

IAC/ Electronic Retailing

Tom McInerney

President & CEO



AMERICA'S STORE

IAC/ Electronic Retailing

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: \$2,228mm (+15.8%)

OIBA: \$220 mm (+85.4%)

Entity	Ownership
HSE-Germany	90%
Neun Live	49%
Sonnenklar	49%
SHOP	30%
TVSN	21%
HSE-Italy	35%

HSN U.S. — Business Overview



Merchandising Mix (YTD 9/30):

Jewelry	24%
Home Hard Goods	24%
Home Fashions	15%
Health & Beauty	26%
Apparel/Accessories/Other	11%

Unit Volume (forecast 2003) 42.4M

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

Households (EOP 9/30) 79.7M

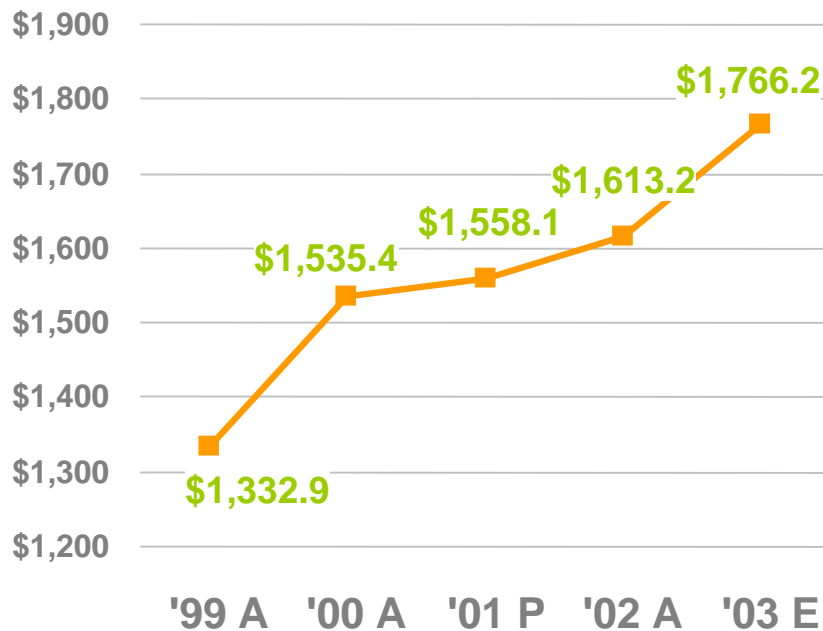
Internet % of Total US (YTD 9/30) 14.5%

Employees (Q3 actual):

