Tom McInerney
President & CEO
Overview

- Very large market opportunity
- Unique combination of assets
- Competitive momentum
- Clear strategies within our control
- Expansion opportunities which leverage unique position
Electronic Retailing Today

Estimates for 2003:

**HSN U.S.**
- Net Sales: $1,766 mm
- OIBA: $189 mm

**HSN International**
- Net Sales: $462 mm
- OIBA: $31 mm

**Consolidated**
- Net Sales: $2,228 mm (+15.8%)
- OIBA: $220 mm (+85.4%)

<table>
<thead>
<tr>
<th>Entity</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSE-Germany</td>
<td>90%</td>
</tr>
<tr>
<td>Neun Live</td>
<td>49%</td>
</tr>
<tr>
<td>Sonnenklar</td>
<td>49%</td>
</tr>
<tr>
<td>SHOP</td>
<td>30%</td>
</tr>
<tr>
<td>TVSN</td>
<td>21%</td>
</tr>
<tr>
<td>HSE-Italy</td>
<td>35%</td>
</tr>
</tbody>
</table>
### Merchandising Mix (YTD 9/30):

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jewelry</td>
<td>24%</td>
</tr>
<tr>
<td>Home Hard Goods</td>
<td>24%</td>
</tr>
<tr>
<td>Home Fashions</td>
<td>15%</td>
</tr>
<tr>
<td>Health &amp; Beauty</td>
<td>26%</td>
</tr>
<tr>
<td>Apparel/Accessories/Other</td>
<td>11%</td>
</tr>
</tbody>
</table>

### Unit Volume (forecast 2003)  
42.4M

### Active Customers (12mo @ 9/30)  
4.4M

### Households (EOP 9/30)  
79.7M

### Internet % of Total US (YTD 9/30)  
14.5%

### Employees (Q3 actual):

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Service</td>
<td>1,364</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>840</td>
</tr>
<tr>
<td>Other</td>
<td>1,610</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,814</strong></td>
</tr>
</tbody>
</table>
HSN U.S. Financial Summary

**Net Sales**

- **1999 A**: $1,332.9
- **2000 A**: $1,535.4
- **2001 P**: $1,558.1
- **2002 A**: $1,613.2
- **2003 E**: $1,766.2

**CAGR '99-03**: 7%

**CAGR '01P-03**: 7%

**OIBA**

- **1999 A**: $157.6
- **2000 A**: $121.1
- **2001 P**: $163.1
- **2002 A**: $189.4

**CAGR '99-03**: 4%

**CAGR '01P-03**: 25%
Television Retailing Grows Faster

**Television Retail**

- '01 A: $5.5
- '02 A: $5.8
- '03 E: $6.2

CAGR = 6.2%

**General Retail**

- '01 A: $908
- '02 A: $953
- '03 E: $992

CAGR = 4.5%


Electronic Retailing – Domestic Opportunity

$61B  $148B

- Online retailing early in development
- Television retailing outpaces overall retail growth
- Multi-channel competitors natural beneficiaries

$54.0 $7.0 $9.8 $138.0

2003 Estimate 2008 Estimate *

CGR = 19.5%

$Billions

HSN U.S. Growing Faster than the Market

* Includes QVC Domestic and ShopNBC. Excludes SAH (information not available for 2003).
HSN U.S. Significant Competitive Opportunity (L12M)

<table>
<thead>
<tr>
<th></th>
<th>HSN</th>
<th>QVC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$1,713.9</td>
<td>$3,702.8</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$287.9</td>
<td>$832.3</td>
</tr>
<tr>
<td>FTEs*</td>
<td>68.6</td>
<td>75.5</td>
</tr>
<tr>
<td>Sales/FTE</td>
<td>$24.90</td>
<td>$49.08</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$4.18</td>
<td>$11.03</td>
</tr>
</tbody>
</table>

* FTEs include cable subs as well as digital cable, DBS, c-Band and broadcast subs which have been weighted to more accurately reflect the actual performance of subs and adjust for the impact of their significant growth as a percentage of total HSN distribution.
Strategic Growth Initiatives

- Merchandising excellence
- Compelling television
- Leading multi-category web platform
- True cross-channel customer benefits
- America’s Store
- Enhanced service levels
Merchandising Excellence

- Classification strategies
- Brand strategies
- Item productivity
- Business component maximization
- Day and event strategies
- Long-term investment
Strength YTD Across Business Lines

Merchandise Category Productivity

- 75% of 20 Largest merchandise categories all had productivity growth in 2003
- Largest 20 categories account for 78% of overall business
Execution Drives Success

