QVC engages with Zulily, which has been a wholly-owned subsidiary of Qurate Retail since October 2015. Zulily is not part of the results of operations or financial position of QVC presented in this Form 10-K. QVC and Zulily engaged in multiple transactions relating to sales, sourcing of merchandise, marketing initiatives, and business advisory services. Refer to note 14 to the consolidated financial statements for further details.

On December 31, 2018, QVC amended and restated its senior secured credit facility (the "Fourth Amended and Restated Credit Agreement") which is a multi-currency facility that provides for a $2.95 billion revolving credit facility (see note 8 to the accompanying 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 December 31, 2020, there were no borrowings by Zulily on the $400 million tranche of the senior secured credit facility.

In September 2020, QVC and Zulily executed a Master Promissory Note ("Promissory Note") whereby Zulily may borrow up to $100 million at a variable interest rate equal to the London Interbank Offered Rate ("LIBOR") rate plus an applicable margin rate. The Promissory Note matures in September 2030. As of December 31, 2020, there were no borrowings on the Promissory Note.

On October 17, 2018, QRG announced a series of initiatives designed to better position its QxH business (“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, which commenced in 2019 (see note 9 to the accompanying consolidated financial statements). QVC recorded transaction related costs of $1 million and $60 million during the years ended December 31, 2019 and 2018, respectively, which primarily related to severance, other QRG Initiatives and the closure of operations in France as discussed below. No transaction related costs were recorded during the year ended December 31, 2020.

In the fourth quarter of 2018, QVC recorded a charge related to the potential closure of its operations in France. For the year ended December 31, 2018, QVC recorded $9 million in severance expenses, which is included in transaction related costs (see note 16 to the accompanying consolidated financial statements), and $4 million in inventory obsolescence related to these exit activities. No material severance or inventory obsolescence expenses related to these exit activities were recorded during 2019 or 2020. 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.

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 the accompanying consolidated financial statements. During the year ended December 31, 2020, QVC and CBI engaged in multiple transactions relating to sourcing of merchandise, personnel and business advisory services. Refer to note 14 to the accompanying consolidated financial statements for further details.

On December 30, 2020, the Company and Liberty Interactive LLC ("LIC") completed an internal realignment of the Company's global finance structure that resulted in a common control transaction with Qurate Retail. As part of this realignment and upon entering into a payment agreement, QVC Global Corporate Holdings, LLC, a subsidiary of the Company, became the primary co- obligor on LIC’s 3.5% Senior Exchangeable Debentures Due 2031 (the “MSI Exchangeables”), which allows the MSI Exchangeables to be serviced directly by cash generated from the Company’s foreign operations (see note 8 to the accompanying consolidated financial statements). Concurrently, LIC issued a promissory note to the Company with an initial face amount of $1.8 billion, a stated interest rate of 0.48%, payable annually, and a maturity of December 29, 2029.

We are a "close corporation" under Delaware law and, as such, our stockholder, rather than a board of directors, manages our business. Since our stockholder is an indirect wholly owned subsidiary of Qurate Retail, certain aspects of our management, including the approval of significant corporate transactions such as a change of control, are controlled by Qurate Retail, rather than an independent governing body. Our Chief Executive Officer and President, Michael A. George, also became president and chief executive officer of Qurate Retail during 2018. As previously announced, Mr. George intends to retire on December 31, 2021. Although a search is underway for Mr. George’s successor, no assurance can be given as to when a suitable replacement will be found.

Qurate Retail's interests may not coincide with our interests or yours and Qurate Retail may cause us to enter into transactions or agreements with related parties or approve corporate actions that could involve conflicts of interest. For example, Qurate Retail's dependence on our cash flow for servicing its debt and for other purposes is likely to result in our payment of large dividends to Qurate Retail, which may increase our leverage and decrease our liquidity. We paid $1,184 million, $879 million, and $367 million of dividends to Qurate Retail during the years ended December 31, 2020, 2019, and 2018, respectively. See also Item 1A. "Risk Factors."

* * * * *

Certain statements in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, product and marketing strategies; COVID-19; QRG Initiatives; capital expenditures; revenue growth; the recoverability of our goodwill and other long-lived assets; our projected sources and uses of cash; repayment of debt; and the anticipated impact of certain contingent liabilities related to legal and tax proceedings and other matters arising in the ordinary course of business. In particular, statements under Item 1. "Business," Item 1A. "Risk-Factors," Item 2. "Properties," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- the impact of the COVID-19 pandemic and local, state and federal governmental responses to the pandemic on the economy, our customers, our vendors and our businesses generally;
- customer demand for our products and services and our ability to attract new customers and retain existing customers by anticipating customer demand and adapting to changes in demand;
- competitor responses to our products and services;
- increased digital TV penetration and the impact on channel positioning of our programs;
- the levels of online traffic 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 effectively manage our installment sales plans and revolving credit card programs;
- the cost and ability of shipping companies, manufacturers, suppliers, digital marketing channels and vendors to deliver products, equipment, software and services;
- the outcome of any pending or threatened litigation;
- availability of qualified personnel;
- the impact of the seasonality of our business;
- changes in, or failure or inability to comply with, government regulations, including, without limitation, regulations of the FCC, 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 and the U.K.'s exit from the E.U. (“Brexit”);
- changes in trade policy and trade relations with China;
- consumer spending levels, including the availability and amount of individual consumer debt;
- the effects of our debt obligations;
- advertising spending levels;
- system interruption and the lack of integration and redundancy in the system and infrastructures of our business;
- changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders, video on demand and IP television and their impact on home shopping programming;

- 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;
- natural disasters, public health crises (including COVID-19), political crises, and other catastrophic events or other events outside of our control; and
- Qurate Retail's dependence on our cash flow for servicing its debt and for other purposes.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. When considering such forward-looking statements, one should keep in mind the factors described in Item 1A. "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

Item 1A. Risk Factors

Risks Related to Our Financial Condition and Business

The retail business environment is subject to intense competition, and we may not be able to effectively compete for customers

We operate in a rapidly evolving and highly competitive retail business environment. Although we are the U.S.'s largest television shopping retailer, we have numerous and varied competitors at the national and local levels, ranging from large department stores to specialty shops, electronic retailers, direct marketing retailers, wholesale clubs, discount retailers, other televised shopping retailers such as ShopHQ in the U.S., Jupiter Shop Channel in Japan, HSE (Formerly referred to as HSE24) in Germany and Italy, and Ideal World in the U.K., infomercial retailers, Internet retailers, including livestream shopping retailers, and mail-order and catalog companies. Many of our current and potential competitors have greater resources, longer histories, more customers and greater brand recognition than we do. They may secure better terms from vendors, adopt more aggressive pricing, offer free or subsidized shipping and devote more resources to technology, fulfillment and marketing. Other companies also may enter into business combinations or alliances that strengthen their competitive positions. Such business combinations or alliances may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. This may cause our customers to elect to purchase products from a competitor that they would have historically purchased from QVC, resulting in less revenue to QVC.

Although we sell a variety of exclusive products, one of the most significant challenges we face is competition on the basis of price. Price is of great importance to most customers, and price transparency and comparability continues to increase, particularly as a result of digital technology. The ability of consumers to compare prices on a real-time basis puts additional pressure on us to maintain competitive prices.

In addition, many retailers, especially online retailers with whom we compete, are increasingly offering customers aggressive shipping terms, including free or discounted expedited shipping. As these practices become more prevalent, we may experience further competitive pressures to attract customers and/or to change our shipping program. Our ability to be competitive on delivery times and shipping costs depends on many factors, and our failure to successfully manage these factors and offer competitive shipping terms could negatively impact the demand for our products and our profit margins. We also compete for access to customers and audience share with other providers of televised, online and hard copy entertainment and content. Our inability to compete effectively with regard to the assortment, product price, shipping terms, shipping pricing or free shipping and quality of the merchandise we offer for sale or to keep pace with competitors in our marketing, service, location, reputation, credit availability and technologies, could have a material adverse effect.

The COVID-19 pandemic is negatively impacting our business, key financial and operating metrics, and results of operations in numerous ways that remain unpredictable.

In December 2019, a novel coronavirus, COVID-19, was reported to have surfaced in Wuhan, China and has subsequently spread across the world, including to countries in which QVC operates. As a result of the spread of COVID-19, most local, state and federal governmental agencies have imposed travel restrictions and local quarantines or stay at home restrictions to contain the spread, which has caused a significant disruption to the global economy. Ongoing or heightened resurgences of COVID-19 in the future or the occurrence of another disaster or crisis could recreate and/or exacerbate the risks and adverse impacts described below. In response to these restrictions and in an effort to minimize the risk of COVID-19 to our employees and the communities in which we operate, we mandated that all non-essential employees work from home and reduced the number of employees who are allowed on our production sets and have implemented increased cleaning protocols, social distancing measures and temperature screenings for those employees who enter into certain facilities. In some cases, the move to a work from home arrangement for our non-essential employees will be permanent, which may result in the reduction of office space. We have also mandated that all essential employees who do not feel comfortable coming to work will not be required to do so. As a result of these resource constraints, QVC included fewer hours of live programming on some of its secondary channels and has experienced some delays in shipping at certain fulfillment centers. As a result, our ability to create new content has decreased, and we have had to limit the number of products we are able to promote on air. Our programming could be further disrupted if any of our essential employees were suspected or confirmed of having COVID-19 or other illnesses and such illness required us to quarantine some or all such employees or disinfect our locations. In certain markets, we temporarily increased the wages and salaries for those employees deemed essential who do not have the ability to work from home, including production and fulfillment center employees, resulting in additional costs to our company. The inability to control the spread of COVID-19, or the expansion or extension of stay at home restrictions could negatively impact our results in the future.

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

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

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

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

Our net revenue and operating results depend on our ability to predict or respond to consumer preferences

Our net revenue and operating results depend, in part, on our ability to predict or respond to changes in consumer preferences and fashion trends in a timely manner. We develop new retail concepts and continuously adjust our product mix in an effort to satisfy customer demands. Consumer preferences may be affected by many factors outside of our control, including responses of competitors and general economic conditions. Any sustained failure by us to identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on our relationship with our customers and the demand for the products we sell.

Our long-term success depends in large part on our continued ability to attract new customers and retain existing customers and we may not be able to do that in a cost-effective manner

In an effort to attract and retain customers, we engage in various merchandising and marketing initiatives, which involve the expenditure of money and resources, particularly in the case of the production and distribution of our television programming and, to an increasing extent, digital advertising. We have spent, and expect to continue to spend, increasing amounts of money on, and devote greater resources to, certain of these initiatives, particularly in our continuing efforts to increasingly engage customers through online digital marketing and to personalizing our customers' shopping experience. These initiatives, however, may not resonate with existing customers or consumers generally or may not be cost-effective. In addition, costs associated with the production and distribution of our television programming and costs associated with digital marketing, including marketing on third-party platforms such as Google and Facebook, have increased and are likely to continue to increase in the foreseeable future and, if significant, could have a material adverse effect to the extent that they do not result in corresponding increases in net revenue.

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

We depend on the television distributors that carry our programming and no assurance can be given that we will be able to maintain and renew our affiliation agreements on favorable terms or at all

In the U.S., we currently distribute our programming through affiliation or transmission agreements with many television service providers, including, but not limited to, Comcast, AT&T/DIRECTV, Charter, DISH Network, Verizon and Cox. Internationally, we currently distribute our programming through Vodafone Kabel Deutschland GmbH, Media Broadcast GmbH, SES ASTRA, Telekom Deutschland GmbH, Unitymedia GmbH, Tele Columbus and Primacom, Jupiter Telecommunications, Ltd., Sky Perfect and World Hi-Vision Channel, Inc., A1 Telekom Austria AG, UPC Telekabel Wien GmbH, British Sky Broadcasting, Freesat, Freeview and Virgin Media, and Mediaset, Hot Bird and Sky Italia. Our affiliation agreements with distributors are scheduled to expire between 2021 to 2024.As part of normal course renewal discussions, occasionally we have disagreements with our distributors over the terms of our carriage, such as channel placement or other contract terms. If not resolved through business negotiation, such disagreements could result in litigation or termination of an existing agreement. Termination of an existing agreement resulting in the loss of distribution of our programming to a material portion of our television households may adversely affect our growth, net revenue and earnings.

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

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

The failure to maintain suitable placement for our programming or to adapt to changes in consumer behavior driven by online video distribution platforms for viewing content could adversely affect our ability to attract and retain television viewers and could result in a decrease in revenue

We are dependent upon the continued ability of our programming to compete for viewers. Effectively competing for television viewers is dependent, in substantial part, on our ability to negotiate and maintain placement of our programming at a favorable channel position, such as in a basic tier or within a general entertainment or general broadcasting tier. Less favorable channel position for our programming, such as placement adjacent to programming that does not complement our programming, a position next to our televised home shopping competitors or isolation in a "shopping" tier could adversely affect our ability to attract television viewers to our programming.

In addition, if our programming is carried exclusively by a distributor on a digital programming tier, we may experience a reduction in revenue to the extent that the digital programming tier has less television viewer penetration than the basic or expanded basic programming tier. We may experience a further reduction in revenue due to increased television viewing audience fragmentation to the extent that not all television sets within a digital cable home are equipped to receive television programming in a digital format.

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

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

An increasing number of companies offering streaming services, including some with exclusive high-quality original video programming, as well as programming networks offering content directly to consumers over the internet, have increased the number of entertainment choices available to consumers, which has intensified audience fragmentation. The increase in entertainment choices adversely affects the viewership of our programming. Additionally, time-shifting technologies, such as video on demand services and DVR and cloud-based recording services, could adversely affect our ability to attract television viewers to our programming.

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

We may be subject to claims for representations made in connection with the sale and promotion of merchandise or for harm experienced by customers who purchase merchandise from us

The manner in which we sell and promote merchandise and related claims and representations made in connection with these efforts is regulated by federal, state and local law, as well as the laws of the foreign countries in which we operate. We may be exposed to potential liability from claims by purchasers or by regulators and law enforcement agencies, including, but not limited to, claims for personal injury, wrongful death and damage to personal property relating to merchandise sold and misrepresentation of merchandise features and benefits. In certain instances, we have the right to seek indemnification for related liabilities from our vendors and may require such vendors to carry minimum levels of product liability and errors and omissions insurance. These vendors, however, may be unable to satisfy indemnification claims, obtain suitable coverage or maintain this coverage on acceptable terms, or insurance may provide inadequate coverage or be unavailable with respect to a particular claim. See Item 1. "Business - Government regulation" for further discussion of regulations to which we are subject.

In 2000, we became subject to a consent decree issued by the FTC barring us from making certain deceptive claims for dietary supplements and specified products related to the common cold, pneumonia, hay fever and allergies. We also became subject to an expanded consent decree issued by the FTC in 2009 that terminates on the later of May 26, 2029, or 20 years from the most recent date that the U.S. or the FTC files a complaint in federal court alleging any violation thereunder. Pursuant to this expanded consent decree, we are prohibited from making certain claims about specified weight-loss, dietary supplement and anti-cellulite products unless we have competent and reliable scientific evidence to substantiate such claims. Violation of the QVC order may result in the imposition of significant civil penalties for non-compliance and related redress to consumers and/or the issuance of an injunction enjoining us from engaging in prohibited activities.

Failure to comply with existing laws, rules and regulations, or to obtain and maintain required licenses and rights, could subject us to additional liabilities

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

We may fail to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties

We regard our intellectual property rights, including service marks, trademarks and domain names, copyrights (including our programming and our websites), trade secrets and similar intellectual property, as critical to our success. Our business also relies heavily upon software codes, informational databases and other components that make up their products and services.

From time to time, we are subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of the trademarks, patents, copyrights and other intellectual property rights of third parties. In addition, litigation may be necessary to enforce our intellectual property rights, protect trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. Our failure to protect our intellectual property rights, particularly our proprietary brands, in a meaningful manner or third party challenges to related contractual rights could result in erosion of brand names and limit our ability to control marketing on or through the Internet using our various domain names or otherwise, which could adversely affect our business, financial condition and results of operations.

We offer our installment payment option on most of our merchandise and, in certain circumstances, offer it as the default payment option. Failure to effectively manage our installment sales plans and revolving credit card programs could negatively impact our results of operations

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

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

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

Natural disasters, political crises, and other catastrophic events or other events outside of our control may damage our facilities or the facilities of third parties on which we depend, and could impact consumer spending

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

Risks Related to Technology and Information Security

Any continued or permanent inability to transmit our programming via satellite would result in lost revenue and could result in lost customers

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

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

Our Ecommerce business could be negatively affected by changes in third-party digital platform algorithms and dynamics as well as our inability to monetize the resulting web traffic

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

Our Ecommerce business may experience difficulty in the ongoing development, implementation and customer acceptance of applications for personal electronic devices, which could harm our business

Although our Ecommerce business has developed services and applications to address user and consumer interaction with website content on personal electronic devices, such as smartphones and tablets, the ways in which consumers use or rely on these personal electronic devices is continually changing. If the services or applications we develop in response to changes in consumer behavior are less effective or are not accepted by consumers, our Ecommerce business may experience difficulty attracting and retaining traffic on these platforms. Any failure to attract and retain traffic on these personal electronic devices could materially adversely affect the financial performance of our Ecommerce business and, as a result, adversely affect our financial results. Additionally, as new devices and new platforms are continually being released, it is difficult to predict the challenges that may be encountered in developing versions of our Ecommerce business offering for use on these alternative devices, and our Ecommerce business may need to devote significant resources to the creation, support, and maintenance of their services on such devices.

