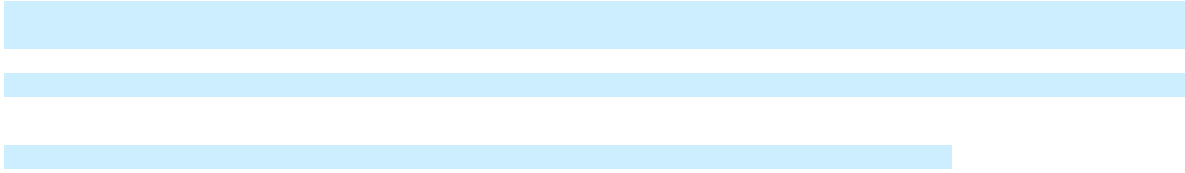




QURATE RETAIL, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Continued)
(unaudited)

	June 30, 2019	December 31, 2018
	amounts in millions, except share amounts	
<i>Liabilities and Equity</i>		
Current liabilities:		
Accounts payable	\$ 861	1,204
Accrued liabilities	949	1,182
Current portion of debt, including \$1,175 million and \$990 million measured at fair value (note 7)	1,175	1,410
Other current liabilities	187	155
Total current liabilities	<u>3,172</u>	<u>3,951</u>
Long-term debt, including \$415 million and \$344 million measured at fair value (note 7)	6,283	5,963
Deferred income tax liabilities	1,900	1,925
Other liabilities	725	258
Total liabilities	<u>12,080</u>	<u>12,097</u>
<i>Equity</i>		
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A Qurate Retail common stock, \$.01 par value. Authorized 4,000,000,000 shares; issued and outstanding 394,049,417 shares at June 30, 2019 and 409,901,058 shares at December 31, 2018	4	4
Series B Qurate Retail common stock, \$.01 par value. Authorized 150,000,000 shares; issued and outstanding 29,338,790 shares at June 30, 2019 and 29,248,343 shares at December 31, 2018	—	—
Series C Qurate Retail common stock, \$.01 par value. Authorized 400,000,000 shares; no shares issued	—	—
Additional paid-in capital	—	—
Accumulated other comprehensive earnings (loss), net of taxes	(64)	(55)
Retained earnings	5,583	5,675
Total stockholders' equity	<u>5,523</u>	<u>5,624</u>
Noncontrolling interests in equity of subsidiaries	118	120
Total equity	<u>5,641</u>	<u>5,744</u>
Commitments and contingencies (note 9)		
Total liabilities and equity	<u>\$ 17,721</u>	<u>17,841</u>

See accompanying notes



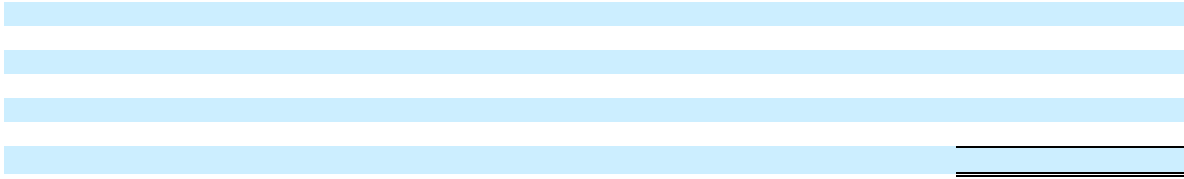


QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

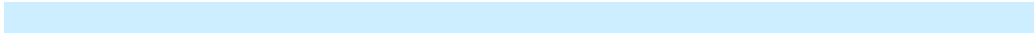
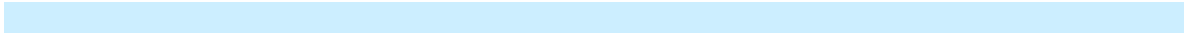
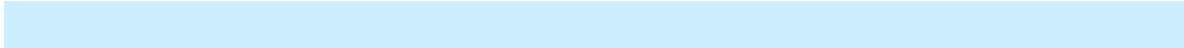
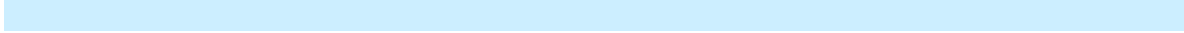
(unaudited)