Sales & Service	1,364
Fulfillment	840
Other	1,610
Total	3,814

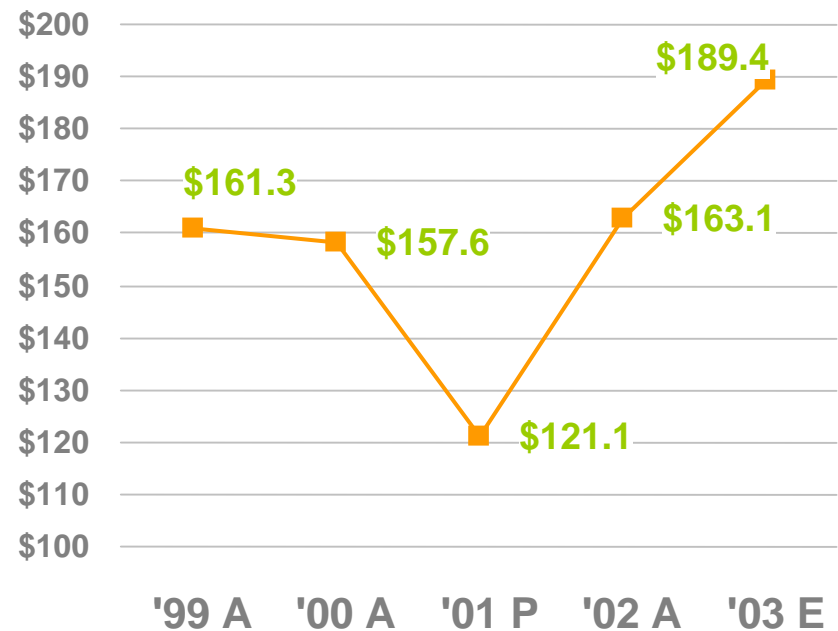
HSN U.S. Financial Summary

Net Sales
in millions



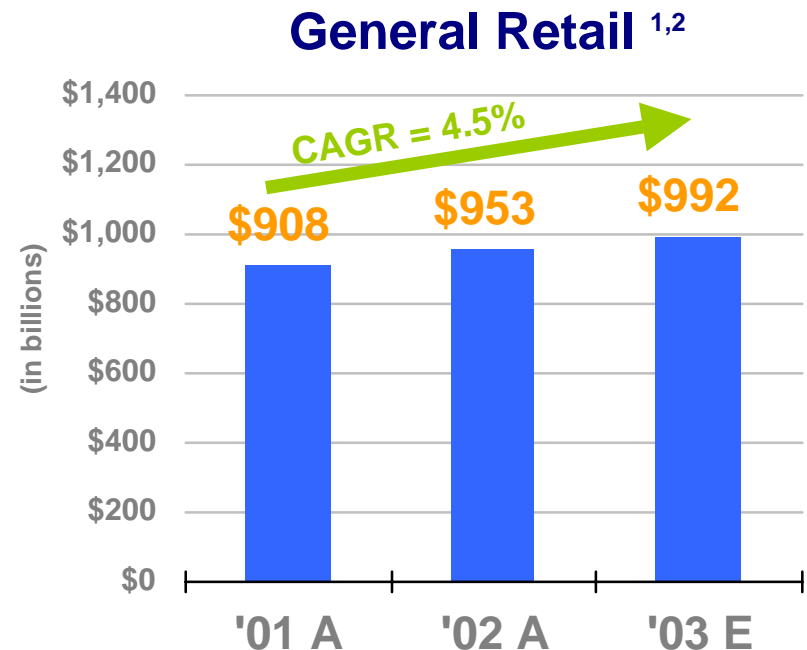
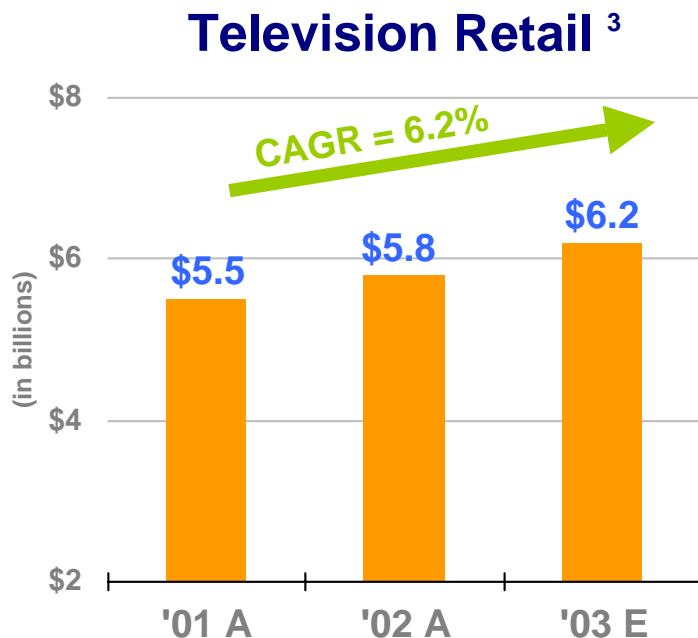
CAGR '99-03 7%
CAGR '01P-03 7%