Our business is subject to online security risks, including security breaches and identity theft

Through our operations, sales, marketing activities, and use of third-party information, we collect and store certain non-public personal information that customers provide to purchase products, enroll in promotional programs, register on websites, or otherwise communicate to us. This may include phone numbers, driver license numbers, contact preferences, personal information stored on electronic devices, and payment information, including credit and debit card data. We gather and retain information about employees in the normal course of business. We may share information about such persons with vendors, contractors and other third-parties that assist with certain aspects of our business. In addition, our online operations depend upon the transmission of confidential information over the Internet, such as information permitting cashless payments. Unauthorized parties may attempt to gain access to our or our vendors' computer systems by, among other things, hacking into our systems or those of our vendors, through fraud or other means of deceiving our employees or vendors, burglaries, errors by our or our vendors' employees, misappropriation of data by employees, vendors or unaffiliated third-parties, or other irregularities that may result in persons obtaining unauthorized access to our company's data. As we have significantly increased the number of employees working remotely due to the COVID-19 pandemic, and as our vendors and other business partners move to remote work as well, we and our partners may be more vulnerable to cyber attacks. The techniques used to gain such access to our or our vendors' computer systems, data or customer information, disable or degrade service, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until launched against a target. Increasingly, unauthorized parties are exploiting access they gain to third party vendors to target companies that do business with these vendors, this may include third party vendors with whom we do business. We have implemented systems and processes intended to secure our computer systems and prevent unauthorized access to or loss of sensitive data, but as with all companies, these security measures may not be sufficient for all eventualities and there is no guarantee that they will be adequate to safeguard against all cyber attacks, system compromises or misuses of data. Although we have not detected a material security breach or cybersecurity incident to date, we have been the target of events of this nature and expect to be subject to similar attacks in the future. Any penetration of network security or other misappropriation or misuse of customer, employee or other personal information, whether at our company or any of our vendors, could cause interruptions in the operations of our business and subject us to increased costs, fines, litigation, regulatory actions and other liabilities. Security breaches could also significantly damage our reputation with consumers and third parties with whom we do business, which could result in lost sales and customer and vendor attrition. We continue to invest in new and emerging technology and other solutions to protect our retail commerce websites, mobile commerce applications and information systems, but there can be no assurance that these investments and solutions will prevent any of the risks described above. If we are unable to maintain the security of our retail commerce websites and mobile commerce applications, we could suffer loss of sales, reductions in traffic, diversion of management attention, and deterioration of our competitive position and incur liability for any damage to customers whose personal information is unlawfully obtained and used. We may be required to expend significant additional capital and other resources to protect against and remedy any potential or existing security breaches and their consequences, such as additional infrastructure capacity spending to mitigate any system degradation and the reallocation of resources from development activities. We also face similar risks associated with security breaches affecting third parties with which we are affiliated or otherwise conduct business.

System interruption and the lack of integration and redundancy in these systems and infrastructures may adversely affect our ability to transmit our television programs, operate websites, process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations

Our success depends, in part, on our ability to maintain the integrity of our transmissions, systems and infrastructures, including the transmission of our television programs, as well as our websites, information and related systems, call centers and fulfillment facilities. We may experience occasional system interruptions that make some or all transmissions, systems or data unavailable or prevent us from transmitting our signal or efficiently providing services or fulfilling orders. We are in the process of implementing new technology systems and upgrading others. Our failure to properly implement new systems or delays in implementing new systems could impair our ability to provide services, fulfill orders and/or process transactions. We also rely on affiliate and third-party computer systems, broadband, transmission and other communications systems and service providers in connection with the transmission of our signals, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in our signal transmissions, systems and infrastructures, our business, our affiliates and/or third parties, or deterioration in the performance of these transmissions, systems and infrastructures, could impair our ability to provide services, fulfill orders and/or process transactions. Fire, flood, power loss, telecommunications failure, hurricanes, tornadoes, earthquakes, acts of war or terrorism, acts of God and similar events or disruptions may damage or interrupt television transmissions, computer, broadband or other communications systems and infrastructures at any time. These risks are exacerbated by our move to a more remote workforce in response to the COVID-19 pandemic.

Any of these events could cause transmission or system interruption, delays and loss of critical data, and could prevent us from providing services, fulfilling orders and/or processing transactions. While we have backup systems for certain aspects of our operations, these systems are not fully redundant and disaster recovery planning is not sufficient for all possible risks. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption.

The processing, storage, sharing, use, disclosure and protection of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights

In the processing of consumer transactions and managing our employees, our business receives, transmits and stores a large volume of personally identifiable information and other user data. The processing, storage, sharing, use, disclosure and protection of this information are governed by the privacy and data security policies maintained by us. Moreover, there are federal, state and international laws regarding privacy and the processing, storage, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to changing legislation and regulations, in numerous jurisdictions around the world, which are intended to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. Compliance with these laws and regulations may be onerous and expensive and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. For example, the European Court of Justice in 2015 invalidated the U.S.-EU Safe Harbor Framework, which facilitated personal data transfers to the U.S. in compliance with applicable European data protection laws. The EU-U.S. Privacy Shield, which replaced the U.S.-EU Safe Harbor Framework, and became fully operational on August 1, 2016, provided a mechanism to comply with data protection requirements when transferring personal data from the E.U. to the U.S. On July 16, 2020, the Court of Justice of the European Union invalidated the E.U.-U.S. Privacy Shield, and imposed new obligations on the use of SCCs - another key mechanism to allow data transfers between the U.S. and the E.U. It is unclear when the U.S. and the E.U. will adopt a new data transfer framework to replace the EU-U.S. Privacy Shield. The European Commission has proposed draft revised SCCs, which may be adopted in 2021. Further, the GDPR, which became effective on May 25, 2018, gives consumers in the E.U. additional rights and imposes additional restrictions and penalties on companies for illegal collection and misuse of personal information. The E.U. is continuing to consider whether to adopt new regulations regarding privacy and electronic communications that would complement GDPR, including additional regulation of the Internet tracking tools known as “cookies.” In the absence of such new regulations, European data regulators are indicating their intent to take greater enforcement efforts with respect to the use of cookies. The "Brexit" withdrawal of the United Kingdom (U.K.) from the E.U. may cause transfers of personal data from the E.U. to the U.K. to be subject to increased regulations that would adversely impede the continued sharing of E.U. personal data with the U.K. California has enacted the California Consumer Privacy Act of 2018 (“CCPA”), which, among other things, allows California consumers to request that certain companies disclose the types of personal information collected by such companies. The CCPA became effective on January 1, 2020. The California Attorney General has issued draft implementing regulations and guidance regarding the law. In November 2020, California voters approved the California Privacy Rights Act of 2020 (“CPRA”), which amends and expands the CCPA and establishes the California Privacy Protection Agency to implement and enforce consumer privacy laws. Most of the CPRA’s provisions become effective on January 1, 2023. Other states in the United States are also separately proposing laws to regulate privacy and security of personal data. Our failure, and/or the failure by the various third party vendors and service providers with which we do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations, or changes in applicable laws and regulations, or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage our reputation and the reputation of our third party vendors and service providers, discourage potential users from trying our products and services and/or result in fines and/or proceedings by governmental agencies and/or consumers, any one or all of which could adversely affect our business, financial condition and results of operations. In addition, we may not have adequate insurance coverage to compensate for losses.

Risks Related to Economic Conditions

We have operations outside of the U.S. that are subject to numerous operational and financial risks

We have operations in countries other than the U.S. and we are subject to the following risks inherent in international operations:

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

Additionally, in many foreign countries, particularly in certain developing economies, it is not uncommon to encounter business practices that are prohibited by regulations applicable to us, such as the Foreign Corrupt Practices Act and similar laws. Although we have undertaken compliance efforts with respect to these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies and procedures. Any such violation, even if prohibited by our policies and procedures or the law, could have a material adverse effect. Any failure by us to effectively manage the challenges associated with the international operation of our business could have a material adverse effect.

Significant developments stemming from U.S. trade policy or Brexit could have a material adverse effect on us

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

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

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

Weak economic conditions worldwide may reduce consumer demand for our products and services

Prolonged economic uncertainty in various regions of the world in which our subsidiaries and affiliates operate could adversely affect demand for our products and services since a substantial portion of our revenue is derived from discretionary spending by individuals, which typically falls during times of economic instability. Global financial markets may experience disruptions, including increased volatility and diminished liquidity and credit availability. If economic and financial market conditions in the U.S. or other key markets, including China, Japan and Europe deteriorate 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.

Changes in trade policies resulting from forced labor and human rights abuses in China may adversely impact our business and operating results

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

Risks Related to our Facilities and Third-Party Suppliers and Vendors

We rely on distribution facilities to operate our business, and any damage to one of these facilities, or any disruptions caused by incorporating new facilities into our operations, could have a material adverse impact on our business

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

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

We rely on independent shipping companies to deliver the products we sell

We rely on third party carriers to deliver merchandise from vendors and manufacturers to us and to ship merchandise to our customers. As a result, we are subject to carrier disruptions and delays due to factors that are beyond our control, including employee strikes, inclement weather and regulation and enforcement actions by customs agencies. For example, as a result of COVID-19 many consumers have significantly increased their use of ecommerce which has resulted in a significant increase in the volume of packages handled by third-party carriers, including those we rely on, which could cause us to experience delays in merchandise deliveries and cause our customers to experience delays in their order delivery. Any failure to deliver products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers. Enforcement actions by customs agencies can also cause the costs of imported goods to increase, negatively affecting our profits.

We are also impacted by increases in shipping rates charged by third party carriers, which over the past few years, have increased significantly in comparison to historical levels. We currently expect that shipping and postal rates will continue to increase. In the case of deliveries to customers, in each market where we operate, we have negotiated agreements with one or more independent, third party shipping companies, which in certain circumstances provide for favorable shipping rates. If any of these relationships were to terminate or if a shipping company was unable to fulfill its obligations under its contract for any reason, we would have to work with other shipping companies to deliver merchandise to customers, which would most likely be at less favorable rates. Other potential adverse consequences of changing carriers include:

- reduced visibility of order status and package tracking;
- delays in order processing and product delivery; and
- reduced shipment quality, which may result in damaged products and customer dissatisfaction.

Any increase in shipping rates and related fuel and other surcharges passed on to us by our current carriers or any other shipping company would adversely impact profits, given that we may not be able to pass these increased costs directly to customers or offset them by increasing prices without a detrimental effect on customer demand.

We depend on relationships with vendors, manufacturers and other third parties, and any adverse changes in these relationships could result in a failure to meet customer expectations which could result in lost revenue

We purchase merchandise from a wide variety of third party vendors, manufacturers and other sources pursuant to short- and long-term contracts and purchase orders. Our ability to identify and establish relationships with these parties, as well as to access quality merchandise in a timely and efficient manner on acceptable terms and cost, can be challenging. In particular, we purchase a significant amount of merchandise from vendors and manufacturers abroad, and cannot predict whether the costs for goods sourced in these markets will remain stable. We depend on the ability of vendors and manufacturers in the U.S. and abroad to produce and deliver goods that meet applicable quality standards, which is impacted by a number of factors, some of which are not within the control of these parties, such as political or financial instability, trade restrictions, tariffs, currency exchange rates and transport capacity and costs, among others.

Our failure to identify new vendors and manufacturers, maintain relationships with a significant number of existing vendors and manufacturers and/or access quality merchandise in a timely and efficient manner could cause us to miss customer delivery dates or delay scheduled promotions, which would result in lost sales or the failure to meet customer expectations and could cause customers to cancel orders or cause us to be unable to source merchandise in sufficient quantities, which could result in lost revenue.

The unanticipated loss of certain larger vendors or the consolidation of our vendors could negatively impact our sales and profitability on a short term basis

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

Risks Related to the Seasonality of Our Business

We face significant inventory risk

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

The seasonality of our business places increased strain on our operations

Our net revenue in recent years indicates that our business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, we have earned, on average, between 21% and 24% of our global revenue in each of the first three quarters of the year and 32% of our global revenue in the fourth quarter of the year. If our vendors are not able to provide popular products in sufficient amounts (for example, due to the illness or absenteeism of our vendors' workforces, government mandated shutdown orders, impaired financial conditions or other reasons resulting from the COVID-19 pandemic) such that we fail to meet customer demand, it could significantly affect our revenue and our future growth. The supply of such products may not return to pre-COVID-19 levels, and if so, product supplies may return to pre-COVID-19 levels at different times, and our efforts to ensure popular products are in stock may not be successful. If too many customers access our websites within a short period of time due to increased holiday demand, we may experience system interruptions that make our websites unavailable or prevent us from efficiently fulfilling orders, which may reduce the volume of goods we offer or sell and the attractiveness of our products and services. In addition, we may be unable to adequately staff our fulfillment network and customer service centers during these peak periods and delivery and other third party shipping (or carrier) companies may be unable to meet the seasonal demand. Risks described elsewhere in this Part I, Item 1A relating to fulfillment network optimization and inventory are magnified during periods of high demand.

To the extent we pay for holiday merchandise in advance of the holidays (i.e., in August through November of each year), our available cash may decrease, resulting in less liquidity. We have limited availability under our revolving credit facility and may not be able to access financing to the extent our cash balance is impaired. We may be unable to maintain a level of cash sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Risk Related to Management and Key Personnel

Our success depends in large part on our ability to recruit and retain key employees capable of executing our unique business model

We have a business model that requires us to recruit and retain key employees, including management, with the skills necessary for a unique business that demands knowledge of the general retail industry, television production, direct to consumer marketing and fulfillment and the Internet. We cannot assure you that if we experience turnover of our key employees we will be able to recruit and retain acceptable replacements because the market for such employees is very competitive and limited. As previously announced, Michael A. George, QVC's President and Chief Executive Officer, intends to retire on December 31, 2021. Although a search is underway for Mr. George's successor, no assurance can be given as to when a suitable replacement will be found.

We have not voluntarily implemented various corporate governance measures, in the absence of which you may have more limited protections against interested transactions, conflicts of interest and similar matters

Federal legislation, including the Sarbanes-Oxley Act of 2002, encourages the adoption of various corporate governance measures designed to promote the integrity of corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address board of directors' independence and audit committee oversight.

As a “close corporation” under Delaware law, our stockholder, rather than a board of directors, manages our business. Our stockholder is an indirect wholly owned subsidiary of Qurate Retail, meaning that we do not have any independent governing body. In addition, we have not adopted corporate governance measures such as the implementation of an audit committee or other independent governing body. It is possible that if we were to appoint a board of directors and include one or more independent directors and adopt some or all of these corporate governance measures, there may be somewhat greater assurances that internal corporate decisions were being made by disinterested directors and that policies had been implemented to define responsible conduct. However, our stockholder has the ability to make decisions regarding transactions with related parties and corporate actions that could involve conflicts of interest.

In addition, our Chief Executive Officer and President, Michael A. George, became president and chief executive officer of Qurate Retail during 2018. Investors should bear in mind our current lack of independent directors, the positions with Qurate Retail that are held by Mr. George and corporate governance measures in formulating their investment decisions.

The interests of our stockholder may not coincide with your interests and our stockholder may make decisions with which you may disagree

Our stockholder is an indirect wholly owned subsidiary of Qurate Retail. As a “close corporation” under Delaware law, our stockholder, rather than a board of directors, manages our business. As a result, Qurate Retail controls certain aspects of our management, including the approval of significant corporate transactions such as a change of control. The interests of Qurate Retail may not coincide with our interests or your interests. For example, Qurate Retail’s dependence on our cash flow for servicing Qurate Retail’s debt and for other purposes, including payments of dividends on Qurate Retail’s capital stock, stock repurchases or to fund acquisitions or other operational requirements of Qurate Retail and its subsidiaries is likely to result in our payment of large dividends to Qurate Retail when permitted by law or the terms of our senior secured credit facility and the indentures governing our outstanding senior secured notes, which may increase our accumulated deficit or require us to borrow under our senior secured credit facility, increasing our leverage and decreasing our liquidity. We have made significant distributions to Qurate Retail in the past. See Item 1. "Business - Qurate Retail relationship and related party transactions."

Risks Related to Our Indebtedness

We have a substantial amount of indebtedness, which could adversely affect our financial position and prevent us from fulfilling our debt obligations

We have a substantial amount of indebtedness. As of December 31, 2020, we had total debt, other than our finance lease obligations, of $4,666 million, consisting of $4,448 million of secured indebtedness under our existing notes secured by a first priority perfected lien on all shares of our capital stock. Additionally, there was $2.93 billion of unused capacity under our senior secured credit facility. In December 2020, QVC Global Corporate Holdings, LLC, a subsidiary of QVC, became the primary co-obligor of Liberty Interactive, LLC’s $218 million 3.5% Senior Exchangeable Debentures due 2031. See further details in note 8 in the notes to our consolidated financial statements. In addition, we had $168 million of finance lease obligations and $220 million of operating lease liabilities. We may incur significant additional indebtedness in the future. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

Our level of indebtedness could limit our flexibility in responding to current market conditions, adversely affect our financial position, prevent us from meeting our obligations under our debt instruments or otherwise restrict our business activities

The existence of and limitations on the availability of our debt could have important consequences. The existence of debt could, among other things:

- require a substantial portion of our cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness;
- limit our ability to use cash flow or obtain additional financing for future working capital, capital expenditures or other general corporate purposes, which reduces the funds available to us for operations and any future business opportunities;
- increase our vulnerability to general economic and industry conditions; or

- expose us to the risk of increased interest rates because certain of our borrowings, including borrowings under our credit facility, are at variable interest rates.

Limitations imposed as a part of the debt, such as the availability of credit and the existence of restrictive covenants may, among other things:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the notes and our other indebtedness;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes on satisfactory terms or at all;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- limit our ability to respond to business opportunities.

We may not be able to generate sufficient cash to service our debt obligations

Our ability to make payments on our indebtedness will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions, the pendency of the COVID-19 pandemic, and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

We may need to refinance our indebtedness.

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

Despite our current level of indebtedness, we may still incur substantially more indebtedness. This could exacerbate the risks associated with our existing indebtedness

We and our subsidiaries may incur substantial additional indebtedness in the future. Our senior secured credit facility and the terms of the indentures for our notes limit, but do not prohibit, us or our subsidiaries from incurring additional indebtedness. Also, our subsidiaries could incur additional indebtedness that is structurally senior to the notes or we and our subsidiaries could incur indebtedness secured by a lien on assets that do not constitute collateral, including assets of ours and our subsidiaries, and the holders of such indebtedness will have the right to be paid first from the proceeds of such assets. If we incur any additional indebtedness that ranks equally with the notes and the guarantees, the holders of that indebtedness will be entitled to share ratably with the holders of the notes and the guarantees in any proceeds distributed in connection with our insolvency, liquidation, reorganization or dissolution. This may have the effect of reducing the amount of proceeds paid to the existing note holders. In addition, existing note holders' rights to the collateral would be diluted by any increase in the indebtedness secured by this collateral. If new indebtedness is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

Covenants in our debt agreements restrict our business in many ways

Our senior secured credit facility and the indentures governing the notes contain various covenants that limit our ability and/or our restricted subsidiaries' ability to, among other things:

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

In addition, our senior secured credit facility contains restrictive covenants and requires us to maintain a specified leverage ratio. The leverage ratio is defined in Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Position, Liquidity and Capital Resources - Senior Secured Credit Facility." Our ability to meet this leverage ratio can be affected by events beyond our control, and we may be unable to meet those tests. A breach of any of these covenants could result in a default under our senior secured credit facility, which in turn could result in a default under the indentures governing the notes. Upon the occurrence of an event of default under our senior secured credit facility, the lenders could elect to declare all amounts outstanding under our senior secured credit facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. Our senior secured credit facility, our notes and certain future indebtedness are secured by a first priority perfected lien in all shares of our capital stock. If the lenders and counterparties under our senior secured credit facility, our notes and certain future indebtedness accelerate the repayment of obligations, we may not have sufficient assets to repay such obligations. Our borrowings under our senior secured credit facility are, and are expected to continue to be, at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will also increase even though the amount borrowed remains the same, and our net income would decrease.