“Transactions”) among General Communication, Inc. (“GCI”), an Alaska corporation, and Liberty Interactive LLC, a Delaware limited liability company and a direct wholly-owned subsidiary of Liberty (“LI LLC”). Pursuant to the Reorganization Agreement, GCI amended and restated its articles of incorporation (which resulted in GCI being renamed GCI Liberty, Inc. (Alas

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



QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

The following table presents the number and weighted average GDFV of options granted by the Company during the six months ended June 30, 2019:

	Six months ended June 30, 2019	
	Options Granted (000's)	Weighted Average GDFV
Series A Qurate Retail common stock, QVC employees (1)	2,232	\$ 4.08
Series A Qurate Retail common stock, Zulily employees (1)	328	\$ 4.08
Series B Qurate Retail common stock, Qurate Retail Chairman of the Board (2)	26	\$ 5.84

- 1) Grants vest semi-annually over four years.
- 2) Grant cliff vested immediately upon grant.

In addition to the stock option grant to the Qurate Retail Chairman of the Board and in connection with our Chairman's employment agreement, during the six months ended June 30, 2019, Qurate Retail granted 213 thousand RSUs of Series B Qurate Retail common stock of which 194 thousand were performance-based. The Series B RSUs had a GDFV of \$17.90 per share at the time they were granted. The time-based RSUs cliff vested on March 11, 2019, and the performance-based RSUs cliff vest in one year, subject to the satisfaction of certain performance objectives. During the six months ended June 30, 2019, Qurate Retail also granted approximately 191 thousand performance-based RSUs of Series A Qurate Retail common stock to its CEO. The Series A RSUs had a GDFV of \$ 17.90 per share at the

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Qurate Retail			
	Series B (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2019	1,818	\$ 27.22		
Granted	26	\$ 18.03		
Exercised	—	\$ —		
Forfeited/Cancelled	—	\$ —		
Outstanding at June 30, 2019	1,844	\$ 27.09	3.6 years	\$ —
Exercisable at June 30, 2019	1,521	\$ 26.50	3.8 years	\$ —

As of June 30, 2019, the total unrecognized compensation cost related to unvested Awards was approximately \$9 million. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.0 years.

As of June 30, 2019, Qurate Retail reserved for issuance upon exercise of outstanding stock options approximately 28.9 million shares of Series A Qurate Retail common stock and 1.8 million shares of Series B Qurate Retail common stock.

(4) ~~Basic Earnings (Loss) Per Common Share~~ Common Share

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

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

Series A and Series B Liberty Ventures Common Stock

Excluded from diluted EPS for the six months ended June 30, 2018 were 2 million potential common shares, because their inclusion would have been antidilutive. No potential common shares were excluded from diluted EPS for the three months ended June 30, 2018.

	Liberty Ventures Common Stock			
	Three months ended		Six months ended	
	June 30,		June 30,	
	2019 (1)	2018 (1)	2019 (1)	2018
	number of shares in millions			
Basic WASO	NA	NA	NA	86
Potentially dilutive shares	NA	NA	NA	1
Diluted WASO	NA	NA	NA	87

(1) All of the outstanding shares of Liberty Ventures Series A and B common o

QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

purchased 1.75% Exchanges

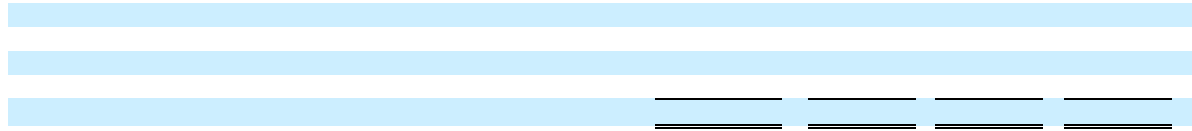
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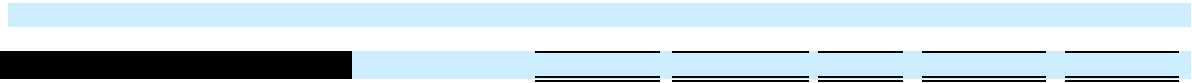
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QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Remainder of 2019	\$	196
2020	\$	325
2021	\$	193
2022	\$	96
2023	\$	80