OIBA
in millions



CAGR '99-03 4%
CAGR '01P-03 25%

Television Retailing Grows Faster

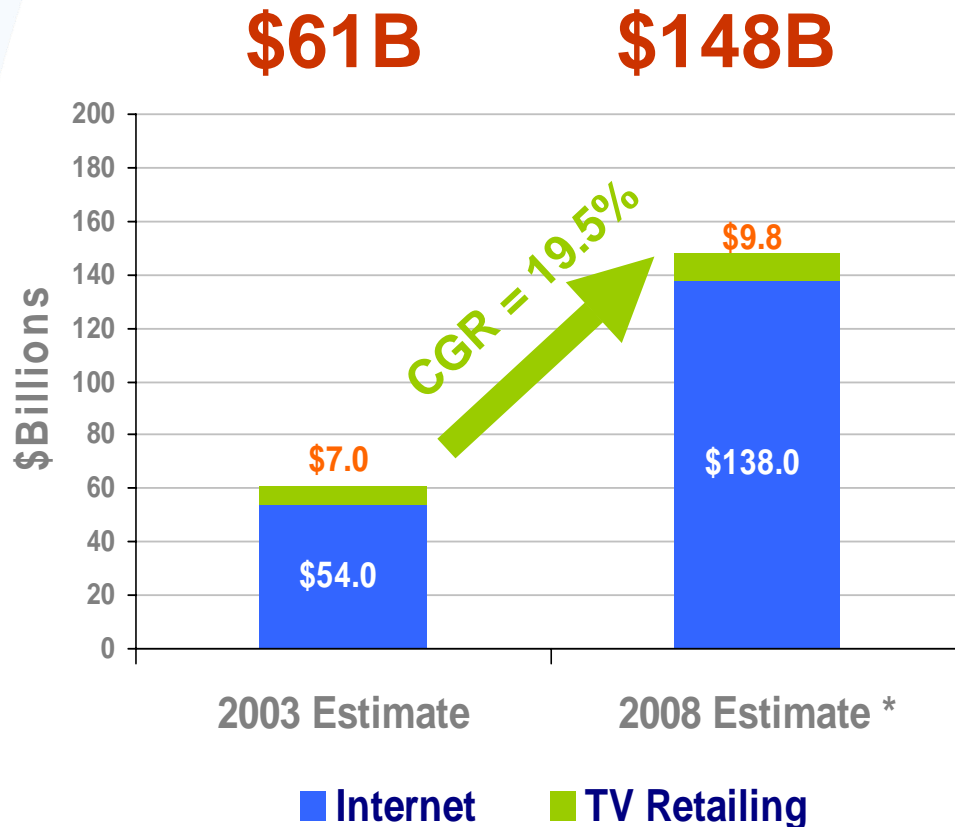


¹ Source for 2001-2002: U.S. Department of Commerce. Total GAFO (includes General Merchandise, Apparel, Furniture & Appliances, Sporting & Hobby, and Miscellaneous Retail).

² Source for 2003: National Retail Federation. "Unexpected Third Quarter Growth Raises 2003 Forecast, According to NRF." October 9, 2003

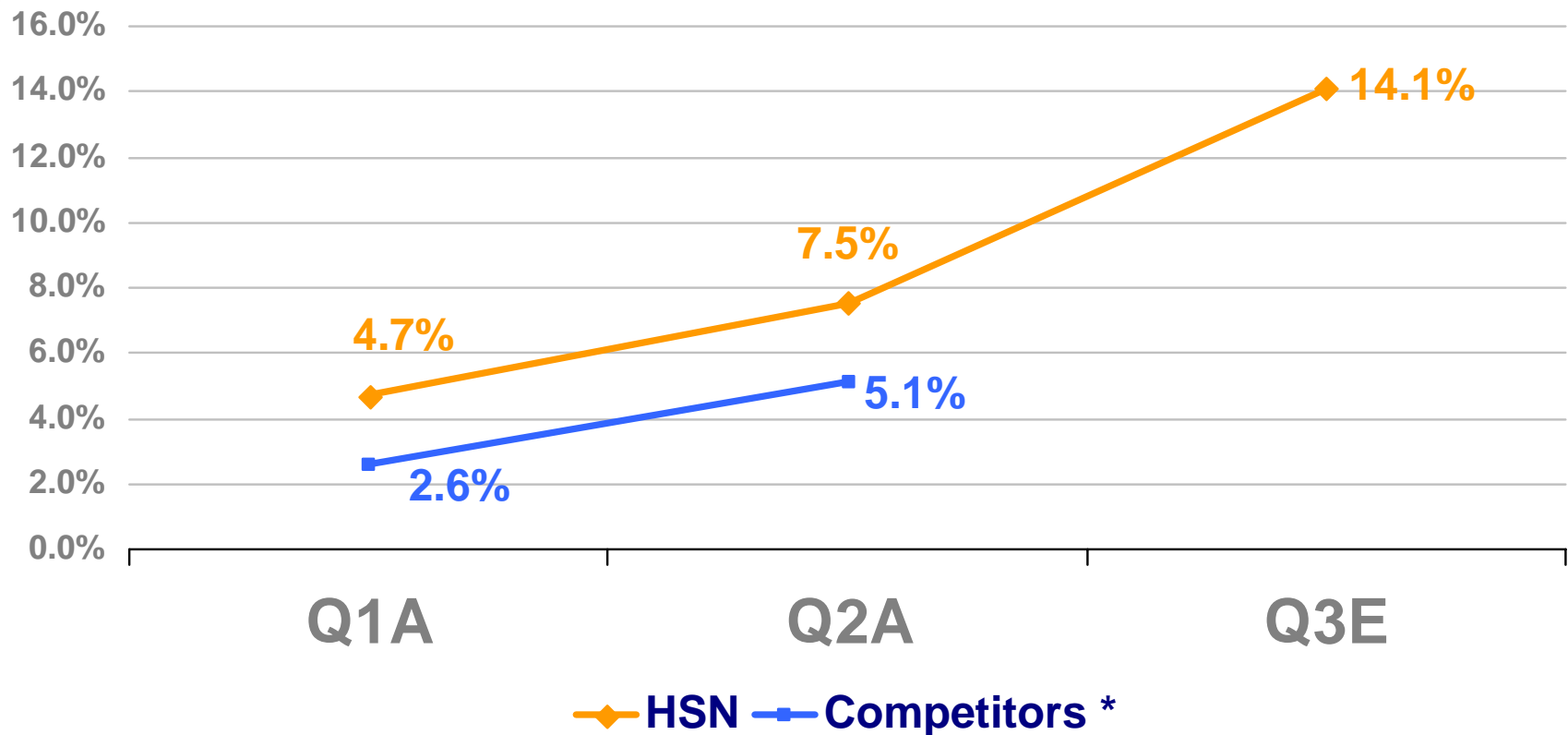
³ Includes HSN US, QVC Domestic, and ShopNBC. Excludes SAH (information not available for 2003).