Our ability to pay dividends or make other restricted payments to Qurate Retail is subject to limited restrictions

There are no restrictions under our bond indentures on our ability to pay dividends or make other restricted payments if we are not in default on the senior secured notes and our consolidated leverage ratio is no greater than 3.50 to 1.0. As a result, Qurate Retail will, in many instances, be permitted to rely on our cash flow for servicing Qurate Retail's debt and for other purposes, including payments of dividends on Qurate Retail's capital stock, if declared, or to fund acquisitions or other operational requirements of Qurate Retail and its subsidiaries. These events may deplete our equity or require us to borrow under our senior secured credit facility, increasing our leverage and decreasing our liquidity. QVC has made significant distributions to Qurate Retail in the past. These dividends were funded with draws from our revolving credit facility or from cash generated from operations. In the ordinary course of business, we may continue to make additional distributions to Qurate Retail in the future. See Item 1. "Business - Qurate Retail relationship and related party transactions."

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We own our corporate headquarters and operations center in West Chester, Pennsylvania, which includes executive offices, video broadcast studios, showrooms, broadcast facilities and administrative offices for QVC. Our corporate headquarters and the remainder of our properties are summarized as follows:

Location	Properties Type	Own or Lease	Operating Segment
West Chester, Pennsylvania	Corporate Headquarters	Own	QxH
San Antonio, Texas	Call Center	Own	QxH
Chesapeake, Virginia	Call Center	Own	QxH
Bochum, Germany	Call Center	Own	QVC-International
Kassel, Germany	Call Center	Own	QVC-International
Chiba-Shi, Japan	Call Center	Own	QVC-International
Bethlehem, Pennsylvania	Distribution Center	Lease	QxH
Lancaster, Pennsylvania	Distribution Center	Own	QxH
Suffolk, Virginia	Distribution Center	Own	QxH
Rocky Mount, North Carolina	Distribution Center	Own	QxH
Florence, South Carolina	Distribution Center	Own	QxH
Ontario, California	Distribution Center	Own	QxH
Piney Flats, Tennessee	Distribution Center	Own	QxH
Chiba, Japan	Distribution Center	Own	QVC-International
Hückelhoven, Germany	Distribution Center	Own	QVC-International
St. Petersburg, Florida	Multi-functional	Own	QxH
Knowsley, United Kingdom	Multi-functional	Own	QVC-International
Chiba, Japan	Multi-functional	Own	QVC-International
Brugherio, Italy	Multi-functional	Own	QVC-International
Düsseldorf, Germany	Multi-functional	Own	QVC-International
London, U.K.	Multi-functional	Lease	QVC-International

We supplement the facilities listed above by leasing various facilities worldwide. We believe that the duration of each lease is adequate and we do not anticipate any future problems renewing or obtaining suitable leases for our principal properties. We believe that our principal properties, whether owned or leased, are currently adequate for the purposes for which they are used and are suitably maintained for these purposes. From time to time, we consider various alternatives related to our long-term facilities' needs.

Item 3. Legal Proceedings

We are not a party to or subject to any material pending legal proceedings. We are parties to various claims and pending litigation as part of the normal course of business. In the opinion of management, the nature and disposition of these matters are considered routine and arising in the ordinary course of business.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

There is no established trading market for our equity securities. There is one holder of record of our equity, Qurate Retail Group, Inc., an indirect wholly-owned subsidiary of Qurate Retail, Inc. ("Qurate Retail") (formerly Liberty Interactive Corporation).

See also "Item 1. Business - Qurate Retail relationship and related party transactions" for information related to our dividends to Qurate Retail and note 8 to our consolidated financial statements for our debt issuance descriptions.

Item 6. Selected Financial Data

Omitted under the reduced disclosure format permitted by General Instruction I(2)(a) of Form 10-K.

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

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

Overview

QVC, Inc. and its consolidated subsidiaries (unless otherwise indicated or required by the context, the terms "we," "our," "us," the "Company" and "QVC" 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. QVC is comprised of the reportable segments of QxH, which is comprised of QVC-U.S. and HSN, Inc. ("HSN"), and QVC-International.

In the U.S., QVC's televised shopping programs, including live and recorded content, are broadcast across multiple channels nationally on a full-time basis, including QVC, QVC2, QVC3, HSN, and HSN2. The Company's U.S. programming is also available on QVC.com and HSN.com, QVC's "U.S. websites"; virtual multichannel video programming distributors (including Hulu + Live TV, AT&T TV and as of January 2021, YouTube TV); applications via streaming video; Facebook Live, Roku, Apple TV, and Amazon Fire; mobile applications; social pages and over-the-air broadcasters.

QVC's digital platforms enable consumers to purchase goods offered on our broadcast programming, along with a wide assortment of products that are available only on our U.S. websites. QVC.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, our U.S. websites allow shoppers to browse, research, compare and perform targeted searches for products, read customer reviews, control the order-entry process and conveniently access their account.

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. QVC-Japan paid dividends to Mitsui of $62 million in the year ended December 31, 2020 and $40 million in each of the years ended December 31, 2019 and 2018.

The Company is an indirect wholly-owned subsidiary of Qurate Retail, Inc. ("Qurate Retail") (formerly Liberty Interactive Corporation) (Nasdaq: QRTEA, QRTEB and QRTEP), which owns interests in a broad range of digital commerce businesses, including Qurate Retail's other wholly-owned subsidiary Zulily, LLC ("Zulily"), as well as other minority investments. QVC is part of the Qurate Retail Group ("QRG"), formerly QVC Group, a portfolio of brands including QVC, Zulily and Cornerstone Brands, Inc. ("CBI").

QVC engages with Zulily, which has been a wholly-owned subsidiary of Qurate Retail since October 2015. Zulily is not part of the results of operations or financial position of QVC presented in the accompanying consolidated financial statements. During the years ended December 31, 2020, 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 $8 million, $7 million, and $5 million to Zulily for the years ended December 31, 2020, 2019, and 2018, respectively. Zulily allocated expenses of $11 million, $9 million, and $6 million to QVC for the years ended December 31, 2020, 2019, and 2018, respectively.

On December 31, 2018, QVC amended and restated its senior secured credit facility (the "Fourth Amended and Restated Credit Agreement") which is a multi-currency facility that provides for a $2.95 billion revolving credit facility (see note 8 to the accompanying 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 December 31, 2020, there were no borrowings by Zulily on the $400 million tranche of the senior secured credit facility.

In September 2020, QVC and Zulily executed a Master Promissory Note ("Promissory Note") whereby Zulily may borrow up to $100 million at a variable interest rate equal to the LIBOR rate plus an applicable margin rate. The Promissory Note matures in September 2030. As of December 31, 2020, there were no borrowings on the Promissory Note.

On December 29, 2017, Qurate Retail completed the acquisition of the remaining 62% ownership interest of HSN it did not previously 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.

On October 17, 2018, QRG announced a series of initiatives designed to better position its QxH business (“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, which commenced in 2019 (see note 9 to the accompanying consolidated financial statements). Expenditures related to the QRG Initiatives are recorded as part of transaction related costs (see note 16 to the accompanying consolidated financial statements).

On December 30, 2020, the Company and Liberty Interactive LLC ("LIC") completed an internal realignment of the Company's global finance structure that resulted in a common control transaction with Qurate Retail. As part of this realignment and upon entering into a payment agreement, QVC Global Corporate Holdings, LLC ("QVC Global"), a subsidiary of the Company, became the primary co- obligor on LIC’s 3.5% Senior Exchangeable Debentures Due 2031 (the “MSI Exchangeables”), which allows the MSI Exchangeables to be serviced directly by cash generated from the Company’s foreign operations (see note 8 to the accompanying consolidated financial statements). Concurrently, LIC issued a promissory note (“LIC Note”) to the Company with an initial face amount of $1.8 billion, a stated interest rate of 0.48% and a maturity of December 29, 2029. Interest on the LIC Note is to be paid annually beginning on December 29, 2021. In addition, Qurate Retail transferred additional assets and liabilities as part of the transaction. The difference between the total assets received and the liabilities assumed is treated as a capital contribution from Qurate Retail as part of the common control transaction.

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 the accompanying consolidated financial statements. During the year ended December 31, 2020, QVC and CBI engaged in multiple transactions relating to personnel and business advisory services. QVC allocated expenses of $23 million, $28 million and $50 million to CBI for the years ended December 31, 2020, 2019 and 2018, respectively. CBI allocated expenses of $1 million, $1 million and $5 million to QVC for the years ended December 31, 2020, 2019 and 2018, respectively. CBI also repaid a $29 million note receivable to QVC during the year ended December 31, 2019.

In the fourth quarter of 2018, QVC recorded a charge related to 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) Curate special products at compelling values; (ii) Extend video reach and relevance; (iii) Reimagine daily digital discovery; (iv) Expand and engage our passionate community; and (v) Deliver joyful customer service. 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, mobile platforms and applications via streaming video, additions of new customers from households already receiving QVC's broadcast programming and increased spending from existing customers. 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.

The current 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, continue to be 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.

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

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

In December 2019, the COVID-19 pandemic was reported to have surfaced in Wuhan, China and has subsequently spread across the globe, including all of the countries in which QVC operates. As a result of the spread of the virus, certain local governmental agencies have imposed travel restrictions and imposed local quarantines or stay at home restrictions to contain the spread, which has caused a significant disruption to most sectors of the economy. In response to these stay at home restrictions, QVC has mandated that non-essential employees work from home and has reduced the number of employees who are allowed on its production set and has implemented increased cleaning protocols, social distancing measures and temperature screenings for those employees who enter into certain facilities. In some cases, the move to a work from home arrangement for our non-essential employees will be permanent, which may result in the reduction of office space. We have also mandated that all essential employees who do not feel comfortable coming to work will not be required to do so. As a result of these resource constraints, QVC included fewer hours of live programming on some of its secondary channels and has experienced some delays in shipping at certain fulfillment centers. In certain markets, QVC temporarily increased the wages and salaries for those employees deemed essential who do not have the ability to work from home, including production and fulfillment center employees. The total increase in wages and salaries of $10 million was recorded during the year and is primarily recorded in cost of goods sold for the year ended December 31, 2020. QVC has also paid a one-time work from home allowance to its employees during the second quarter of 2020 totaling $4 million, which is primarily recorded in selling, general and administrative expenses for the year ended December 31, 2020. The inability to control the spread of COVID-19, or the expansion or extension of these stay at home restrictions could negatively impact our results in the future.

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

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

In July 2020, QVC implemented a planned workforce reduction with the goal of making the organizational structure streamlined and more efficient. As part of the workforce reduction, QVC has decided to eliminate live hours on QVC2 in the U.S. and other secondary channels within the international segment. As a result, QVC recorded $20 million of severance expense during the year ended December 31, 2020, which is recorded in selling, general and administrative expense.

Results of Operations- QVC Consolidated

QVC's operating results were as follows:

	Years ended December 31,		
(in millions)	**2020**	**2019**	**2018**
Net revenue	$ 11,472	10,986	11,282
Operating costs and expenses:			
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	7,418	7,148	7,248
Operating	786	768	881
Selling, general and administrative, excluding transaction related costs and stock-based compensation	1,211	1,088	1,094
Adjusted OIBDA (defined below)	2,057	1,982	2,059
Impairment loss	—	147	30
Transaction related costs	—	1	60
Stock-based compensation	37	39	46
Depreciation	171	186	174
Amortization	282	282	237
Operating income	1,567	1,327	1,512
Other (expense) income:			
Equity in losses of investee	(30)	—	(3)
Gains (losses) on financial instruments	3	(5)	(2)
Interest expense, net	(257)	(240)	(243)
Foreign currency gain (loss)	6	(3)	—
Loss on extinguishment of debt	(42)	—	(2)
	(320)	(248)	(250)
Income before income taxes	1,247	1,079	1,262
Income tax expense	(337)	(262)	(334)
Net income	910	817	928
Less net income attributable to the noncontrolling interest	(58)	(50)	(46)
Net income attributable to QVC, Inc. stockholder	$ 852	767	882

Net revenue

Net revenue for each of QVC's segments was as follows:

		Years ended December 31,	
(in millions)	**2020**	**2019**	**2018**
QxH	$ 8,505	8,277	8,544
QVC-International	2,967	2,709	2,738
Consolidated QVC	$ 11,472	10,986	11,282

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

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

During the years ended December 31, 2020 and 2019, the changes in revenue and expenses were affected by changes in the exchange rates for the Japanese Yen, the Euro and the U.K. Pound Sterling. In the event the U.S. Dollar strengthens against these foreign currencies in the future, QVC's revenue and operating cash flow will be negatively affected.

In discussing 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 QVC's segments in U.S. Dollars and in constant currency was as follows:

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

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

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

Cost of goods sold (excluding depreciation and amortization)

QVC's cost of goods sold as a percentage of net revenue was 64.7%, 65.1%, and 64.2% for years ended December 31, 2020, 2019 and 2018, respectively. The decrease in cost of goods sold as a percentage of revenue in 2020 is primarily due to strategic promotional and pricing initiatives, which decreased product costs as a percentage of net revenue across QxH, Japan and Germany, and favorable estimated product returns at QxH, which was partially offset by increased fulfillment costs at QxH, primarily related to increased freight charges. For 2019, the increase in cost of goods sold as a percentage of revenue is due to an increase in product fulfillment costs primarily related to a new fulfillment center in Bethlehem, Pennsylvania and higher freight 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 increased $18 million or 2% and decreased $113 million or 13% for the years ended December 31, 2020 and 2019, respectively as compared to the corresponding prior year. Operating expenses were 6.9% and 7.0% of net revenue for the years ended December 31, 2020 and 2019, respectively.

The increase in 2020 was primarily due to a $15 million increase in customer service expenses, primarily at QxH, a $6 million increase in credit card fees at QxH and to a lesser extent, Japan, and a $5 million increase due to unfavorable exchange rates partially offset by a $6 million decrease in commissions, primarily at QxH and to a lesser extent, Germany and the U.K., partially offset by Japan. The increase in customer service expenses is primarily driven by increased call volume during the year. The increase in credit card fees is primarily due to increased sales and lower sales penetration of our U.S. Private Label Credit Cards, which do not charge certain credit card fees. The decrease in commissions is primarily due to increased digital penetration.

The decrease in 2019 was primarily due to a $92 million decrease in commissions primarily at QxH, a $13 million decrease in personnel costs, primarily at QxH and to a lesser extent, Italy, Germany and Japan, and a $5 million decrease due to favorable exchange rates. The decrease in commissions is primarily due to new longer term television distribution rights agreements entered into at HSN, with similar terms to QVC’s television distribution agreements, which led to increased capitalization of television distribution rights agreements and favorable terms on commissions.

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 credit losses, production costs, marketing and advertising expenses. Such expenses increased $123 million, and increased to 10.6% of net revenue for the year ended December 31, 2020 as compared to the prior year and decreased $6 million and was 9.9% of net revenue for the year ended December 31, 2019 as compared to the prior year.

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

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

Impairment loss

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

Transaction related costs

Transaction related costs include restructuring, integration, and advisory fees that were incurred by QVC as it relates to the QRG Initiatives and expenses related to the closure of operations in France (collectively, "transaction related costs"). There were no transaction related costs recorded by QVC for the year ended December 31, 2020. QVC recorded $1 million and $60 million of transaction related costs for the years ended December 31, 2019 and 2018, respectively. There were no significant transaction related costs incurred during 2019 and the transaction related costs recorded in 2018 were primarily related to severance payments related to the future closure of QVC's Lancaster, PA fulfillment center and other initiatives to better position its QxH operations as well as the closure of operations in France.

Stock-based compensation

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

Depreciation and amortization

Depreciation and amortization consisted of the following:

			Years ended December 31,
(in millions)	**2020**	**2019**	**2018**
Affiliate agreements	$ 2	2	2
Customer relationships	49	49	50
Other technology	15	15	15
Acquisition related amortization	66	66	67
Property and equipment	171	186	174
Software amortization	85	85	95
Channel placement amortization and related expenses	131	131	75
Total depreciation and amortization	$ 453	468	411

For the year ended December 31, 2020, property and equipment depreciation decreased primarily due to the disposition of assets in France in 2019. For the year ended December 31, 2019, channel placement amortization expense increased primarily due to new television distribution contracts entered into at HSN and software amortization decreased due to the end of useful lives of certain software additions.

Equity in losses of investee

The losses were associated with our joint venture in China that is accounted for as an equity method investment. For the year ended December 31, 2020, as a result of an impairment review, the Company reduced its investment in the joint venture, CNR Home Shopping Co., Ltd. ("CNRS") by $29 million which is recorded as equity in losses of investee in the consolidated statement of operations.

Gains (losses) on financial instruments

There was $3 million in gains on financial instruments for the year ended December 31, 2020, which was primarily related to the change in the fair value of the interest rate swaps (see "Interest Rate Swap Arrangements" below). There was $5 million and $2 million in losses on financial instruments for the years ended December 31, 2019 and 2018, respectively.

Interest expense, net

For the years ended December 31, 2020 and 2019, consolidated net interest expense increased $17 million and decreased $3 million, respectively, as compared to the corresponding prior years. The increase in net interest expense in 2020 is primarily related to refinancing our borrowings on our senior secured credit facility with newly issued senior secured notes, which have higher interest rates, partially offset by lower outstanding debt balances due to repayment of amounts outstanding on the senior secured credit facility. The decrease in net interest expense in 2019 was due to the reduction of the variable interest rate on our senior secured credit facility compared to the prior year.

Foreign currency gain (loss)

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 consolidated statements of operations. 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.

Loss on extinguishment of debt

QVC recorded a $42 million loss on extinguishment of debt during the year ended December 31, 2020 due to the redemption of the 5.125% Senior Secured Notes due 2022 (the "2022 Notes"). There was no loss on extinguishment of debt recorded for the year ended December 31, 2019. QVC recorded a $2 million loss on extinguishment of debt during the year ended December 31, 2018 due to the termination of HSN's credit agreement on December 31, 2018.

Income taxes

Our effective tax rate was 27.0%, 24.3% and 26.5% for the years ended December 31, 2020, 2019 and 2018, respectively. The effective tax rate increased in 2020 in comparison to 2019, due to the absence of an income tax benefit realized in 2019 as a result of the write-off in 2019 of an investment and notes in a foreign subsidiary. The effective tax rate decreased in 2019 in comparison to 2018, mainly due to the recognition of that same benefit in 2019.