Zulily's business model is highly challenged and based on current results it may not be able to realize its long-term forecast. The Company continues to monitor Zulily's current business performance versus the long-term forecast, among other relevant considerations, to determine if any impairments exist. With recent management succession, Zulily initiated a process to evaluate how its current business model and long-term business strategy may respond in this challenging retail environment, and is in the process of updating its long-term forecast, but there are no guarantees that such efforts will result in Zulily recovering the diminished operations. Future outlook declines in revenue, cash flows, or other factors could result in a sustained decrease in fair value that may result in a determination that an impairment adjustment is required, which could be material. Accordingly, the Company believes the reporting unit is at an elevated risk of impairment.

(7) Long-Term Debt

Debt is summarized as follows:

	Outstanding principal at June 30, 2019	Carrying value	
		June 30, 2019	December 31, 2018
amounts in millions			
Corporate level debentures			
8.5% Senior Debentures due 2029	\$ 287	285	286
8.25% Senior Debentures due 2030	504	502	502
4% Exchangeable Senior Debentures due 2029	432	338	304
3.75% Exchangeable Senior Debentures due 2030	434	314	307
3.5% Exchangeable Senior Debentures due 2031	307	522	377
0.75% Exchangeable Senior Debentures due 2043	—	1	2
1.75% Exchangeable Senior Debentures due 2046	332	415	344
Subsidiary level notes and facilities			
QVC 3.125% Senior Secured Notes due 2019	—	—	399
QVC 5.125% Senior Secured Notes due 2022	500	500	500
QVC 4.375% Senior Secured Notes due 2023	750	750	750
QVC 4.85% Senior Secured Notes due 2024	600	600	600
QVC 4.45% Senior Secured Notes due 2025	600	599	599
QVC 5.45% Senior Secured Notes due 2034	400	399	399
QVC 5.95% Senior Secured Notes due 2043	300	300	300
QVC 6.375% Senior Secured Notes due 2067	225	225	225
QVC Bank Credit Facilities	1,733	1,733	1,320
Other subsidiary debt	—	—	188
Deferred loan costs	—	(25)	(29)
Total consolidated Qurate Retail debt	<u>\$ 7,404</u>	<u>7,458</u>	<u>7,373</u>
Less current classification		(1,175)	(1,410)
Total long-term debt		<u>\$ 6,283</u>	<u>5,963</u>

QVC Bank Credit Facilities

On December 31, 2018, QVC entered into the Fourth Amended and Restated Credit Agreement with Zulily as co-borrower (collectively, the "Borrowers") which is a multi-currency (multi-currency)



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

Our leases have remaining lease terms of less than one year to 15 years, some of which may include the option to extend for up to 14 years, and some of which include options to terminate the leases within less than one year.

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

	Three months ended June 30, 2019	Six months ended June 30, 2019
	in millions	
Operating lease cost	\$ 18	35
Finance lease cost		
Depreciation of leased assets	\$ 5	10
Interest on lease liabilities	2	4
Total finance lease cost	<u>\$ 7</u>	<u>14</u>

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

	June 30, 2019
Weighted-average remaining lease term (years):	
Finance leases	9.3
Operating leases	8.9
Weighted-average discount rate:	
Finance leases	5.0%
Operating leases	4.9%

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

(unaudited)

Supplemental balance sheet information related to leases was as follows:

		June 30, 2019
		in millions
Operating leases:		
Operating lease ROU assets (1)	\$	326
Current operating lease liabilities (2)	\$	53
Operating lease liabilities (3)		302
Total operating lease liabilities	\$	355
Finance Leases:		
Finance lease ROU assets (4)	\$	275.7
Finance lease ROU asset accumulated depreciation (4)		(128)
Finance lease ROU assets, net	\$	148
Current Finance lease liabilities (2)	\$	20
Finance lease liabilities (3)		158
Total finance lease liabilities	\$	178