Electronic Retailing – Domestic Opportunity



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

HSN U.S. Growing Faster than the Market



HSN U.S. Significant Competitive Opportunity (L12M)



Sales:	\$1,713.9
EBITDA	\$287.9
FTEs*	68.6
Sales/FTE	\$24.90
EBITDA	\$4.18



Sales:	\$3,702.8
EBITDA	\$832.3
FTEs*	75.5
Sales/FTE	\$49.08
EBITDA	\$11.03

Strategic Growth Initiatives

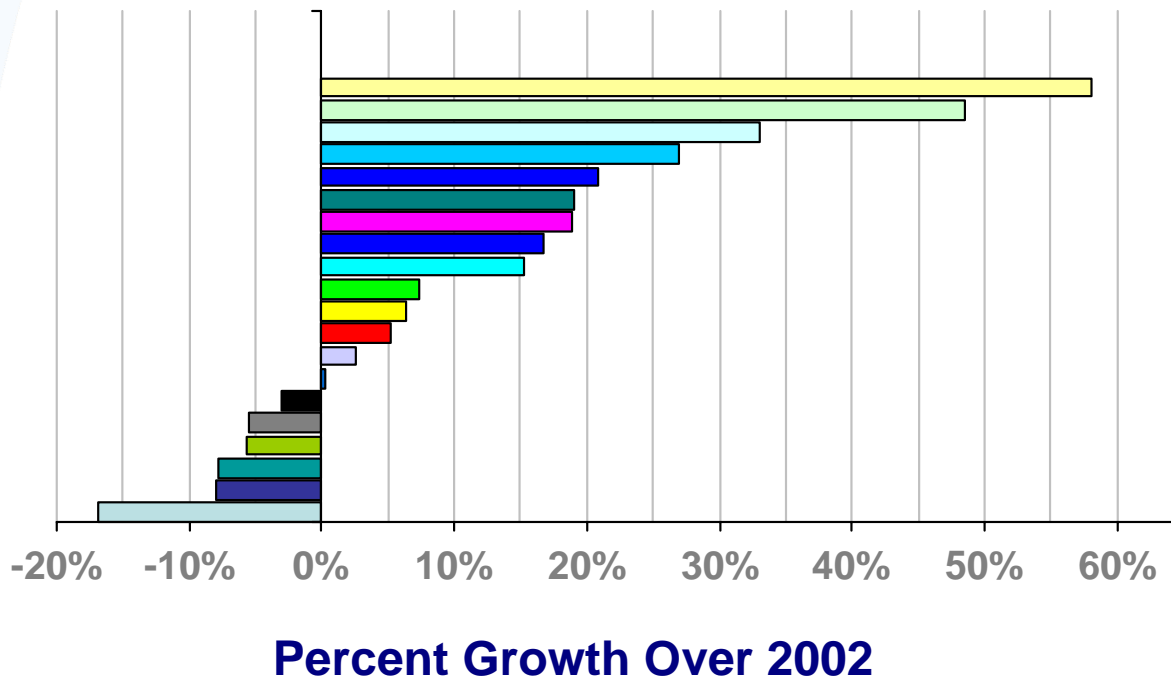
- **Merchandising excellence**
- **Compelling television**
- **Leading multi-category web platform**
- **True cross-channel customer benefits**
- **America's Store**
- **Enhanced service levels**