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 operating income plus depreciation and amortization, stock-based compensation, transaction related costs and impairment loss. 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. 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 generally accepted accounting principles (" 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. The following table provides a reconciliation of operating income to Adjusted OIBDA.

		Years ended December 31,	
(in millions)	**2020**	**2019**	**2018**
Operating income	$ 1,567	1,327	1,512
Depreciation and amortization	453	468	411
Stock-based compensation	37	39	46
Transaction related costs	—	1	60
Impairment loss	—	147	30
Adjusted OIBDA	$ 2,057	1,982	2,059

QVC Adjusted OIBDA increased by $75 million and decreased by $77 million for the years ended December 31, 2020 and 2019, respectively, as compared to the corresponding prior year.

The increase for the year ended December 31, 2020 is due to a $64 million increase in QVC-International and an $11 million increase in QxH. The decrease for the year ended December 31, 2019 is due to a $94 million decrease in QxH offset by a $17 million increase in QVC-International primarily due to the closure of operations in France. There were no Adjusted OIBDA losses related to France for the year ended December 31, 2020 and Adjusted OIBDA losses related to France were $6 million and $32 million for the years ended December 31, 2019 and 2018, respectively.

Seasonality

QVC's business is seasonal due to a higher volume of sales in the fourth calendar quarter related to year-end holiday shopping. In recent years, QVC has earned, on average, between 21% and 24% of its revenue in each of the first three quarters of the year 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 December 31, 2020, 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.

Exchangeable Senior Debentures

3.5% Exchangeable Senior Debentures due 2031

As part of the common control transaction with Qurate Retail that was completed in December 2020, QVC Global, a subsidiary of the Company, became the primary co-obligor of the MSI Exchangeables.

Each $1,000 debenture of the MSI Exchangeables is exchangeable at the holder's option for the value of 5.2598 shares of Motorola Solutions, Inc. (“MSI”). The remaining exchange value is payable, at the Company’s option, in cash or MSI stock or a combination thereof. The Company, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of various principal payments made to holders of the MSI Exchangeables, the adjusted principal amount of each $1,000 debenture is $497 and the total principal outstanding is $218 million as of December 31, 2020. The Company has elected to account for its MSI Exchangeables using the fair value option. Interest on the Company's MSI Exchangeables is payable semi-annually based on the date of issuance. At maturity, the Company's MSI Exchangeables are payable in cash.

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 the exception of the 6.375% Senior Secured Notes due 2067 (the "2067 Notes") and the 6.25% Senior Secured Notes due 2068 (the "2068 Notes"), for which interest is payable quarterly, the interest on QVC's senior secured notes is payable semi-annually.

4.75% Senior Secured Notes due 2027

On February 4, 2020, QVC completed a registered debt offering for $575 million of the 4.75% Senior Secured Notes due 2027 (the "2027 Notes") at par. Interest on the 2027 Notes will be paid semi-annually in February and August, with payments commencing on August 15, 2020.

4.375% Senior Secured Notes due 2028

On August 20, 2020, QVC completed a registered debt offering for $500 million of the 4.375% Senior Secured Notes due 2028 (the "2028 Notes") at par. Interest on the 2028 Notes will be paid semi-annually in March and September, with payments commencing on March 1, 2021.

In connection with the offering of the 2028 Notes, QVC completed a cash tender offer (the "Tender Offer") to purchase any and all of the outstanding 2022 Notes. QVC also issued a notice of redemption exercising its right to optionally redeem any of the 2022 Notes that remained outstanding following the Tender Offer. As a result of the Tender Offer and the redemption, the Company recorded a loss on extinguishment of debt in the consolidated statements of operations of $42 million for the year ended December 31, 2020.

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 $2.95 billion revolving credit facility with a $450 million sub-limit for standby letters of credit and $1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Fourth Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by the Company or Zulily with a $50 million sub-limit for standby letters of credit (see note 14 to the accompanying consolidated financial statements). The remaining $2.55 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 $2.93 billion available under the terms of the senior secured credit facility at December 31, 2020, including the portion available under the $400 million tranche on which Zulily may also borrow. There were no borrowings outstanding on the senior secured credit facility at December 31, 2020.

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. In addition, the payment and performance of the Borrowers’ obligations with respect to the $400 million tranche available to both QVC and Zulily are also guaranteed by Zulily and secured by a pledge of all of Zulily’s equity interests.

The Fourth Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on 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.

Parent Issuer and Subsidiary Guarantor Summarized Financial Information

The following information contains the summarized financial information for the combined parent (QVC, Inc.) and subsidiary guarantors (Affiliate Relations Holdings, Inc.; Affiliate Investment, Inc.; AMI 2, Inc.; ER Marks, Inc.; QVC Global Corporate Holdings, LLC; QVC GCH Company, LLC; QVC Rocky Mount, Inc.; QVC San Antonio, LLC; QVC Global Holdings I, 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; Ingenious Designs LLC; NLG Merger Corp.; Ventana Television, Inc.; and Ventana Television Holdings, Inc.) pursuant to Rules 3-10, 13-01 and 13-02 of Regulation S-X.

This consolidated summarized financial information has been prepared from the Company's financial information on the same basis of accounting as the Company's consolidated financial statements. Transactions between the parent and subsidiary guarantors presented on a combined basis have been eliminated. 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.

Summarized financial information for the most recent annual period was as follows:

		Combined Parent-QVC, Inc. and Subsidiary Guarantors December 31, 2020
Current assets	$	2,394
Intercompany receivable from non-guarantor subsidiaries		(2,501)
Note receivable - related party		1,825
Noncurrent assets		11,118
Current liabilities		2,152
Noncurrent liabilities		5,286

		Combined Parent-QVC, Inc. and Subsidiary Guarantors Year ended December 31, 2020
Net revenue	$	9,631
Net revenue less cost of goods sold		4,066
Income before taxes		945
Net income		910
Net income attributable to QVC, Inc. Stockholder		852

Other Debt Related Information

QVC was in compliance with all of its debt covenants as of December 31, 2020.

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 5.0% as of December 31, 2020.

As of December 31, 2020 and 2019, outstanding trade letters of credit totaled $13 million and $12 million, respectively.

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 senior secured credit facility, 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, paying dividends to Qurate Retail's shareholders, including quarterly cash dividends to holders of Qurate Retail's Series A Cumulative Redeemable Preferred Stock (Nasdaq: QRTEP), 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 senior secured credit facility, increasing QVC's leverage and decreasing liquidity. QVC has made significant distributions to Qurate Retail in the past. See "Item 1. Business - Qurate Retail Relationship and Related Party Transactions."

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. 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 swap arrangement did not qualify as a cash flow hedge under U.S. GAAP and the fair value of the swap instrument was in a net liability position of $3 million and less than $1 million as of December 31, 2020 and 2019, respectively, which was included in other long-term liabilities.

On December 31, 2018, QVC entered into a thirteen month interest rate swap arrangement that effectively converted $250 million of its variable rate bank credit facility to a fixed rate of 1.05% which expired in January 2020.

Changes in the fair value of the swaps are reflected in losses on financial instruments in the accompanying consolidated statements of operations.

Additional Cash Flow Information

During the year ended December 31, 2020, QVC's primary uses of cash were $1,236 million of principal payments on debt and finance lease obligations, $1,184 million of dividends to Qurate Retail, $500 million of principal repayments of our senior secured notes, $274 million of capital and television distribution rights expenditures and $62 million in dividend payments from QVC-Japan to Mitsui. These uses of cash were funded primarily with $1,075 million from the issuance of the 2027 Notes and 2028 Notes, $112 million of principal borrowings from the senior secured credit facility and $2,234 million of cash provided by operating activities. As of December 31, 2020, QVC's cash, cash equivalents and restricted cash balance was $690 million.

As of December 31, 2020, $380 million of the $690 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 63% of this foreign cash balance was that of QVC-Japan. QVC owns 60% of QVC-Japan and shares all profits and losses with the 40% minority interest holder, Mitsui. 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.

During the year ended December 31, 2019, QVC's primary uses of cash were $2,599 million of principal payments on debt and finance lease obligations, $879 million of dividends to Qurate Retail, $425 million of capital and television distribution rights expenditures, $400 million of principal repayments of our senior secured notes, $40 million in dividend payments from QVC-Japan to Mitsui and $4 million of other financing activities. These uses of cash were funded primarily with $2,496 million of principal borrowings from the senior secured credit facility, $500 million from the issuance of the 2068 Notes, $50 million in capital contributions from Qurate Retail and $1,322 million of cash provided by operating activities. As of December 31, 2019, QVC's cash, cash equivalents and restricted cash balance was $569 million.

The change in cash provided by operating activities for the years ended December 31, 2020 and 2019 compared to the previous corresponding years was primarily due to a change in working capital items. 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 December 31, 2019, $280 million of the $569 million in cash, cash equivalents and restricted cash was held by foreign subsidiaries. Approximately 66% of this foreign cash balance was that of QVC-Japan.

During the year ended December 31, 2018, QVC's primary uses of cash were $3,541 million of principal payments on debt and capital lease obligations, $368 million of capital and television distribution rights expenditures, $367 million of dividends to Qurate Retail, $40 million in dividend payments from QVC-Japan to Mitsui and $18 million of other financing activities. These uses of cash were funded primarily with $2,750 million of principal borrowings from the senior secured credit facility, $520 million in capital contributions from Qurate Retail, $225 million from the issuance of the 2067 Notes and $1,156 million of cash provided by operating activities. As of December 31, 2018, QVC's cash, cash equivalents and restricted cash balance was $550 million.

Other

Capital expenditures spending in 2021 is expected to be between $220 and $250 million.

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 Company's consolidated financial statements.

Off-balance Sheet Arrangements and Aggregate Contractual Obligations

Information concerning the amount and timing of required payments, both accrued and off-balance sheet, under our contractual obligations at December 31, 2020 is summarized below:

							Payments due by period
(in millions)	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
Long-term debt (1)	$ 8	8	758	609	609	2,676	4,668
Interest payments (2)	240	238	222	182	154	2,587	3,623
Finance lease obligations (including imputed interest)	26	26	25	24	22	89	212
Operating lease obligations	38	32	27	24	21	167	309
Purchase obligations and other (3)	2,519	36	16	7	6	10	2,594

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

(2) Amounts (i) are based on the terms of our senior secured notes and exchangeable senior debenture **s**, (ii) assumes that our existing debt is repaid at maturity and (iii) exclude finance lease obligations.

(3) Amounts include open purchase orders for inventory and non-inventory purchases along with other contractual obligations, regardless of our ability to cancel such obligations.

Adoption of new accounting pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 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 Company prospectively adopted this new standard as of January 1, 2020 and it did not have a material impact on the consolidated financial statements.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires QVC 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates include, but are not limited to, sales returns, uncollectible receivables, inventory obsolescence, depreciable lives of fixed assets, internally developed software, valuation of acquired intangible assets and goodwill, and income taxes. QVC bases its estimates on historical experience and on various other assumptions that QVC believes to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions. In addition, as circumstances change, QVC may revise the basis of its estimates accordingly.

Goodwill and long-lived assets

QVC's long-lived asset valuations are primarily comprised of the annual assessment of the recoverability of goodwill and other nonamortizable intangibles, such as tradenames, and the evaluation of the recoverability of other long-lived assets upon certain triggering events. If the carrying value of long-lived assets exceeds their undiscounted cash flows, QVC is required to write the carrying value down to the fair value. Any such writedown is included as an impairment loss in the consolidated statements of operations. A high degree of judgment is required to estimate the fair value of the long-lived assets. QVC may use quoted market prices, prices for similar assets, present value techniques and other valuation techniques to prepare these estimates. QVC may need to make estimates of future cash flows and discount rates as well as other assumptions in order to implement these valuation techniques. Due to the high degree of judgment involved in estimation techniques, any value ultimately derived from the long-lived assets may differ from the estimate of fair value. As all of QVC's operating segments have long-lived assets, this critical accounting estimate affects the financial position and results of operations of each segment.

QVC utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether an impairment exists. In evaluating goodwill on a qualitative basis, QVC reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of our reporting units. A reporting unit is defined in accounting guidance in accordance with U.S. GAAP as an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. The Company considers whether there were any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges and the legal environments, and how these factors might impact country specific performance in future periods.

For the year ended December 31, 2020, QVC only performed a qualitative assessment for its QxH and QVC-International reporting segments as it was more likely than not that the fair values exceeded the carrying values for each of the reporting units. There was no goodwill impairment recorded for the year ended December 31, 2020.

QVC utilizes a qualitative assessment to evaluate the risk of impairment of indefinite-lived intangible assets. If deemed necessary based on qualitative factors, a quantitative test is used to determine if the carrying value of an indefinite-lived intangible asset exceeds its fair value. If the carrying value exceeds the fair value, an impairment loss is recognized in an amount equal to that excess in accordance with FASB Accounting Standards Codification 350-30-35. There was no impairment loss recorded for the year ended December 31, 2020. QVC recorded a $147 million and $30 million impairment loss related to its HSN indefinite-lived tradename during the years ended December 31, 2019 and 2018, respectively. The carrying value of the HSN indefinite-lived tradename as of December 31, 2020 is $450 million.

The changes in the carrying amount of goodwill by operating segment for the years ended December 31, 2020 and 2019 were as follows:

(in millions)		QxH	QVC-International	Total
Balance as of December 31, 2018	$	5,112	860	5,972
Exchange rate fluctuations		—	(1)	(1)
Balance as of December 31, 2019		5,112	859	5,971
Exchange rate fluctuations		—	63	63
Balance as of December 31, 2020	$	5,112	922	6,034

Retail related adjustments and allowances

QVC records adjustments and allowances for sales returns, inventory obsolescence and uncollectible receivables. Each of these adjustments is estimated based on historical experience. Sales returns are calculated as a percent of sales and are netted against revenue in the consolidated statement of operations. For the years ended December 31, 2020, 2019 and 2018, sales returns represented 15.6%, 17.3% and 17.4% of gross product revenue, respectively. The inventory obsolescence reserve is calculated as a percent of inventory at the end of a reporting period based on, among other factors, the average inventory balance for the preceding twelve months and historical experience with liquidated inventory. The change in the reserve is included in cost of goods sold in the consolidated statements of operations. As of December 31, 2020, inventory was $1,119 million, which was net of the obsolescence reserve of $170 million. As of December 31, 2019, inventory was $1,214 million, which was net of the obsolescence reserve of $145 million. The allowance for credit losses is calculated as a percent of accounts receivable at the end of a reporting period, and it is based on historical experience, with the change in such allowance being recorded as a provision for credit losses in selling, general and administrative expenses in the consolidated statements of operations. As of December 31, 2020, trade accounts receivable were $1,602 million, net of the allowance for credit losses of $124 million. As of December 31, 2019, trade accounts receivable were $1,813 million, net of the allowance for credit losses of $123 million. Each of these adjustments requires management judgment. Actual results could differ from management's estimates.

Accounting for income taxes

QVC is required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in the financial statements or tax returns for each taxing jurisdiction in which QVC operates. This process requires management to make judgments regarding the timing and probability of the ultimate tax impact of the various agreements and transactions into which QVC enters. Based on these judgments, QVC may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realizability of future tax benefits. Tax benefits from uncertain tax positions may be recognized when it is more likely than not that the position will be sustained. A valuation allowance is provided when it is more likely than not that some portion of a deferred tax asset will not be realized. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which QVC operates, QVC's inability to generate sufficient future taxable income or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on QVC's financial position.

Item 7A. 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. QVC believes this best protects itself from interest rate risk.

The table below summarizes the Company’s debt obligations, related interest rates and fair value of debt at December 31, 2020:

(in millions, except percentages)		2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Fixed rate debt (1) (2)	$	8	8	758	609	609	2,676	4,668	5,098
Weighted average interest rate on fixed rate debt		3.5 %	3.5 %	4.4 %	4.4 %	4.8 %	5.3 %	4.9 %	N/A
Variable rate debt (1)	$	—	—	—	—	—	—	—	—
Average interest rate on variable rate debt		— %	— %	— %	— %	— %	— %	— %	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.

(2) Amounts exclude impact related to interest rate swaps, which we have discussed further below.

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. 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 swap arrangement did not qualify as a cash flow hedge under U.S. GAAP and the fair value of the swap instrument was in a net liability position of $3 million and less than $1 million as of December 31, 2020 and 2019, respectively which was included in other long-term liabilities.

Changes in the fair value of the swaps are reflected in gains (losses) on financial instruments in the consolidated statements of operations.

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 years ended December 31, 2020, 2019 and 2018 would have been impacted by approximately $5 million, $5 million, and $4 million, respectively, for every 1% change in foreign currency exchange rates relative to the U.S. Dollar.

The senior secured credit facility provides QVC with the ability to borrow in multiple currencies. This allows QVC to somewhat mitigate foreign currency exchange rate risks. As of December 31, 2020, 2019 and 2018, no borrowings in foreign currencies were outstanding.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of QVC are filed under this Item 8, beginning on page II-25. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended, the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of December 31, 2020 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the Company's quarter ended December 31, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

2020 Remediation Activities

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

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

- Removed inappropriate IT system access at the Company's Germany subsidiary;
- Enhanced information technology general controls ("ITGC") control activities to ensure access to certain financially significant systems and data at the Company's German subsidiary is appropriately restricted to authorized personnel; and
- Continued enhanced ITGC risk assessment procedures around higher risk applications to identify potential risk areas that could have an impact on financial reporting.

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

Management's Report on Internal Control Over Financial Reporting

See page II-21 for Management's Report on Internal Control Over Financial Reporting.

Item 9B. Other Information

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

QVC, Inc.'s (the "Company") management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

This Annual Report on Form 10-K does not include an audit report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's Report On Internal Control Over Financial Reporting was not subject to audit by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission.

Report of Independent Registered Public Accounting Firm

To the Stockholder-Director
QVC, Inc.:

Opinion on the Consolidated Financial Statements

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

Change in Accounting Principle

As discussed in Note 9 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases.*

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

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

HSN tradename impairment evaluation

As discussed in Note 2 to the consolidated financial statements the Company performs tradename impairment testing on an annual basis and whenever events or changes in circumstances indicate that the carrying value of a tradename more likely than not exceeds its fair value. The Company performed impairment testing of the HSN tradename utilizing the qualitative approach. The Company's tradename balance as of December 31, 2020 was $2.9 billion, of which $450 million related to HSN's indefinite-lived tradename.