Columbus Day Weekend

- Planning began in late May
- Utilize a “Themed” approach
- Multi-business focus
- Special attention on HSN services & HSN.com
- Anchor with a strong value proposition TS

22% Inc to Plan

65% Inc to LY
Creating the Leading Multi-Category Web Platform

- Shopping platform for viewers and other internet shoppers
- Enhanced navigation
- Multiple ways to shop
- True integration with TV platform
Highly Complimentary Sales Channels

**TV**
- Detailed explanation
- Highly visual
- Call to action
- Entertaining
- Credibility from personality

**Internet**
- Customer controlled
- Non-linear
- Always accessible
- Additional product
- Credibility from information
HSN.com Provides Real Customer Benefits

Customers who move from “TV” to “Multi-Channel” buying spend 10+% more per year
HSN.com – Always Accessible
HSN.com – Always Accessible
Store Fronts
Leverage Proprietary Brands
Video Creates Richer Experience

- Today’s Special
- Show Stoppers
- Demonstration B Roll
- Category Guides
- Personalities
- Events
HSN.com and HSN TV combine for increased customer benefit
Creating TV Formats That Compliment HSN.com
Building America’s Store

- Growing at 50% for 2004
- Destination TV shopping
- Cross-vendor programming
- Distribution growth
- PrimeTime outlets/premium brands
- Platform for new internet businesses
Enhanced Service Levels

Over the last 2 years ...

- Packages shipped within 2 days of order from 86% to 97%
- Variable labor per unit has decreased by 29%
- Returns processing decreased from 4 days to just over 1 day
- Percent of calls answered within 20 seconds increased by 10%
- Customer management and sales system moved from mainframe to new platform

Over the next year ...

- Delivery times will be materially shorter
- Phone service will be materially more flexible and faster
- Continued variable cost reduction
- IT systems will be leveraged for application development and improved interface with HSN.com
- Customer satisfaction systems will be enhanced
International Consolidated Summary

Net Sales in millions

Net Sales
CAGR '99-03 27%

OIBA in millions

OIBA
CAGR '99-03 40%

Note: HSE-AG was not consolidated with HSN in 1999 but for analysis purposes, HSE - AG figures were included in above 1999 financials. HSE - AG 1999 results were converted using the average rate of 1.06677 €/$ for the year
## Merchandising Mix (YTD 9/30):

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<td>Wellness/Beauty</td>
<td>39%</td>
</tr>
<tr>
<td>Fashion/Apparel</td>
<td>5%</td>
</tr>
<tr>
<td>Collectibles/Household</td>
<td>24%</td>
</tr>
<tr>
<td>Multimedia/Home Electronics</td>
<td>5%</td>
</tr>
</tbody>
</table>

## Unit Volume (forecast 2003)

- 9.9M

## Active Customers (12mo @ 9/30)

- 1.5M

## Households (EOP 9/30)

- 31.9M

## Internet % of HSE-AG (YTD 9/30)

- 5.9%

## Employees (Q3 actual):

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
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</thead>
<tbody>
<tr>
<td>Engineering &amp; Programming</td>
<td>163</td>
</tr>
<tr>
<td>Sales &amp; Merchandising</td>
<td>120</td>
</tr>
<tr>
<td>Other</td>
<td>115</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>398</strong></td>
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</tbody>
</table>
Sales Trend Comparison (US & HSE-AG)

Sales/FTE comparison (12 Month Average)
- HSE positioned to grow sales per FTE

E-Commerce % of Sales
- Trending positively but still below U.S. levels
HSE – AG Growth Drivers

- Improve core merchandising capability
- Finish service transition and enhance levels
- Establish off-air business
- Grow HSE.de online (currently 6%)
- Introduce credit and debit card payment methods
- Establish drop ship capability
- Expand distribution
NeunLive

- Quiz Show Format – Established in 2001
- Current Households: 27.6 million
- Germany’s first and largest interactive quiz channel
- Highly profitable => Calls increased by 48% over PY
- Continuous development of new programs and show formats
- Interactive expansion opportunities
HSN – See the Possibilities

Current Realities
- Attractive market dynamics
- Competitive momentum
- Control own destiny
- Extendable assets/capabilities

Future Realities
- Continued broadband growth
- Digital cable/satellite
- True interactivity
- Demographic advantages
- Format evolution

Long-term organic earnings growth of 15%

Long-term scale opportunities to create IAC value
IAC Electronic Retailing

Q&A