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

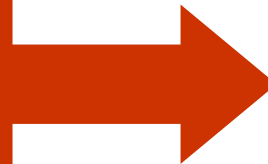


- **75% of 20 Largest merchandise categories all had productivity growth in 2003**
- **Largest 20 categories account for 78% of overall business**

Execution Drives Success

Columbus Day Weekend

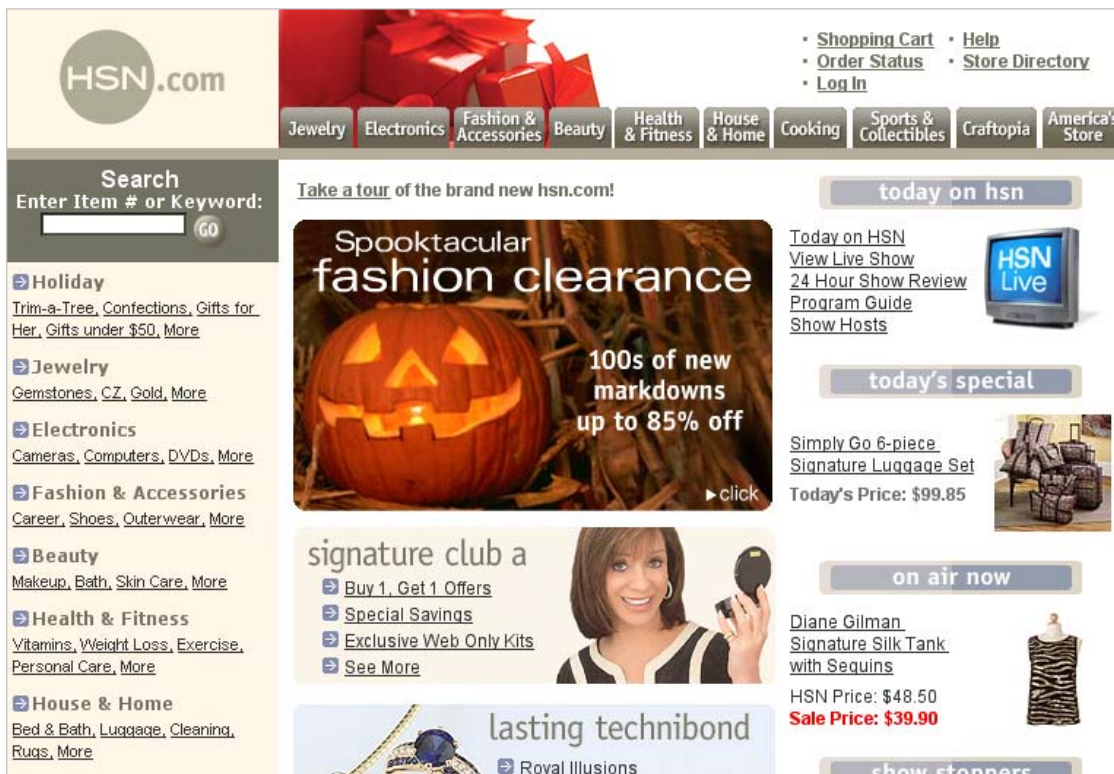
- Planning began in late May
- Utilize a “Themed” approach
- Multi-business focus
- Special attention on HSN services & HSN.com
- Anchor with a strong value proposition TS