We identified the assessment of the evaluation of impairment of the HSN tradename as a critical audit matter. There was a high degree of subjective auditor judgment in applying and evaluating the results of our audit procedures over the qualitative impairment assessment. Specifically, a higher degree of auditor judgment was required in the identification and evaluation of changes in market conditions including the events and circumstances that could indicate that the carrying value of the tradename more likely than not exceeds its fair value. Adverse changes in market conditions could indicate that the carrying amount of the indefinite-lived asset may not be recoverable.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of a certain internal control related to the qualitative impairment assessment. We evaluated the market conditions impacting the Company's indefinite-lived asset based on our understanding of the entity and the industry by reading third party market reports and other publicly available information. With the assistance of valuation professionals with specialized skills and knowledge, we assessed the impact of current market conditions on discount rates based on publicly available market data for comparable entities.

/s/ KPMG LLP

We have served as the Company's auditor since 2003.

Philadelphia, Pennsylvania
February 26, 2021

QVC, Inc.

Consolidated Balance Sheets

December 31, 2020 and 2019

(in millions, except share amount)		2020	2019
Assets			
Current assets:			
Cash and cash equivalents	$	682	561
Restricted cash		8	8
Accounts receivable, less allowance for credit losses of $124 at December 31, 2020 and $123 at December 31, 2019 (note 3)		1,602	1,813
Inventories		1,119	1,214
Prepaid expenses and other current assets		293	184
Total current assets		3,704	3,780
Property and equipment, net of accumulated depreciation of $1,544 at December 31, 2020 and $1,338 at December 31, 2019 (note 4)		1,178	1,215
Operating lease right-of-use assets (note 9)		221	214
Television distribution rights, net (note 5)		63	140
Goodwill (note 6)		6,034	5,971
Other intangible assets, net (note 6)		3,454	3,498
Note receivable - related party (note 14)		1,825	—
Other noncurrent assets		79	109
Total assets	$	16,558	14,927
Liabilities and equity			
Current liabilities:			
Current portion of debt and finance lease obligations (note 8)	$	410	18
Accounts payable-trade		1,127	913
Accrued liabilities (note 7)		1,302	1,045
Total current liabilities		2,839	1,976
Long-term portion of debt and finance lease obligations (note 8)		4,549	5,101
Deferred income taxes (note 12)		711	724
Other long-term liabilities		324	322
Total liabilities		8,423	8,123
Commitments and contingencies (note 13)			
Equity:			
QVC, Inc. stockholder's equity:			
Common stock, $0.01 par value, 1 authorized share		—	—
Additional paid-in capital		10,741	9,208
Accumulated deficit		(2,722)	(2,390)
Accumulated other comprehensive loss (note 17)		(17)	(144)
Total QVC, Inc. stockholder's equity		8,002	6,674
Noncontrolling interest		133	130
Total equity		8,135	6,804
Total liabilities and equity	$	16,558	14,927

See accompanying notes to the consolidated financial statements

QVC, Inc.

Consolidated Statements of Operations

Years ended December 31, 2020, 2019 and 2018

(in millions)	2020	2019	2018
Net revenue	$ 11,472	10,986	11,282
Operating costs and expenses:			
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	7,418	7,148	7,248
Operating	786	768	881
Selling, general and administrative, including transaction related costs and stock-based compensation	1,248	1,128	1,200
Depreciation	171	186	174
Amortization	282	282	237
Impairment loss	—	147	30
	9,905	9,659	9,770
Operating income	1,567	1,327	1,512
Other (expense) income:			
Equity in losses of investee	(30)	—	(3)
Gains (losses) on financial instruments	3	(5)	(2)
Interest expense, net	(257)	(240)	(243)
Foreign currency gain (loss)	6	(3)	—
Loss on extinguishment of debt	(42)	—	(2)
	(320)	(248)	(250)
Income before income taxes	1,247	1,079	1,262
Income tax expense	(337)	(262)	(334)
Net income	910	817	928
Less net income attributable to the noncontrolling interest	(58)	(50)	(46)
Net income attributable to QVC, Inc. stockholder	$ 852	767	882

See accompanying notes to the consolidated financial statements

QVC, Inc.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2020, 2019 and 2018

(in millions)		2020	2019	2018
Net income	$	910	817	928
Foreign currency translation adjustments, net of tax		118	1	(48)
Total comprehensive income		1,028	818	880
Comprehensive income attributable to noncontrolling interest		(65)	(51)	(49)
Comprehensive income attributable to QVC, Inc. stockholder	$	963	767	831

See accompanying notes to the consolidated financial statements

QVC, Inc.

Consolidated Statements of Cash Flows

Years ended December 31, 2020, 2019 and 2018

(in millions)		2020	2019	2018
Operating activities:				
Net income	$	910	817	928
Adjustments to reconcile net income to net cash provided by operating activities:				
Equity in losses of investee		30	—	3
Deferred income taxes		(10)	(8)	(30)
Foreign currency (gain) loss		(6)	3	—
Depreciation		171	186	174
Amortization		282	282	237
Change in fair value of financial instruments and non-cash interest		6	12	8
Impairment loss		—	147	30
Loss on extinguishment of debt		42	—	2
Stock-based compensation		37	39	46
Change in other long-term liabilities		5	(42)	42
Other non-cash charges, net		39	32	—
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable		229	(10)	(110)
Decrease (increase) in inventories		115	68	(113)
Increase in prepaid expenses and other current assets		(14)	(16)	(97)
Increase (decrease) in accounts payable-trade		184	(74)	11
Increase (decrease) in accrued liabilities and other		214	(114)	25
Net cash provided by operating activities		2,234	1,322	1,156
Investing activities:				
Capital expenditures		(218)	(291)	(228)
Expenditures for television distribution rights		(56)	(134)	(140)
Other investing activities		—	29	(29)
Changes in other noncurrent assets		(5)	(11)	(16)
Net cash used in investing activities		(279)	(407)	(413)
Financing activities:				
Principal payments of senior secured credit facility and finance lease obligations		(1,236)	(2,599)	(3,541)
Principal borrowings of debt from senior secured credit facility		112	2,496	2,750
Principal repayment of senior secured notes		(500)	(400)	—
Payment of premium on redemption of senior secured notes		(41)	—	—
Proceeds from issuance of senior secured notes		1,075	500	225
Payment of debt origination fees		(15)	(18)	(14)
Capital contributions received from Qurate Retail, Inc.		—	50	520
Dividends paid to Qurate Retail, Inc.		(1,184)	(879)	(367)
Dividends paid to noncontrolling interest		(62)	(40)	(40)
Other financing activities		(3)	(4)	(18)
Net cash used in financing activities		(1,854)	(894)	(485)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash		20	(2)	2
Net increase in cash, cash equivalents and restricted cash		121	19	260
Cash, cash equivalents and restricted cash, beginning of year		569	550	290
Cash, cash equivalents and restricted cash, end of year	$	690	569	550
Supplemental cash flow information:				
Cash paid for taxes-to Qurate Retail Inc.	$	171	209	273
Cash paid for taxes-other		97	87	134
Cash paid for interest		247	238	241
Non-cash capital additions obtained in exchange for liabilities		—	36	—

See accompanying notes to the consolidated financial statements

QVC, Inc.

Consolidated Statements of Equity

Years ended December 31, 2020, 2019 and 2018

	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, 2017	1	$ —	8,576	(2,797)	(93)	110	5,796
Adjustments due to adoption of new accounting pronouncements	—	—	—	13	—	—	13
Net income	—	—	—	882	—	46	928
Foreign currency translation adjustments, net of tax	—	—	—	—	(51)	3	(48)
Capital contributions received from Qurate Retail, Inc.	—	—	520	—	—	—	520
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(367)	—	(40)	(407)
Withholding taxes on net share settlements of stock-based compensation	—	—	(19)	—	—	—	(19)
Stock-based compensation	—	—	46	—	—	—	46
Balance, December 31, 2018	1	—	9,123	(2,269)	(144)	119	6,829
Net income	—	—	—	767	—	50	817
Foreign currency translation adjustments, net of tax	—	—	—	—	—	1	1
Capital contributions received from Qurate Retail, Inc.	—	—	50	—	—	—	50
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(879)	—	(40)	(919)
Impact of tax liability allocation and indemnification agreement with Qurate Retail, Inc.	—	—	—	(9)	—	—	(9)
Withholding taxes on net share settlements of stock-based compensation	—	—	(4)	—	—	—	(4)
Stock-based compensation	—	—	39	—	—	—	39
Balance, December 31, 2019	1	—	9,208	(2,390)	(144)	130	6,804
Net income	—	—	—	852	—	58	910
Foreign currency translation adjustments, net of tax	—	—	—	—	111	7	118
Dividends paid to Qurate Retail, Inc. and noncontrolling interest	—	—	—	(1,184)	—	(62)	(1,246)
Withholding taxes on net share settlements of stock-based compensation	—	—	(2)	—	—	—	(2)
Stock-based compensation	—	—	37	—	—	—	37
Common control transaction with Qurate Retail, Inc.	—	—	1,498	—	16	—	1,514
Balance, December 31, 2020	1	$ —	10,741	(2,722)	(17)	133	8,135

See accompanying notes to the consolidated financial statements

(1) Basis of Presentation

QVC, Inc. and its consolidated subsidiaries (unless otherwise indicated or required by the context, the terms "we," "our," "us," the "Company" and "QVC" 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 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, QVC3, HSN, and HSN2. The Company's U.S. programming is also available on QVC.com and HSN.com, QVC's "U.S. websites"; virtual multichannel video programming distributors (including Hulu + Live TV and AT&T TV); applications via streaming video; Facebook Live, Roku, Apple TV, and Amazon Fire; mobile applications; social pages and over-the-air broadcasters.

QVC's digital platforms enable consumers to purchase goods offered on our broadcast programming, along with a wide assortment of products that are available only on our U.S. websites. QVC.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, our U.S. websites allow shoppers to browse, research, compare and perform targeted searches for products, read customer reviews, control the order-entry process and conveniently access their account.

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. QVC-Japan paid dividends to Mitsui of $62 million in the year ended December 31, 2020 and $40 million in each of the years ended December 31, 2019 and 2018.

The Company is an indirect wholly-owned subsidiary of Qurate Retail, Inc. ("Qurate Retail") (formerly Liberty Interactive Corporation) (Nasdaq: QRTEA, QRTEB and QRTEP), which owns interests in a broad range of digital commerce businesses, including Qurate Retail's other wholly-owned subsidiary Zulily, LLC ("Zulily"), as well as other minority investments. QVC is part of the Qurate Retail Group ("QRG"), formerly QVC Group, a portfolio of brands including QVC, Zulily and Cornerstone Brands, Inc. ("CBI").

On December 29, 2017, Qurate Retail completed the acquisition of the remaining 62% ownership interest of HSN, Inc. ("HSN") it did not previously 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" operating segment (see note 16).

On October 17, 2018, QRG announced a series of initiatives designed to better position its QxH business ("QRG Initiatives"). As part of the QRG Initiatives, QVC will close its fulfillment centers in Lancaster, Pennsylvania and Roanoke, Virginia and entered into an agreement to lease a new fulfillment center in Bethlehem, Pennsylvania, which commenced in 2019 (see note 9). QVC recorded transaction related costs of $1 million and $60 million during the years ended December 31, 2019 and 2018, respectively, which primarily related to severance, other QRG Initiatives and the closure of operations in France as discussed below.

In the fourth quarter of 2018, QVC recorded a charge related to the potential closure of its operations in France. For the year ended December 31, 2018, QVC recorded $9 million in severance expenses, which is included in transaction related costs (see note 16), and $4 million in inventory obsolescence related to these exit activities. No material severance or inventory obsolescence expenses related to these exit activities were recorded during 2019 or 2020. 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.

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

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

In July 2020, QVC implemented a planned workforce reduction. As part of the workforce reduction, QVC decided to eliminate live hours on QVC2 in the U.S. and other secondary channels within the international segment. As a result, QVC recorded $20 million of severance expense during the year ended December 31, 2020, which is recorded in selling, general and administrative expense in the consolidated statements of operations.

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

(2) Summary of Significant Accounting Policies

(a) Cash and cash equivalents

All highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents. Cash equivalents were $240 million and $272 million at December 31, 2020 and 2019, respectively. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair values (Level 1). See note 15.

(b) Restricted cash

Restricted cash at December 31, 2020 and 2019 primarily includes a cash deposit with a third party trustee that provides financial assurance that the Company will fulfill its obligations in relation to claims under its workers' compensation policy.

(c) Accounts receivable

A provision for customer bad debts is provided as a percentage of accounts receivable based on historical experience in the period of sale and is included within selling, general and administrative expense. A provision for noncustomer bad debt expense, related to amounts due from vendors for unsold and returned products, is provided based on an estimate of the probable expected losses and is included in cost of goods sold.

(d) Inventories

Inventories, consisting primarily of products held for sale, are stated at the lower of cost or net realizable value. Cost is determined by the average cost method, which approximates the first-in, first-out method. Assessments about the realizability of inventory require the Company to make judgments based on currently available information about the likely method of disposition including sales to individual customers, returns to product vendors, liquidations and the estimated recoverable values of each disposition category.

(e) Property and equipment

The costs of property and equipment are capitalized and depreciated over their estimated useful lives using the straight-line method beginning in the month of acquisition or in-service date. Finance leases are stated at the present value of minimum lease payments. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in net income. The costs of maintenance and repairs are charged to expense as incurred.

(f) Capitalized interest

The Company capitalizes interest cost incurred on debt during the construction of major projects exceeding one year. Capitalized interest was not material to the consolidated financial statements for any periods presented.

(g) Internally developed software

Internal software development costs are capitalized in accordance with guidance on accounting for the costs of computer software developed or obtained for internal use, and are classified within other intangible assets in the consolidated balance sheets. The Company amortizes computer software and internal software development costs over an estimated useful life of approximately three years using the straight-line method.

(h) Goodwill and Intangible Assets

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

QVC utilizes a qualitative assessment for determining whether step one of the goodwill impairment analysis is necessary. The accounting guidance permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform step one of the goodwill impairment test. In evaluating goodwill on a qualitative basis, QVC reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it is more likely than not that an indicated impairment exists for any of its reporting units. A reporting unit is defined in accounting guidance in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP" or "GAAP") as an operating segment or one level below an operating segment (also known as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. The Company considers QVC's reporting units to align with its operating segments. Refer to note 16 for additional information. The Company considers whether there were any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges and the legal environments, and how these factors might impact country specific performance in future periods.

If a step one test is considered necessary based on the qualitative factors, the Company compares the estimated fair value of a reporting unit to its carrying value. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in the Company's valuation analysis are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts. Any excess of the carrying value of the reporting unit over the fair value is recorded as an impairment charge.

QVC also utilizes a qualitative assessment to evaluate the risk of impairment of indefinite-lived intangible assets. The accounting guidance permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If deemed necessary based on qualitative factors, a quantitative test is used to determine if the carrying value of an indefinite-lived intangible asset exceeds its fair value. An impairment loss would be recognized to the extent that the carrying amount exceeded the asset's fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350. Refer to note 6 for additional information.

(i) Translation of foreign currencies

Assets and liabilities of foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustments, net of applicable income taxes, are recorded as a component of accumulated other comprehensive loss in equity.

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

(j) Revenue recognition

Revenue is recognized at the time of shipment to customers. The Company's general policy is to allow customers the right to return merchandise. An allowance for returned merchandise is provided at the time revenue is recorded as a percentage of sales based on historical experience. Refer to note 10 for further explanation.

(k) Cost of goods sold

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

(l) Advertising costs

Advertising costs are expensed as incurred. Advertising costs amounted to $208 million, $153 million and $138 million for the years ended December 31, 2020, 2019 and 2018, respectively. These costs were included in selling, general and administrative expenses in the consolidated statements of operations.

(m) Stock-based compensation

As described in note 11, the Company and Qurate Retail have granted certain stock-based awards to employees of the Company. The Company measures the cost of employee services received in exchange for an award of equity instruments (such as stock options and restricted stock units) based on the grant-date fair value of the award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the award). Stock-based compensation expense is included in selling, general and administrative expenses in the consolidated statements of operations.

(n) Impairment of long-lived assets

The Company reviews long-lived assets, such as property and equipment, internally developed software and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Impairment charges are recognized as an acceleration of depreciation expense or amortization expense in the consolidated statements of operations.

(o) Derivatives

The Company accounts for derivatives and hedging activities in accordance with standards issued by the FASB, which requires that all derivative instruments be recorded on the balance sheet at their respective fair values. Fair value is based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. For derivatives designated as hedges, changes in the fair value are either offset against the changes in fair value of the designated hedged item through earnings or recognized in accumulated other comprehensive loss until the hedged item is recognized in earnings.

(p) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in income in the period that includes the enactment date.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law.

Internal Revenue Code section 951A subjects a U.S. parent of a foreign subsidiary to current U.S. tax on its global intangible low–taxed income (“GILTI”). The U.S. parent generally can deduct a portion of its GILTI and apply a limited deemed paid credit for foreign taxes. In accordance with guidance issued by the FASB, the Company has elected an accounting policy to account for taxes on GILTI as a period cost when incurred and not to provide for deferred taxes related to GILTI.

(q) Noncontrolling interest

The Company reports the noncontrolling interest of QVC-Japan within equity in the consolidated balance sheets and the amount of consolidated net income attributable to the noncontrolling interest is presented in the consolidated statements of operations.

(r) Common control transaction

On December 30, 2020, the Company and Liberty Interactive LLC ("LIC") completed an internal realignment of the Company's global finance structure that resulted in a common control transaction with Qurate Retail. As part of this realignment and upon entering into a payment agreement, QVC Global Corporate Holdings, LLC ("QVC Global"), a subsidiary of the Company, became the primary co- obligor on LIC’s 3.5% Senior Exchangeable Debentures Due 2031 (the “MSI Exchangeables”), which causes the MSI Exchangeables to be serviced directly by cash generated from the Company’s foreign operations (see note 8). Concurrently, LIC issued a promissory note (“LIC Note”) to the Company with an initial face amount of $1.8 billion, a stated interest rate of0.48% and a maturity of December 29, 2029. Interest on the LIC Note is to be paid annually beginning on December 29, 2021. In addition, Qurate Retail transferred additional assets and liabilities as part of the transaction. The difference between the total assets received and the liabilities assumed is treated as a capital contribution from Qurate Retail as part of the common control transaction, which is summarized as follows (in millions):

Note receivable	$	1,825
Prepaid expenses and other current assets		91
Current portion of debt		(397)
Accrued liabilities		(5)
Accumulated other comprehensive loss		(16)
Capital contribution from Qurate Retail	$	1,498

The assets and liabilities as part of this common control transaction did not result in a change to the reporting entity, therefore the accounting impacts of the common control transaction will be recorded on a prospective basis.