(1) Included within the Other assets, at cost, net of accumulated amor



QURATE RETAIL, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

	Three months ended June 30, 2018				
	QxH	QVC Int'l	Zulily	Corp and other	Total
	in millions				
Home	\$ 651	235	107	203	1,196
Apparel	378	116	163	33	690
Beauty	316	158	12	—	486
Accessories	230	72	110	—	412
Electronics	164	22	4	—	190
Jewelry	113	48	11	—	172
Other revenue	48	5	8	26	87
Total Revenue	<u>\$ 1,900</u>	<u>656</u>	<u>415</u>	<u>262</u>	<u>3,233</u>

	Six months ended June 30, 2018				
	QxH	QVC Int'l	Zulily	Corp and other	Total
	in millions				
Home	\$ 1,377	495	223	350	2,445
Apparel	703	235	319	72	1,329
Beauty	622	302	24	—	948
Accessories	448	139	224	—	811
Electronics	338	48	8	—	394
Jewelry	245	103	23	—	371
Other revenue	93	10	13	49	165
Total Revenue	<u>\$ 3,826</u>	<u>1,332</u>	<u>834</u>	<u>471</u>	<u>6,463</u>

Qurate Retail defines Adjusted OIBDA, a non-GAAP measure, as revenue less cost of sales, operating expenses, and selling, general and administrative expenses excluding all stock-based compensation and transaction related costs. Qurate Retail believes this measure is an important indicator of the operational strength and performance of its businesses by identifying those items that are not directly a reflection of each business' performance or indicative of ongoing business trends. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. This measure of performance excludes depreciation and amortization, stock-based compensation, certain acquisition accounting adjustments, separately reported litigation settlements, transaction related costs (including restructuring, integration costs, and other litigation costs).

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-lookin

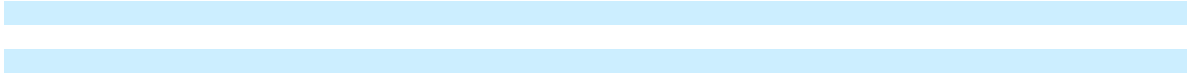
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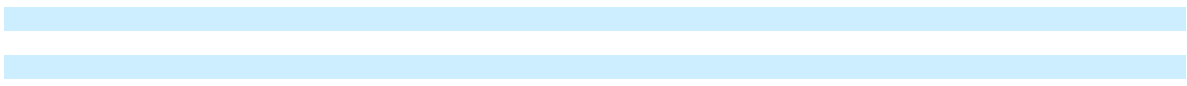
Operating Results

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018 (a)
amounts in millions				
<i>Revenue</i>				
QxH	\$ 1,874	1,900	3,731	3,826
QVC International	640	656	1,284	1,332
Zulily	363	415	760	834
Corporate and other	234	262	421	471
Consolidated Qurate Retail	<u>\$ 3,111</u>	<u>3,233</u>	<u>6,196</u>	<u>6,463</u>
<i>Operating Income (Loss)</i>				
QxH	\$ 292	308	539	575
QVC International	73	82	152	171
Zulily	(23)	(27)	(36)	(55)
Corporate and other	(6)	(5)	(31)	(39)
Consolidated Qurate Retail	<u>\$ 336</u>	<u>358</u>	<u>624</u>	<u>652</u>
<i>Adjusted OIBDA</i>				
QxH	\$ 395	401	747	770
QVC International	106	100	207	207
Zulily	7	29	24	56
Corporate and other		s c		s c









with any agreement as to the terms of its withdrawal, it is possible that new terms may adversely affect QVC's operations and financial results in a number of ways, not all of which are currently readily apparent. The U.K. is scheduled to withdraw from the E.U. no later than October 31, 2019. The U.K. government's draft agreement on the withdrawal of the U.K. from the E.U. was defeated in the House of Commons on January 15, 2019. As a result, the final terms of the U.K.'s exit from the E.U. are, and will remain for the immediate future, unclear. The U.K. may leave the E.U. without any agreement as to the terms of its withdrawal or the future economic relationship between the U.K. and the E.U. It is also possible that the U.K. will withdraw its notification to leave the E.U. or that there will be a second referendum on Brexit.