**22% Inc
to Plan**

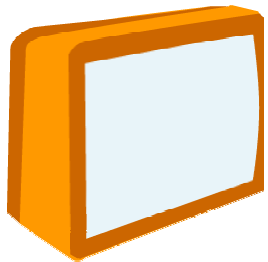
**65% Inc
to LY**

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

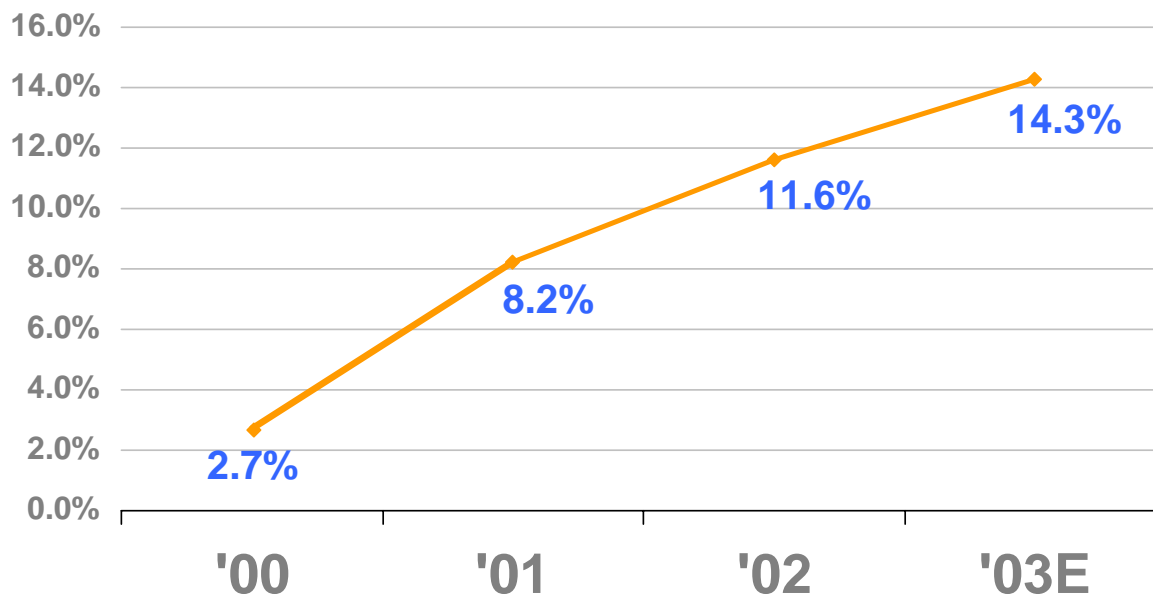


Internet

- Customer controlled
- Non-linear
- Always accessible
- Additional product
- Credibility from information

HSN.com Provides Real Customer Benefits

HSN.com sales as a percent of Total HSN U.S.



Customers who move from “TV” to “Multi-Channel” buying spend 10+% more per year

HSN.com – Always Accessible

The screenshot displays the HSN.com website layout. At the top left is the HSN.com logo. To the right are links for Shopping Cart, Help, Order Status, Store Directory, and Log In. Below these are category buttons: Jewelry, Electronics, Fashion & Accessories, Beauty, Health & Fitness, House & Home, Cooking, Sports & Collectibles, Craftopia, and America's Store. A search bar on the left prompts users to enter an item number or keyword. Below the search bar are category links with arrows: Holiday (Trim-a-Tree, Confections, Gifts for Her, Gifts under \$50, More), Jewelry (Gemstones, CZ, Gold, More), Electronics (Cameras, Computers, DVDs, More), Fashion & Accessories (Career, Shoes, Outerwear, More), Beauty (Makeup, Bath, Skin Care, More), Health & Fitness (Vitamins, Weight Loss, Exercise, Personal Care, More), and House & Home (Bed & Bath, Luggage, Cleaning, More). The main content area features a 'Spooktacular fashion clearance' banner with a jack-o'-lantern and text about 100s of new markdowns up to 85% off. Below this is a 'signature club a' section with links for Buy 1, Get 1 Offers, Special Savings, Exclusive Web Only Kits, and See More. To the right of the clearance banner is a red-bordered box containing the 'today on hsn' section, which includes links to View Live Show, 24 Hour Show Review, Program Guide, and Show Hosts, alongside an HSN Live TV icon. Below this is the 'today's special' section featuring 'Royal Illusions in Technibond® Created Ruby, Blue Sapphire and Clear CZ Ring' with a 'Today's Price' of \$34.50. The bottom right section, 'on air now', features 'Studio West 100% Cotton Embroidered Denim Blazer' with an HSN Price of \$36.90 and a crossed-out Sale Price of \$23.48. A 'lasting technibond' banner is partially visible at the bottom.