(s) Investment in affiliate

The Company holds an investment in China that is accounted for using the equity method. The equity method of accounting is used when the Company exercises significant influence, but does not have operating control, generally assumed to be 20%-50% ownership. Under the equity method, original investments are recorded at cost and adjusted by their share of undistributed earnings or losses of these companies. The excess of the Company's cost on its underlying interest in the net assets of the affiliate is allocated to identifiable intangible assets and goodwill. Equity investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

On July 4, 2012, the Company entered into a joint venture with CNR Media Group, formerly known as China Broadcasting Corporation, a limited liability company owned by China National Radio ("CNR") for a 49% interest in CNR Home Shopping Co., Ltd. ("CNRS"). The CNRS joint venture is accounted for as an equity method investment as a component of other noncurrent assets on the consolidated balance sheets and equity in losses of investee in the consolidated statements of operations. CNRS operates a retailing business in China through a televised shopping channel with an associated website. CNRS is headquartered in Beijing, China.

As of December 31, 2020 and 2019, the investment in CNRS is $10 million and $40 million, respectively, and is classified within other noncurrent assets on the consolidated balance sheets. During the year ended December 31, 2020, as a result of an impairment review, the Company reduced its investment in CNRS by $29 million which is recorded in equity in losses of investee in the consolidated statement of operations.

(t) Use of estimates in the preparation of consolidated financial statements

The preparation of consolidated 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 consolidated 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, medical and other benefit related costs, depreciable lives of fixed assets, internally developed software, valuation of acquired intangible assets and goodwill, income taxes and stock-based compensation.

(u) Recent accounting pronouncements

In August 2018, the FASB issued Accounting Standards Update 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 Company prospectively adopted this new standard as of January 1, 2020 and it did not have a material impact on the consolidated financial statements.

(3) Accounts Receivable

The Company offers an installment payment option in all of our markets other than Japan (known as Easy-Pay for the QVC brand in the U.S. and the U.K.; Q-Pay in Germany and Italy and FlexPay for the HSN brand). The installment payment option permits customers to pay for items in two or more installments. When the installment payment option is offered by QVC and elected by the customer, the first installment is typically billed to the customer's credit card upon shipment. Generally, the customer's account is subsequently billed in additional monthly installments until the total purchase price of the products has been billed by the Company.

In 2014, the Company amended and restated its agreement with a large consumer financial services company (the "Bank") pursuant to which the Bank provides revolving credit directly to QVC's customers for the sole purpose of purchasing merchandise or services with a private label credit card ("PLCC") company in the U.S. The agreement with the Bank was amended and restated in March 2017 and December 2018 related to its QVC brand. In December 2018, the Company entered into a separate agreement with the Bank for its HSN brand. The Company receives a portion of the net economics of the credit card program. The Company cannot predict the extent to which customers will use the PLCC, nor the extent that they will make payments on their outstanding balances. PLCC income of $140 million, $124 million and $118 million was recorded in net revenue during the years ended December 31, 2020, 2019 and 2018, respectively.

The Company also accepts major credit cards for its sales. Accounts receivable from major credit cards represents amounts owed to QVC from the credit card clearing houses for amounts billed but not yet collected.

Accounts receivable consisted of the following:

(in millions)		December 31, 2020	2019
Installment payment option	$	1,368	1,586
Major credit cards and customers		262	247
Other receivables		96	103
		1,726	1,936
Less allowance for credit losses		(124)	(123)
Accounts receivable, net	$	1,602	1,813

A summary of activity in the allowance for credit losses was as follows:

(in millions)		Balance beginning of year	Additions-charged to expense	Deductions-write-offs	Balance end of year
2020	$	123	89	(88)	124
2019		112	124	(113)	123
2018		91	112	(91)	112

The carrying value of accounts receivable, adjusted for the reserves described above, approximates fair value as of December 31, 2020 and 2019

(4) Property and Equipment, Net

Property and equipment consisted of the following:

(in millions)		December 31, 2020	2019	Estimated useful life
Land	$	133	128	N/A
Buildings and improvements		1,252	1,169	3 - 20 years
Furniture and other equipment		774	586	2 - 8 years
Broadcast equipment		160	140	2 - 5 years
Computer equipment		193	187	2 - 4 years
Transponders and terrestrial transmitter (note 9)		174	177	2 - 15 years
Projects in progress		36	166	N/A
Property and equipment		2,722	2,553	
Less: accumulated depreciation		(1,544)	(1,338)	
Property and equipment, net	$	1,178	1,215	

N/A - Not applicable.

Disposal of assets reduced property and equipment by $46 million and $117 million for the years ended December 31, 2020 and 2019, respectively.

(5) Television Distribution Rights, Net

Television distribution rights consisted of the following:

		December 31, 2020	2019
(in millions)			
Television distribution rights	$	814	764
Less accumulated amortization		(751)	(624)
Television distribution rights, net	$	63	140

The Company enters into affiliation agreements with television providers for carriage of the Company's shopping service, as well as for certain channel placement. If these television providers were to change the number of subscribers to the agreement through acquisition, it may change the amount paid by the Company.

The Company's ability to continue to sell products to its customers is dependent on its ability to maintain and renew these affiliation agreements. In some cases, renewals are not agreed upon prior to the expiration of a given agreement while the programming continues to be carried by the relevant distributor without an effective agreement in place. The Company does not have distribution agreements with some of the cable operators that carry its programming.

Television distribution rights are amortized using the straight-line method over the lives of the individual agreements. The remaining weighted average lives of the television distribution rights was approximately 1.5 years as of December 31, 2020. Amortization expense for television distribution rights was $133 million for each of the years ended December 31, 2020 and 2019 and $77 million for the year ended December 31, 2018.

As of December 31, 2020, related amortization expense for each of the next five years ending December 31 was as follows (in millions):

2021	$	45
2022		18
2023		—
2024		—
2025		—

In return for carrying QVC's signals, each programming distributor in the U.S. receives an allocated portion, based upon market share, of up to 5% of the net sales of merchandise sold via the television programs and from certain internet sales to customers located in the programming distributors' service areas. In Germany, Japan, the U.K., and Italy, programming distributors predominately receive an agreed-upon annual fee, a monthly fee per subscriber regardless of the net sales, a variable percentage of net sales or some combination of the above arrangements. The Company recorded expense related to these commissions of $349 million, $350 million and $363 million for the years ended December 31, 2020, 2019 and 2018, respectively, which is included as part of operating expenses in the consolidated statements of operations.

(6) Goodwill and Other Intangible Assets, Net

The changes in the carrying amount of goodwill by operating segment (note 16) for the years ended December 31, 2020 and 2019 were as follows:

(in millions)		QxH	QVC-International	Total
Balance as of December 31, 2018	$	5,112	860	5,972
Exchange rate fluctuations		—	(1)	(1)
Balance as of December 31, 2019		5,112	859	5,971
Exchange rate fluctuations		—	63	63
Balance as of December 31, 2020	$	5,112	922	6,034

For the years ended December 31, 2020, 2019 and 2018, QVC performed a qualitative assessment for its QxH and QVC-International reporting units as it was more likely than not that the fair values exceeded the carrying values for each of the reporting units. There was no goodwill impairment recorded during the years ended December 31, 2020, 2019 or 2018.

Other intangible assets consisted of the following:

		December 31, 2020			2019		
(in millions)	Gross cost	Accumulated amortization	Other intangible assets, net	Gross cost	Accumulated amortization	Other intangible assets, net	Weighted average remaining life (years)
Purchased and internally developed software	$ 952	(663)	289	885	(603)	282	2.7
Affiliate and customer relationships	2,845	(2,564)	281	2,829	(2,499)	330	6.0
Debt origination fees	10	(4)	6	10	(2)	8	3.0
Tradenames (indefinite life)	2,878	—	2,878	2,878	—	2,878	N/A
	$ 6,685	(3,231)	3,454	6,602	(3,104)	3,498	

N/A - Not applicable.

Disposal of assets reduced gross other intangible assets by $48 million and $130 million for the years ended December 31, 2020 and 2019, respectively.

Amortization expense for other intangible assets was $149 million for each of the years ended December 31, 2020 and 2019 and $160 million for the year ended December 31, 2018.

For 2020, the Company utilized a qualitative impairment assessment for both the QVC and HSN tradenames and there were no impairment losses recorded during the year ended December 31, 2020. For 2019, the company utilized a qualitative impairment assessment for the QVC tradename and a quantitative assessment for the HSN tradename. The company utilizes a relief from royalty method to determine the fair value. As of December 31, 2019, the HSN tradename within the QxH segment, with a carrying amount of $597 million, was written down to its fair value of $450 million resulting in an impairment charge of $147 million, which is reflected in impairment loss in the consolidated statement of operations. As of December 31, 2018, the HSN indefinite-lived tradename with a carrying amount of $627 million was written down to its fair value of $597 million resulting in an impairment charge of $30 million, which is reflected in impairment loss in the consolidated statement of operations. These fair value measurements are Level 3 fair value measurements based on unobservable inputs. Accumulated impairment loss as of December 31, 2020 is $177 million.

As of December 31, 2020, the related amortization and interest expense for each of the next five years ending December 31 was as follows (in millions):

2021	$ 173
2022	143
2023	104
2024	62
2025	47

(7) Accrued Liabilities

Accrued liabilities consisted of the following:

(in millions)		December 31, 2020	2019
Accounts payable non-trade	$	408	369
Allowance for sales returns		267	238
Accrued compensation and benefits		214	112
Other		413	326
	$	1,302	1,045

(8) Long-Term Debt and Finance Lease Obligations

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

(in millions)		December 31, 2020	2019
3.5% Exchangeable Senior Debentures due 2031	$	393	—
5.125% Senior Secured Notes due 2022		—	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
4.75% Senior Secured Notes due 2027		575	—
4.375% Senior Secured Notes due 2028		500	—
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
6.25% Senior Secured Notes due 2068		500	500
Senior secured credit facility		—	1,105
Finance lease obligations (note 9)		168	181
Less debt issuance costs, net		(50)	(40)
Total debt and finance lease obligations		4,959	5,119
Less current portion		(410)	(18)
Long-term portion of debt and finance lease obligations	$	4,549	5,101

Exchangeable Senior Debentures

3.5% Exchangeable Senior Debentures due 2031

As part of the common control transaction with Qurate Retail that was completed in December 2020, QVC Global, a subsidiary of the Company, became the primary co-obligor of the MSI Exchangeables at its carrying value of $397 million (see note 2(r)) with an outstanding principal of $218 million.

Each $1,000 debenture of the MSI Exchangeables is exchangeable at the holder's option for the value of5.2598 shares of Motorola Solutions, Inc. (“MSI”). The remaining exchange value is payable, at the Company’s option, in cash or MSI stock or a combination thereof. The Company, at its option, may redeem the debentures, in whole or in part, for cash generally equal to the adjusted principal amount of the debentures plus accrued interest. As a result of various principal payments made to holders of the MSI Exchangeables, the adjusted principal amount of each $1,000 debenture is $497 and the total principal outstanding is $218 million as of December 31, 2020. Interest on the MSI Exchangeables is payable semi-annually based on the date of issuance. At maturity, the MSI Exchangeables are payable in cash.

The Company has elected to account for its MSI Exchangeables using the fair value option. Accordingly, changes in the fair value of these instruments are recognized as losses on financial instruments in the statements of operations and in other comprehensive income as it relates to instrument specific credit risk on the consolidated statements of comprehensive income.

The Company has classified for financial reporting purposes the MSI Exchangeables as a current liability as the MSI Exchangeables are exchangeable at the option of the holder at any time.

Senior Secured Notes

All of QVC's senior secured notes are secured by the capital stock of QVC and certain of its subsidiaries and have equal priority to the senior secured credit facility. The interest on QVC's senior secured notes is payable semi-annually with the exception of the interest on the 6.375% Senior Secured Notes due 2067 (the "2067 Notes") and the 6.25% Senior Secured Notes due 2068 (the "2068 Notes"), which is payable quarterly. The 3.125% Senior Secured Notes due 2019 were repaid at maturity in April 2019.

6.375% Senior Secured Notes due 2067

On September 13, 2018, QVC completed a registered debt offering for $225 million of the 2067 Notes at par. QVC has the option to call the 2067 Notes after 5 years at par value, plus accrued and unpaid interest.

6.25% Senior Secured Notes due 2068

On November 26, 2019, QVC completed a registered debt offering for $435 million of the 2068 Notes at par. QVC granted an option for underwriters to purchase up to an additional $65 million of the 2068 Notes, which was exercised on December 6, 2019, bringing the aggregate principal borrowed to $500 million. QVC has the option to call the 2068 Notes after 5 years at par value, plus accrued and unpaid interest.

4.75% Senior Secured Notes due 2027

On February 4, 2020, QVC completed a registered debt offering for $575 million of the 4.75% Senior Secured Notes due 2027 (the "2027 Notes") at par. Interest on the 2027 Notes will be paid semi-annually in February and August, with payments commencing on August 15, 2020.

4.375% Senior Secured Notes due 2028

On August 20, 2020, QVC completed a registered debt offering for $500 million of the 4.375% Senior Secured Notes due 2028 (the "2028 Notes") at par. Interest on the 2028 Notes will be paid semi-annually in March and September, with payments commencing on March 1, 2021.

In connection with the offering of the 2028 Notes, QVC completed a cash tender offer (the "Tender Offer") to purchase any and all of its outstanding 5.125% Senior Secured Notes due 2022 (the "2022 Notes"). QVC also issued a notice of redemption exercising its right to optionally redeem any of the 2022 Notes that remained outstanding following the Tender Offer. As a result of the Tender Offer and the redemption, the Company recorded a loss on extinguishment of debt in the consolidated statements of operations of $42 million for the year ended December 31, 2020.

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 $2.95 billion revolving credit facility with a $450 million sub-limit for standby letters of credit and $1.5 billion of uncommitted incremental revolving loan commitments or incremental term loans. The Fourth Amended and Restated Credit Agreement includes a $400 million tranche that may be borrowed by the Company or Zulily with a $50 million sub-limit for standby letters of credit (see note 14). The remaining $2.55 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 $2.93 billion available under the terms of the senior secured credit facility at December 31, 2020, including the portion available under the $400 million tranche on which Zulily may also borrow. There were no borrowings outstanding on the senior secured credit facility at December 31, 2020.

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. In addition, the payment and performance of the Borrowers’ obligations with respect to the $400 million tranche available to both QVC and Zulily are also guaranteed by Zulily and secured by a pledge of all of Zulily’s equity interests.

The Fourth Amended and Restated Credit Agreement contains certain affirmative and negative covenants, including certain restrictions on 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.

Five Year Maturities

The annual principal maturities of QVC's debt, based on stated maturity dates, for each of the next five years are as follows:

(in millions)		Debt (1)
2021	$	8
2022		8
2023		758
2024		609
2025		609

(1) Amounts exclude finance lease obligations (see Note 9) and the issue discounts on the 4.375%, 4.45%, 4.85%, 5.45% and 5.95% Senior Secured Notes.

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. 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 swap arrangement did not qualify as a cash flow hedge under U.S. GAAP and the fair value of the swap instrument was in a net liability position of $3 million and less than $1 million as of December 31, 2020 and 2019, respectively, which was included in other long-term liabilities.

On December 31, 2018, QVC entered into a thirteen month interest rate swap arrangement that effectively converted $250 million of its variable rate bank credit facility to a fixed rate of 1.05% which expired in January 2020.

Changes in the fair value of the swaps are reflected in gains (losses) on financial instruments in the consolidated statements of operations.

Other Debt Related Information

QVC was in compliance with all of its debt covenants as of December 31, 2020.

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 5.0% as of December 31, 2020.

As of December 31, 2020 and 2019, outstanding trade letters of credit totaled $13 million and $12 million, respectively.

(9) Leases

The Company adopted ASC 842, Leases, on January 1, 2019 utilizing the modified retrospective transition approach and did not restate comparative periods.

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

QVC also leases data processing equipment, facilities, office space and land. These leases are classified as operating leases. Effective with the adoption of ASC 842 on January 1, 2019, 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 thanl year to 14 years, some of which may include the option to extend or terminate the leases.

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

		Year ended December 31,	
(in millions)		**2020**	**2019**
Finance lease cost			
Depreciation of leased assets	$	19	20
Interest on lease liabilities		8	9
Total finance lease cost		27	29
Operating lease cost		39	32
Total lease cost	$	66	61

For the year ended December 31, 2018, the Company recorded depreciation expense on finance leases (previously referred to as capital leases) of $4 million, and recorded operating lease expenses of $34 million.

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

	December 31, 2020
Weighted-average remaining lease term (years):	
Finance leases	8.5
Operating leases	11.0
Weighted-average discount rate:	
Finance leases	5.1 %
Operating leases	6.0 %

Supplemental balance sheet information related to leases was as follows:

(in millions)		2020	December 31, 2019
Operating Leases:			
Operating lease right-of-use assets	$	221	214
Accrued liabilities	$	25	28
Other long-term liabilities		195	190
Total operating lease liabilities	$	220	218
Finance Leases:			
Property and equipment	$	278	282
Accumulated depreciation		(141)	(129)
Property and equipment, net	$	137	153
Current portion of debt and finance lease obligations	$	18	18
Long-term portion of debt and finance lease obligations		150	163
Total finance lease liabilities	$	168	181

Supplemental cash flow information related to leases for the years ended December 31, 2020 and 2019 was as follows:

(in millions)		2020	Year ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating lease	$	44	35
Operating cash flows from finance leases		8	9
Financing cash flows from finance leases		18	22
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases		31	151
Finance leases	$	—	16

Future payments under noncancelable operating leases and finance leases with initial terms of one year or more as ofDecember 31, 2020 consisted of the following:

(in millions)		Finance leases	Operating leases	Total leases
2021	$	26	38	64
2022		26	32	58
2023		25	27	52
2024		24	24	48
2025		22	21	43
Thereafter		89	167	256
Total lease payments		212	309	521
Less: imputed interest		(44)	(89)	(133)
Total lease liabilities	$	168	220	388

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 has an initial term of 15 years. QVC obtained initial access to a portion of the ECDC Lease during March 2019 and obtained access to the remaining portion during September 2019. In total, QVC recorded a right of use asset of $141 million and an operating lease liability of $131 million relating to the ECDC Lease, with the difference attributable to prepaid rent. QVC is required to pay an initial base rent of $10 million per year, with payments that began in the third quarter of 2019 and increasing to $14 million per year, as well as all real estate taxes and other building operating costs. QVC also has the option to extend the term of the ECDC Lease for up to two consecutive terms of 5 years each and one final term of 4 years.