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

QVC's operating expenses are principally comprised of commissions, order processing and customer service expenses, credit card processing fees and telecommunications expenses. Operating expenses decreased \$30 million or 14.4% and \$66 million or 15.6% for the three and six months ended June 30, 2019, respectively, compared to the same periods in the prior year. For the three months ended June 30, 2019, operating expenses decreased primarily due to a \$25 million decrease in commissions at QxH, a \$4 million decrease in personnel costs at QxH and a \$2 million decrease due to favorable exchange rates. For the six months ended June 30, 2019, operating expenses decreased primarily due to a \$53 million decrease in commissions at QxH, an \$8 million decrease in personnel costs at QxH and a \$5 million decrease due to favorable exchange rates. The decrease in commissions for both comparable periods is primarily due to new longer term television distribution rights agreements entered into at HSN, which led to increased capitalization of television distribution rights agreements and favorable terms on commissions.

QVC's SG&A expenses (excluding stock-based compensation and transaction related costs) include personnel, information technology, provision for doubtful accounts, production costs, and marketing and advertising expenses. Such expenses decreased \$1 million and increased \$3 million for the three and six months ended June 30, 2019, respectively, as compared to the same periods in the prior year, and as a percentage of net revenue, increased from 10.1% to 10.2% and from 10.0% to 10.3% for the three and six months ended June 30, 2019, respectively, as compared to the three and six months ended June 30, 2018, respectively. For the three months ended June 30, 2019, the decrease was primarily due to a \$7 million decrease in personnel costs primarily at QxH, France and the U.K., offset by increases in Japan, and a \$4 million decrease due to favorable exchange rates. The decreases were partially offset by a \$6 million increase in bad debt expense, and a \$5 million increase in outside services primarily at QxH. For the six months ended June 30, 2019, the increase was primarily due to a \$5 million increase in online marketing expenses primarily at QxH, a \$10 million increase in bad debt expense, and a \$9 million increase in outside services primarily at QxH. These increases were partially offset by a \$13 million decrease in personnel costs primarily in QxH, France and the U.K., offset by increases in Japan and Germany, and a \$9 million decrease due to favorable exchange rates. The increase in bad debt expense for both comparable periods is primarily due to increased Easy Pay usage and the number of installments taken at QxH, and to a lesser extent, Germany.

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

Depreciation and amortization consisted of the following:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	amounts in millions			
Affiliate agreements	\$ 1	1	2	2
Customer relationships	12	12	24	24
Other technology	4	4	8	8
Acquisition related amortization	17	17	34	34
Property and equipment	54	20	100	84
Software amortization	22	22	44	46
Channel placement amortization and related expenses	31	16	64	31
Total depreciation and amortization	\$ 124	98	242	198

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

are effective. Our remediation efforts are underway, and we expect that the remediation of these material weaknesses will be completed prior to the end of 2019.

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

Item 6. Exhibits

(a) Exhibits

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

31.1	Rule 13a-14(a)/15d-14(a) Certification*
31.2	Rule 13a-14(a)/15d-14(a) Certification*
32	Section 1350 Certification**
99.1	Reconciliation of Qurate Retail, Inc. Net Assets and Net Earnings to Liberty Interactive LLC Net Assets and Net Earnings**
101.INS	Inline XBRL Instance Document* - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document*
101.LAB	Inline XBRL Taxonomy Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document*

CERTIFICATION

I, Michael A. George, certify that:

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

Date: August 8, 2019

/s/ MICHAEL A. GEORGE

Michael A. George

President and Chief Executive Officer

CERTIFICATION

I, Brian J. Wendling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Qurate Retail, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the accuracy of the financial statements.

As a result, the registrant is not aware of any material misstatements or omissions in this quarterly report.

Certification

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

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

The Quarterly Report on Form 10-Q for the period ended June 30, 2019 (the "Form 10-Q") of the Company fully complies with n;

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