(10) Revenue

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

	Year ended December 31, 2020		
(in millions)	QxH	QVC-International	Total
Home	$ 3,529	1,199	4,728
Beauty	1,261	724	1,985
Apparel	1,170	437	1,607
Accessories	944	260	1,204
Electronics	1,069	122	1,191
Jewelry	363	216	579
Other revenue	169	9	178
Total net revenue	$ 8,505	2,967	11,472

	Year ended December 31, 2019		
(in millions)	QxH	QVC-International	Total
Home	$ 3,053	1,010	4,063
Beauty	1,304	659	1,963
Apparel	1,291	439	1,730
Accessories	919	262	1,181
Electronics	1,142	104	1,246
Jewelry	402	221	623
Other revenue	166	14	180
Total net revenue	$ 8,277	2,709	10,986

	Year ended December 31, 2018		
(in millions)	QxH	QVC-International	Total
Home	$ 3,185	1,023	4,208
Beauty	1,330	640	1,970
Apparel	1,325	453	1,778
Accessories	934	273	1,207
Electronics	1,134	119	1,253
Jewelry	474	213	687
Other revenue	162	17	179
Total net revenue	$ 8,544	2,738	11,282

Consumer Product Revenue and Other Revenue

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

Other revenue consists primarily of income generated from our U.S. PLCC 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

On January 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers, and all related amendments to all contracts using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to retained earnings.

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

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

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 are treated as fulfillment costs.

The Company generally extends payment terms with its customers of one year or less and does not consider the time value of money when recognizing revenue.

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.

The total reduction in net revenue due to returns for the years ended December 31, 2020, 2019 and 2018 aggregated to $1,976 million, $2,138 million and $2,213 million, respectively.

A summary of activity in the allowance for sales returns, recorded on a gross basis for the years ended December 31, 2020, 2019 and 2018 was as follows:

(in millions)	Balance beginning of year	Additions-charged to earnings	Deductions	Balance end of year
2020	$ 238	1,976	(1,947)	267
2019	242	2,138	(2,142)	238
2018	243	2,213	(2,214)	242

(11) Stock-Based Compensation

Certain QVC employees and officers may receive stock options (the "Options") and restricted stock units ("RSUs") in Series A Qurate Retail common stock ("QRTEA") in accordance with Qurate Retail's Incentive Plan (the "Qurate Incentive Plan").

In 2020, holders of QRTEA RSUs received special dividends ("Special Dividend"). As a result, the outstanding Options of QRTEA were adjusted pursuant to the anti-dilution provisions of the Qurate Incentive Plans under which the Options were granted. Adjustments to the exercise prices and the numbers of shares subject to the original awards were made to preserve the intrinsic values prior to each Special Dividend. The Special Dividend was recognized for the RSU's subject to the same vesting schedules as those applicable to the corresponding original QRTEA RSU.

(a) Stock options

A summary of the activity of the Qurate Incentive Plans with respect to the QRTEA Options granted to QVC employees and officers as of and during the year ended December 31, 2020 is presented below:

	Options	Weighted average exercise price	Aggregate intrinsic value (000s)	Weighted average remaining life (years)
Outstanding as of January 1, 2020	13,043,953	$ 23.49		
Granted	3,694,296	4.51		
Exercised	(425,673)	5.20		
Forfeited	(2,837,199)	17.97		
Special Dividend anti-dilution adjustments	11,070,737	11.57		
Outstanding as of December 31, 2020	24,546,114	10.98	$ 60,652	3.9
Exercisable as of December 31, 2020	15,428,935	$ 13.89	8,462	2.9

Upon employee exercise of the Options, the exercise price is remitted to Qurate Retail in exchange for the shares. The aggregate intrinsic value of all Options exercised was $2 million during each of the years ended December 31, 2020 and 2019 and $20 million for the year ended December 31, 2018.

The weighted average fair value at date of grant of a QRTEA Option granted during the years ended December 31, 2020, 2019 and 2018 was $1.97, $4.08 and $8.52, respectively.

During the years ended December 31, 2020, 2019 and 2018, the fair value of each QRTEA Option was determined as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019	2018
Expected volatility	46.8 %	30.1 %	29.7 %
Expected term (years)	5.7	5.7	5.2
Risk free interest rate	0.7 %	2.2 %	2.7 %
Expected dividend yield	—	—	—

Expected volatility is based on historical and implied volatilities of QRTEA common stock over a period commensurate with the expected term of the options. The Company estimates the expected term of the Options based on historical exercise and forfeiture data. The volatility used in the calculation for the Options is based on the historical volatility of Qurate Retail's stocks and the implied volatility of publicly traded Qurate Retail Options. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject Options.

The fair value of the Options is recognized as expense over the requisite service period.

During the years ended December 31, 2020, 2019 and 2018, the Company recorded $17 million, $22 million and $28 million, respectively, of stock-based compensation expense related to the Options. As of December 31, 2020, the total unrecognized compensation cost related to unvested Options was $15 million. Such amount will be recognized in the Company's consolidated statement of operations over a weighted average period of 2.1 years.

(b) Restricted stock units

A summary of the activity of the Qurate Incentive Plans with respect to the QRTEA RSUs granted to QVC employees and officers as of and during the year ended December 31, 2020 is presented below:

	Restricted shares	Weighted average grant date fair value
Outstanding as of January 1, 2020	2,501,135	$ 19.45
Granted	6,022,963	4.51
Vested	(927,850)	20.77
Forfeited	(861,259)	10.63
Outstanding as of December 31, 2020	6,734,989	7.04

During the years ended December 31, 2020, 2019 and 2018, the Company recorded $16 million, $17 million and $18 million, respectively, of stock-based compensation expense related to these shares. As of December 31, 2020, the total unrecognized compensation cost related to unvested RSUs of common stock was $33 million. Such amount will be recognized in the Company's consolidated statement of operations over a weighted average period of 2.6 years.

Fair value of RSUs is calculated based on the market price on the day of the granted shares. The weighted average grant date fair value of the QRTEA RSUs granted to QVC employees and officers during the years ended December 31, 2020, 2019 and 2018 was $4.51, $16.83, and $26.23, respectively.

The aggregate fair value of all RSUs of common stock that vested during the years ended December 31, 2020, 2019 and 2018 was $3 million, $16 million and $37 million, respectively.

In connection with the Special Dividends, holders of each QRTEA RSU received 0.03 shares of newly issued Qurate Retail 8.0% Series A Cumulative Redeemable Preferred Stock ("QRTEP"). The Company had approximately 200,000 unvested RSUs of QRTEP held by certain officers and employees of the Company. During the year ended December 31, 2020, the Company recorded an incremental $4 million of stock-based compensation expense related to these shares and the total incremental unrecognized compensation cost related to these awards as of December 31, 2020 was $6 million. Such amount will be recognized in the Company’s consolidated statements of operations over a weighted average period of 3.1 years.

(12) Income Taxes

Income tax expense consisted of the following:

			Years ended December 31,	
(in millions)		**2020**	**2019**	**2018**
Current:				
U.S. federal	$	187	141	239
State and local		55	37	37
Foreign jurisdictions		104	93	84
Total		346	271	360
Deferred:				
U.S. federal		(15)	(11)	(27)
State and local		21	3	(2)
Foreign jurisdictions		(15)	(1)	3
Total		(9)	(9)	(26)
Total income tax expense	$	337	262	334

Pre-tax income was as follows:

			Years ended December 31,	
(in millions)		**2020**	**2019**	**2018**
QxH	$	931	843	1,062
QVC-International		316	236	200
Consolidated QVC	$	1,247	1,079	1,262

Total income tax expense differs from the amounts computed by applying the U.S. federal income tax rate of 21% in 2020, 2019 and 2018, as a result of the following:

		Years ended December 31,	
	2020	**2019**	**2018**
Provision at statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	4.2	2.9	2.2
Foreign taxes	2.0	1.0	0.8
Write-off of investment and notes of foreign subsidiary	—	(3.1)	—
Valuation allowance	0.4	3.2	2.6
Permanent differences	(0.5)	(0.2)	(0.2)
Corporate restructuring	0.9	—	—
Investment in subsidiary	—	0.9	0.6
Impact of foreign currency tax regulation	—	(0.7)	(0.6)
Other, net	(1.0)	(0.7)	0.1
Total income tax expense	27.0 %	24.3 %	26.5 %

During December of 2020, the Company effected a corporate restructuring transaction whereby a wholly-owned U.S. subsidiary, which owns the Company's foreign business units, became a wholly-owned foreign subsidiary. The corporate restructuring changed the manner in which the income of the foreign business units is subjected to tax in the U.S. As a result of the corporate restructuring, income tax expense of $11 million was recognized during the year ended December 31, 2020.

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

		December 31,	
(in millions)		**2020**	**2019**
Deferred tax assets:			
Accounts receivable, principally due to the allowance for credit losses and related reserves for the uncollectible accounts	$	28	31
Inventories, principally due to obsolescence reserves and additional costs of inventories for tax purposes pursuant to the Tax Reform Act of 1986		37	38
Allowance for sales returns		28	30
Deferred revenue		5	6
Deferred compensation		32	38
Unrecognized federal and state tax benefits		14	13
Net operating loss carryforwards		116	57
Foreign tax credits carryforward		48	43
Lease obligations		69	68
Cumulative translation of foreign currencies		7	—
Accrued liabilities		8	15
Other		14	8
Subtotal		406	347
Valuation allowance		(166)	(99)
Total deferred tax assets		240	248
Deferred tax liabilities:			
Depreciation and amortization		(853)	(823)
Lease assets		(64)	(66)
Cumulative translation of foreign currencies		—	(22)
Investment in subsidiary		—	(26)
Total deferred tax liabilities		(917)	(937)
Net deferred tax liability	$	(677)	(689)

In the above table, valuation allowances exist due to the uncertainty of whether or not the benefit of certain U.S. federal and foreign tax credits and losses will ultimately be utilized for income tax purposes. The 2020 net deferred tax liability above includes deferred tax assets of $34 million relating to foreign jurisdictions which are included within other noncurrent assets in the consolidated balance sheet and deferred tax liabilities of $711 million in domestic jurisdictions which are included within deferred income taxes in the consolidated balance sheet. The 2019 net deferred tax liability above includes deferred tax assets of $35 million relating to foreign jurisdictions which are included within other noncurrent assets in the consolidated balance sheet and deferred tax liabilities of $724 million in domestic jurisdictions which are included within deferred income taxes in the consolidated balance sheet.

The Company is 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. These differences are related primarily to foreign tax credits recognized by QVC that are creditable under the Tax Agreement when and if utilized in Qurate Retail's consolidated tax return. The differences recorded during the years ended December 31, 2020 and 2018 were capital contributions of $1 million and $2 million, respectively, which were primarily related to foreign tax credit carryovers being utilized in Qurate's consolidated tax return in excess of those recognized by QVC during the respective tax year. The difference recorded during the year ended December 31, 2019 was $11 million in dividends which were primarily related to foreign tax credits recognized by QVC and not utilized in Qurate Retail's tax returns during the 2019 tax year. The amounts of the tax-related payable (receivable) balance due to (from) Qurate Retail as of December 31, 2020 and 2019 were $47 million and $(7) million, respectively, and are included in accrued liabilities in the consolidated balance sheets.

A reconciliation of the 2019 and 2020 beginning and ending amount of the liability for unrecognized tax benefits is as follows:

(in millions)		
Balance at January 1, 2019	$	54
Increases related to prior year tax positions		9
Decreases related to prior year tax positions		(7)
Decreases related to settlements with taxing authorities		(4)
Increases related to current year tax positions		8
Balance at December 31, 2019		60
Increases related to prior year tax positions		5
Decreases related to prior year tax positions		(6)
Decreases related to settlements with taxing authorities		—
Increases related to current year tax positions		8
Balance at December 31, 2020	$	67

Included in the balance of unrecognized tax benefits as of December 31, 2020 and 2019 are potential benefits of $53 million (net of a $14 million federal tax effect) and $48 million (net of a $12 million federal tax effect), respectively, that if recognized, would be reflected in income tax expense and affect the effective rate.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in interest expense in the consolidated statements of operations. The Company did not have a material amount of interest or tax penalties accrued related to unrecognized tax benefits for the years ended December 31, 2020, 2019 or 2018.

The Company has tax positions for which the amount of related unrecognized tax benefits could change during 2021. These consist of nonfederal transfer pricing and other tax issues. The amount of unrecognized tax benefits related to these issues could have an impact of $3 million in 2021 as a result of potential settlements, lapsing of statute of limitations and revisions of settlement estimates.

The Company participates in a consolidated federal return filing with Qurate Retail. As of December 31, 2020, the Company's tax years through 2016 are closed for federal income tax purposes, and the Internal Revenue Service ("IRS") has completed its examination of the Company's 2017 and 2018 tax years. The Company's 2019 and 2020 tax years are being examined currently as part of the Qurate Retail consolidated return under the IRS's Compliance Assurance Process program. The Company files income tax returns in various states and foreign jurisdictions. As of December 31, 2020, the Company was under examination in the states of Pennsylvania and California, in New York City, and in the U.K.

(13) 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 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.

(14) Related Party Transactions

During the years ended December 31, 2020, 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 $8 million, $7 million, and $5 million to Zulily for the years ended December 31, 2020, 2019, and 2018, respectively. Zulily allocated expenses of $11 million, $9 million, and $6 million to QVC for the years ended December 31, 2020, 2019, and 2018, respectively.

Zulily is a co-borrower under the Fourth Amended and Restated Credit Agreement (see note 8). 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 senior secured credit facility plus any additional amount it expects to repay on behalf of Zulily. As of December 31, 2020, there were no borrowings outstanding on the $400 million tranche of the senior secured credit facility. In addition, Zulily had $9 million outstanding in standby letters of credit as of December 31, 2020.

In September 2020, QVC and Zulily executed a Master Promissory Note ("Promissory Note") whereby Zulily may borrow up to $100 million at a variable interest rate equal to the LIBOR rate plus an applicable margin rate. The Promissory Note matures in September 2030. As of December 31, 2020, there were no borrowings on the Promissory Note.

As part of the common control transaction (see note 2(r)) with Qurate Retail in December 2020, LIC issued a promissory note (“LIC Note”) to the Company with an initial face amount of $1.8 billion, a stated interest rate of 0.48% and a maturity of December 29, 2029. Interest on the LIC Note is to be paid annually beginning on December 29, 2021.

During the years ended December 31, 2020, 2019 and 2018, QVC and CBI engaged in multiple transactions relating to personnel and business advisory services. QVC allocated expenses of $23 million, $28 million and $50 million to CBI for the years ended December 31, 2020, 2019 and 2018, respectively. CBI allocated expenses of $1 million, $1 million and $5 million to QVC for the years ended December 31, 2020, 2019 and 2018, respectively. CBI also repaid a $29 million note receivable to QVC during the year ended December 31, 2019.

(15) 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 December 31, 2020 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	$ 240	240	—	—
Current liabilities:				
Debt (note 8)	393	—	393	—
Long-term liabilities:				
Debt (note 8)	4,705	743	3,962	—
Interest rate swap arrangements (note 8)	3	—	3	—

	Fair value measurements at December 31, 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	$ 272	272	—	—
Interest rate swap arrangements (note 8)	—	—	—	—
Long-term liabilities:				
Debt (note 8)	5,116	760	4,356	—
Interest rate swap arrangements (note 8)	—	—	—	—

The 2067 Notes (ticker: QVCD) and the 2068 Notes (ticker: QVCC) 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.

(16) Information about QVC's Operating Segments and Geographical Data

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. For segment reporting purposes, the Company defines Adjusted OIBDA, as net revenue less cost of goods sold, operating expenses, and selling, general and administrative expenses (excluding expenses related to the QRG Initiatives (see note 1) and expenses related to the closure of operations in France (collectively, "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.

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

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 year ended December 31, 2020, 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 allocates certain corporate costs for management reporting purposes from its QxH segment to the QVC-International segment. These management cost allocations are related to certain functions such as merchandising, commerce platforms, information technology, human resources, legal, finance, brand and communications, corporate development and administration that support all of QVC’s operations. For the years ended December 31, 2020, 2019 and 2018, the costs allocated to QVC-International totaled $33 million, $27 million and $39 million, respectively.

Performance measures

	Years ended December 31,						
		2020		2019		2018	
(in millions)		Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA	Net revenue	Adjusted OIBDA
QxH	$	8,505	1,547	8,277	1,536	8,544	1,630
QVC-International		2,967	510	2,709	446	2,738	429
Consolidated QVC	$	11,472	2,057	10,986	1,982	11,282	2,059

Other information

	Years ended December 31,						
		2020		2019		2018	
(in millions)		Depreciation	Amortization	Depreciation	Amortization	Depreciation	Amortization
QxH	$	116	270	113	269	118	227
QVC-International		55	12	73	13	56	10
Consolidated QVC	$	171	282	186	282	174	237

	Years ended December 31,				
		2020		2019	
(in millions)		Total assets	Capital expenditures	Total assets	Capital expenditures
QxH	$	14,103	182	12,659	257
QVC-International		2,455	36	2,268	34
Consolidated QVC	$	16,558	218	14,927	291

The increase in total assets at December 31, 2020 is primarily due to the note receivable issued to the Company as part of the common control transaction with Qurate Retail in December 2020, which resides in the QxH reportable segment (see note 2 (r) and 14).

QVC, Inc.

Notes to Consolidated Financial Statements (continued)

Property and equipment, net of accumulated depreciation, by segment were as follows:

		December 31,
(in millions)	**2020**	**2019**
QxH	$ 771	800
QVC-International	407	415
Consolidated QVC	$ 1,178	1,215

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

			Years ended December 31,
(in millions)	**2020**	**2019**	**2018**
Adjusted OIBDA	$ 2,057	1,982	2,059
Impairment loss	—	(147)	(30)
Transaction related costs	—	(1)	(60)
Stock-based compensation	(37)	(39)	(46)
Depreciation and amortization	(453)	(468)	(411)
Operating Income	1,567	1,327	1,512
Equity in losses of investee	(30)	—	(3)
Gains (losses) on financial instruments	3	(5)	(2)
Interest expense, net	(257)	(240)	(243)
Foreign currency gain (loss)	6	(3)	—
Loss on extinguishment of debt	(42)	—	(2)
Income before income taxes	$ 1,247	1,079	1,262

The following table summarizes net revenues based on revenues generated by subsidiaries located within the identified geographic area:

			Years ended December 31,
(in millions)	**2020**	**2019**	**2018**
United States	$ 8,505	8,277	8,544
Japan	1,132	1,028	947
Germany	978	890	943
United Kingdom	696	640	679
Other countries	161	151	169
Consolidated QVC	$ 11,472	10,986	11,282

The following table summarizes property and equipment, net of accumulated depreciation, based on physical location:

		December 31,
(in millions)	**2020**	**2019**
United States	$ 771	800
Germany	150	154
Japan	149	153
United Kingdom	75	75
Other countries	33	33
Consolidated QVC	$ 1,178	1,215

(17) Other Comprehensive (Loss) Income

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

(in millions)	Comprehensive earnings attributable to debt credit risk adjustments	Foreign currency translation adjustments	AOCL
Balance as of January 1, 2018	$ —	(93)	(93)
Other comprehensive income attributable to QVC, Inc. stockholder	—	(51)	(51)
Balance as of December 31, 2018	—	(144)	(144)
Other comprehensive loss attributable to QVC, Inc. stockholder	—	—	—
Balance as of December 31, 2019	—	(144)	(144)
Other comprehensive income attributable to QVC, Inc. stockholder	—	111	111
Common control transaction with Qurate Retail	16	—	16
Balance as of December 31, 2020	$ 16	(33)	(17)

As part of the December 2020 common control transaction with Qurate Retail (see note 2(r)), the Company assumed the balance of accumulated other comprehensive income attributable to the debt credit risk adjustments associated with the MSI Exchangeables.

The component of other comprehensive income (loss) is reflected in QVC's 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 benefit (expense)	Net-of-tax amount
Year ended December 31, 2020:			
Foreign currency translation adjustments	$ 115	3	118
Other comprehensive income	115	3	118
Year ended December 31, 2019:			
Foreign currency translation adjustments	$ —	1	1
Other comprehensive income	—	1	1
Year ended December 31, 2018:			
Foreign currency translation adjustments	$ (49)	1	(48)
Other comprehensive loss	(49)	1	(48)

(18) Employee Benefit Plans

In certain countries, QVC sponsors defined contribution plans, which provide employees an opportunity to make contributions to a trust for investment in a variety of securities. Generally, the Company makes matching contributions to the plans based on a percentage of the amount contributed by employees. The Company's cash contributions to the plans were $25 million, $21 million and $22 million for the years ended December 31, 2020, 2019 and 2018, respectively.

(19) Subsequent Events

QVC declared and paid dividends to Qurate Retail in the amount of $102 million from January 1, 2021 to February 26, 2021.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

Item 11. Executive Compensation

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Intentionally omitted in accordance with General Instruction I(2)(c) of Form 10-K.

Item 14. Principal Accounting Fees and Services

Audit Fees and All Other Fees

The following table presents fees for professional audit services rendered by KPMG LLP and its international affiliates for the audit of QVC's consolidated financial statements for 2020 and 2019 and fees billed for other services rendered by KPMG LLP:

	Year ended December 31, 2020	2019
Audit fees (1)	$ 6,492,046	$ 6,620,031
Audit related fees	—	—
Audit and audit related fees	6,492,046	6,620,031
Tax fees (2)	9,938	12,476
Total fees	$ 6,501,984	$ 6,632,507

(1) Audit fees include fees for the audit and quarterly reviews of QVC's 2020 and 2019 consolidated financial statements, statutory audits, and reviews of registration statements and issuance of consents.

(2) Tax fees consist of tax compliance and consultations regarding the tax implications of certain transactions.

Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The audit committee of Qurate Retail has adopted a policy regarding the pre-approval of all audit and permissible non-audit services provided by QVC's independent auditor. Pursuant to this policy, Qurate Retail's audit committee has approved the engagement of QVC's independent auditor to provide the following services (all of which are collectively referred to as "pre-approved services"):

- Audit services as specified in the policy, including (i) financial audits of QVC and its subsidiaries, (ii) services associated with QVC's registration statements, periodic reports and other documents filed or issued in connection with securities offerings (including comfort letters and consents), (iii) attestations of management reports on QVC's internal controls and (iv) consultations with management as to accounting or disclosure treatment of transactions;

- Audit related services as specified in the policy, including (i) due diligence services, (ii) financial statement audits of employee benefit plans, (iii) consultations with management as to the accounting or disclosure treatment of transactions, (iv) attest services not required by statute or regulation, (v) certain audits incremental to the audit of QVC's consolidated financial statements, (vi) closing balance sheet audits related to dispositions, and (vii) general assistance with implementation of the requirements of certain SEC rules or listing standards; and

- Tax services as specified in the policy, including federal, state, local and international tax planning, compliance and review services, and tax due diligence and advice regarding mergers and acquisitions.

Notwithstanding the foregoing general pre-approval, if an individual project involving the provision of pre-approved services is expected to result in fees in excess of $100,000, or if individual projects under $100,000 are expected to total $500,000 during the period between the regularly scheduled meetings of Qurate Retail's audit committee, then such projects will require the specific pre-approval of Qurate Retail's audit committee. Qurate Retail's audit committee has delegated the authority for the foregoing approvals to the chairman of the audit committee, subject to his subsequent disclosure to the entire audit committee of the granting of any such approval. M. Ian G. Gilchrist currently serves as the chairman of Qurate Retail's audit committee. In addition, the independent auditor is required to provide a report at each regularly scheduled audit committee meeting on all pre-approved services incurred during the preceding quarter. Any engagement of QVC's independent auditor for services other than the pre-approved services requires the specific approval of Qurate Retail's audit committee.

Qurate Retail's pre-approval policy prohibits the engagement of QVC's independent auditor to provide any services that are subject to the prohibition imposed by Section 201 of the Sarbanes-Oxley Act.

All services provided by QVC's independent auditor during 2020 and 2019 were approved in accordance with the terms of the policy.

PART IV

Item 15. Exhibits and financial statement schedules

(a) (1) *Financial Statements*

Included in Part II of this report:

(a) (2) *Financial Statement Schedules*

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

(a) (3) *Exhibits*

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

3 - Articles of Incorporation and Bylaws:

3.1 Restated Certificate of Incorporation of QVC, Inc. dated October 26, 2009 (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-4 (File No. 333-184501) as filed on October 19, 2012 (the "2012 S-4")).

3.2 Amended and Restated By-Laws of QVC, Inc. (effective September 30, 2015) (incorporated by reference to Exhibit 3.1 to QVC, Inc.'s Current Report on Form 8-K (file No. 000-55409) as filed on October 6, 2015)

4 - Instruments Defining the Rights to Securities Holders, Including Indentures:

- 4.1 Indenture dated as of March 18, 2013 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (File No. 333-184501) as filed on May 9, 2013).
- 4.2 Form of Indenture dated as of March 18, 2014 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-4 (File No. 333-195586) as filed on April 30, 2014).
- 4.3 Indenture dated as of August 21, 2014 among QVC, Inc., the guarantors party thereto and U.S. Bank National Association (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-4 (File No. 333-199254) as filed on October 10, 2014).
- 4.4 Fourth Amended and Restated Credit Agreement, dated as of December 31, 2018, among QVC, Inc. and zulily, llc, as Borrowers, JPMorgan Chase Bank, N.A., as Lead Arranger, Lead Bookrunner and Administrative Agent and the parties named therein as Lenders, Co-Bookrunners, Co-Syndication Agents and Co-Documentation Agents (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-38654) as filed on January 4, 2019).
- 4.5 Indenture, dated September 13, 2018, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-A (File No. 001-38654), as filed on September 13, 2018 (the "Form 8-A")).
- 4.6 First Supplemental Indenture, dated September 13, 2018, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Form 8-A).
- 4.7 Form of 6.375% Senior Secured Notes due 2067 (incorporated by reference to Exhibit 4.3 to the Form 8-A).
- 4.8 Second Supplemental Indenture, dated November 26, 2019, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC, QVC Deutschland GP, Inc., HSN, Inc., HSNi, LLC, HSN Holding LLC, AST Sub, Inc., Home Shopping Network En Espanol, L.L.C., Home Shopping Network En Espanol, L.P., H.O.T. Networks Holdings (Delaware) LLC, HSN of Nevada LLC, Ingenious Designs LLC, NLG Merger Corp., Ventana Television, Inc., and Ventana Television Holdings, Inc., as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Form 8-A (File No. 001-38654), as filed on November 26, 2019 (the "2019 Form 8-A")).
- 4.90 Form of 6.250% Senior Secured Notes due 2068 (incorporated by reference to Exhibit 4.3 to the 2019 Form 8-A).
- 4.10 Third Supplemental Indenture, dated February 4, 2020, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC, QVC Deutschland GP, Inc., HSN, Inc., HSNi, LLC, HSN Holding LLC, AST Sub, Inc., Home Shopping Network En Espanol, L.L.C., Home Shopping Network En Espanol, L.P., H.O.T. Networks Holdings (Delaware) LLC, HSN of Nevada LLC, Ingenious Designs LLC, NLG Merger Corp., Ventana Television, Inc., and Ventana Television Holdings, Inc., as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-38654) as filed on February 4, 2020 (the "February 2020 Form 8-K")).
- 4.11 Form of 4.75% Senior Secured Notes due 2027 (incorporated by reference to Exhibit 4.3 to the February 2020 Form 8-K).
- 4.12 Fourth Supplemental Indenture, dated August 20, 2020, by and among QVC, Inc., Affiliate Investment, Inc., Affiliate Relations Holdings, Inc., AMI 2, Inc., ER Marks, Inc., QVC Global Holdings I, Inc., QVC Global Holdings II, Inc., QVC Rocky Mount, Inc., QVC San Antonio, LLC, QVC Deutschland GP, Inc., HSN, Inc., HSNi, LLC, HSN Holding LLC, AST Sub, Inc., Home Shopping Network En Espanol, L.L.C., Home Shopping Network En Espanol, L.P., H.O.T. Networks Holdings (Delaware) LLC, HSN of Nevada LLC, Ingenious Designs LLC, NLG Merger Corp., Ventana Television, Inc., and Ventana Television Holdings, Inc., as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-38654) as filed on August 20, 2020 (the "August 2020 Form 8-K")).
- 4.13 Form of 4.375% Senior Secured Notes due 2028 (incorporated by reference to Exhibit 4.3 to the August 2020 Form 8-K).
- 4.14 Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 (File No. 001-38654) as filed on February 26, 2020).

10 - Material Contracts:

10.1 Forms of Indemnification Agreements between QVC, Inc. and executive officers (incorporated by reference to Exhibit 10.16 to the 2012 S-4).

21 - Subsidiaries:*

21.1 Subsidiaries of the Registrant*

22 - Subsidiary Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize Securities of the Registrant:*

22.1 List of Subsidiary Guarantors*

23 - Consents:*

23.1 Consent of KPMG LLP*

31 - Certification Letters:*

31.1 Rule 13a-14(a)/15d-14(a) Certification*
31.2 Rule 13a-14(a)/15d-14(a) Certification*

32 - Section 1350 Certification Letter:**

32.1 Section 1350 Certification**

101 - XBRL:*

101.INS XBRL Instance Document* - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH 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*
104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)*

*Filed herewith.

**Furnished herewith.

EXHIBIT INDEX

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

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

	QVC, Inc.
Date: February 26, 2021	By:/s/ MICHAEL A. GEORGE
	Michael A. George President and Chief Executive Officer (Principal Executive Officer)
Date: February 26, 2021	By:/s/ JEFFREY A. DAVIS
	Jeffrey A. Davis Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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

Date: February 26, 2021	By:/s/ JEFFREY A. DAVIS
	Jeffrey A. Davis Chief Financial Officer of Qurate Retail Group, Inc., as Stockholder-Director of QVC, Inc.
Date: February 26, 2021	By:/s/ MICHAEL A. GEORGE
	Michael A. George President and Chief Executive Officer (Principal Executive Officer)
Date: February 26, 2021	By:/s/ JEFFREY A. DAVIS
	Jeffrey A. Davis Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

QVC, Inc. and Subsidiaries **Exhibit 21.1**

Entity Name	Domicile
QVC, Inc.	DE
DMS DE, Inc.	DE
NSTBC, Inc.	DE
Diamonique Canada Holdings, Inc.	DE
RQ Holdings Corp.	Nova Scotia
ER Development International, Inc.	PA
HSN, Inc.	DE
Home Shopping Espanol (Mexico) S. DE. R.D.DE C.V.	Mexico
Home Shopping Espanol Services (Mexico) S. DE. R.D.DE C.V.	Mexico
Home Shopping Network En Espanol, L.L.C.	DE
Home Shopping Network En Espanol, L.P.	DE
Home Shopping Espanol (Mexico) S. DE. R.D.DE C.V.	Mexico
Home Shopping Espanol Services (Mexico) S. DE. R.D.DE C.V.	Mexico
Home Shopping Network En Espanol, L.P.	DE
HSN Holding LLC	DE
HSNi, LLC	DE
Ingenious Designs LLC	DE
NLG Merger Corp.	DE
Ventana Television Holdings, Inc.	DE
Ventana Television Inc.	DE
Innovative Retailing, Inc.	DE
QVC Information and Technologies (Shenzhen) Co., Ltd	China
QExhibits, Inc.	DE
QHealth, Inc.	DE
QLocal, Inc.	DE
QVC Call Center Vërwaltungs-GmbH	Germany
QVC Chesapeake, LLC	VA
QVC China Licensing, Inc.	DE
QVC Global DDGS, Inc.	DE
QVC India, Ltd.	DE
QVC Cayman Holdings LLC	DE
QVC Cayman, Ltd.	Cayman Islands
QVC Global Holdings I, Inc.	DE
Affiliate Investment, Inc.	DE
Affiliate Relations Holdings, Inc.	DE
Affiliate Distribution & Mktg., Inc.	DE
AMI 2, Inc.	DE
ER Marks, Inc.	DE
GC Marks, Inc.	DE
IC Marks, Inc.	DE

QC Marks, Inc.	DE
RS Marks, Inc.	DE
IM Experience, Inc.	PA
Influence Marketing Corp	Nova Scotia
Influence Marketing Services, Inc.	Ontario
Savor North Carolina, Inc.	NC
QVC China, Inc.	DE
QVC Delaware Holdings, Inc.	DE
QVC France Holdings, S.a.r.l.	Luxembourg
QVC France SAS	France
QVC GCH Company, LLC	DE
QVC International Holdings SARL	Luxembourg
1227844 Ontario Ltd.	Ontario
QVC Germany I SARL	Luxembourg
QVC Handel S.a.r.l. & Co. KG	Germany
QVC Call Center GmbH & Co. KG	Germany
QVC Call Center Vërwaltungs-GmbH	Germany
QVC Delaware LLC	DE
QVC Grundstücksverwaltungs GmbH	Germany
QVC Realty LLC	DE
QVC eDistribution Inc. & Co. KG	Germany
QVC Call Center Vërwaltungs-GmbH	Germany
QVC Grundstücksverwaltungs GmbH	Germany
QVC eService LLC & Co. KG	Germany
QVC UK Holdings Limited	UK
QVC Britain	UK
QVC UK	UK
QVC Japan, Inc.	Japan
QVC Satellite, Inc.	Japan
QVC Japan Services, LLC	DE
QVC UK	UK
QVC Iberia, S.L.	Spain
QVC Germany II SARL	Luxembourg
QVC Handel S.a.r.l. & Co. KG	Germany
QVC International Management GP S.a.r.l.	Luxembourg
QVC Suisse Holdings GmbH	Switzerland
QVC (Barbados) International Finance SRL	Barbados
QVC Poland Global Services Sp. z.o.o.	Poland
QVC Suisse Finance GmbH	Switzerland
QVC Global Markets SARL	Luxembourg
QVC Global Corporate Holdings, LLC	DE
QVC Italy Holdings, LLC	DE
QVC Italia S.r.l.	Italy

QVC San Antonio, LLC	TX
QVC Vendor Development, Inc.	DE
Shopping Holdings, LLC	DE
QVC France SAS	France
QVC Grundstücksverwaltungs GmbH	Germany
QVC HK Holdings, LLC	DE
QVC China Holdings Limited	Hong Kong
CNR Home Shopping Co., Ltd.	China
QVC (Shanghai) Management Co., Ltd.	China
QVC Trading (Shanghai) Co., Ltd.	China
QVC Trading (Shenzhen) Co., Ltd.	China
QVC Northeast, LLC	DE
QVC Ontario Holdings, LLC	DE
QVC Ontario, LLC	DE
QVC Rocky Mount, Inc.	NC
QVC RS Naples, Inc.	FL
QVC Shop International, Inc.	DE
QVC STT Holdings, LLC	DE
Send the Trend, Inc.	DE
QVC St. Lucie, Inc.	FL
QVC Suffolk, LLC	MN
RS Mebane, Inc.	NC
RS Myrtle Beach, Inc.	SC
TOBH, Inc.	DE

Exhibit 22.1

LIST OF SUBSIDIARY GUARANTORS

The following subsidiaries of QVC, Inc. (the "Company") were, as of December 31, 2020, guarantors of the Company's 4.375% Senior Secured Notes due 2023, 4.850% Senior Secured Notes due 2024, 4.45% Senior Secured Notes due 2025, 4.75% Senior Secured Notes due 2027, 4.375% Senior Secured Notes due 2028, 5.45% Senior Secured Notes due 2034, 5.95% Senior Secured Notes due 2043, 6.375% Senior Secured Notes due 2067 and 6.250% Senior Secured Notes due 2068:

NAME OF SUBSIDIARY
Affiliate Investment, Inc.
Affiliate Relations Holdings, Inc.
AMI 2, Inc.
ER Marks, Inc.
QVC Global Corporate Holdings, LLC
QVC GCH Company, LLC
QVC Global Holdings I, Inc.
QVC Rocky Mount, Inc.
QVC San Antonio, LLC
HSN, Inc.
HSNi, LLC
HSN Holding LLC
Home Shopping Network En Espanol, L.L.C.
Home Shopping Network En Espanol, L.P.
Ingenious Designs LLC
NLG Merger Corp.
Ventana Television, Inc.
Ventana Television Holdings, Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

To the Stockholder-Director
QVC, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-213066, 333-233799 and 333-244803) on Form S-3 of QVC, Inc. of our report dated February 26, 2021, with respect to the consolidated balance sheets of QVC, Inc. as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements) which report appears in the December 31, 2020 annual report on Form 10-K of QVC, Inc. Our report refers to a change in the accounting for leases.

/s/ KPMG LLP

Philadelphia, Pennsylvania
February 26, 2021

Exhibit 31.1

CERTIFICATION

I, Michael A. George, certify that:

1. I have reviewed this report on Form 10-K 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: February 26, 2021

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-K 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: February 26, 2021

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-K for the period ended December 31, 2020 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2021	By:/s/ MICHAEL A. GEORGE
	Michael A. George
	President and Chief Executive Officer (Principal Executive Officer)
Date: February 26, 2021	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-K or as a separate disclosure document.