HSN.com

Shopping Cart • Help
Order Status • Store Directory
Log In

Jewelry Electronics Fashion & Accessories Beauty Health & Fitness House & Home Cooking Sports & Collectibles Craftopia America's Store

Search
Enter Item # or Keyword:
GO

Take a tour of the brand new hsn.com!

Spooktacular
fashion clearance

100s of new
markdowns
up to 85% off

click

signature club a

Buy 1, Get 1 Offers
Special Savings
Exclusive Web Only Kits
See More

today on hsn

Today on HSN
View Live Show
24 Hour Show Review
Program Guide
Show Hosts

today's special

Royal Illusions in
Technibond® Created
Ruby, Blue Sapphire
and Clear CZ Ring
Today's Price: \$34.50

on air now

Studio West 100%
Cotton Embroidered
Denim Blazer
HSN Price: \$36.90
Sale Price: \$23.48

lasting technibond

HSN.com – Always Accessible

HSN.com

Shopping Cart | Help
Order Status | Store Directory
Log In

Jewelry | Electronics | Fashion & Accessories | Beauty | Health & Fitness | House & Home | Cooking | Sports & Collectibles | Craftopia | America's Store

Search GO

Home Page > Today on HSN

Today On HSN

Thursday, October 30, 2003

Back to:
• Home Page
• Today on HSN

On TV Today
• Today's Special
• Showstoppers Star Product
• Brand New Items
• Limited Quantity
• Back in Stock

Just Missed!
• Items Aired Last 24 Hours

TV Tools
• HSN Program Guide
• America's Store Program Guide
• Channel Finder
• Show Hosts
• ShopTalk Email
• Chat Café

watch HSNtv live

Don't miss a second.
Select your bandwidth:

low (modem)
high (cable/dsl)

on air now

Studio West 100% Cotton Embroidered Denim Jeans
HSN Price: \$34.50
[see last 24 hours](#)

show stoppers

signature Club A by Adrienne Kaleidoscope of Beauty with Vinoplex 5 Essentials Creme
[Watch the Video](#)

Diamonds in Technibond® Panther Bracelet
[Watch the Video](#)

Lenox Butterfly Meadow 20-Piece Fine Bone Porcelain - Service for 4
[Watch the Video](#)

Royal Illusions in Technibond® Created Ruby & Clear CZ Cross Pendant with Chain
[Watch the Video](#)

[See All Showstoppers](#)

HSN program guide

[See Full Program Guide](#)

time *	show title	show host
12:00pm	Denim Concepts	Kathy Wolf

HSN.com – Always Accessible

HSN.com

Shopping Cart • Help
Order Status • Store Directory
Log In

Jewelry Electronics Fashion & Accessories Beauty Health & Fitness House & Home Cooking Sports & Collectibles Craftopia America's Store

Search GO

Home Page > Today on HSN > Last 24 Hours

Items Aired In The Last 24 Hours Friday, October 31, 2003

Back to:

- Home Page
- Today on HSN
- Last 24 Hours

On TV Today

- Today's Special
- Showstoppers Star Product
- Brand New Items
- Limited Quantity
- Back In Stock


Just Missed!


- Items Aired Last 24 Hours


TV Tools

- HSN Program Guide
- America's Store Program Guide
- Channel Finder
- Show Hosts
- ShopTalk Email
- Chat Café

our favorites


Betula by Christian Birkenstock
"Quito" Slide
HSN Price: \$58.00


Betula by Christian Birkenstock
"Nancy" Slide
HSN Price: \$62.50


Maggie Sweet Emblem Floral
Yoru Solid Blouse
HSN Price: \$44.00

Select a show hour below to view items aired.

Friday, October 31, 2003

time *	show title	items aired	show host
11:00 AM	Spooktacular Fashion Event	See Items	Diana Perkovic
10:00 AM	Spooktacular Fashion Event	See Items	Diana Perkovic
9:00 AM	Spooktacular Fashion Event	See Items	Diana Perkovic

HSN.com – Always Accessible

The screenshot displays the HSN.com website interface. At the top left is the HSN.com logo. To its right is a navigation bar with categories: Jewelry, Electronics, Fashion & Accessories, Beauty, Health & Fitness, House & Home, Cooking, Sports & Collectibles, Craftopia, and America's Store. Further right are links for Shopping Cart, Help, Order Status, Store Directory, and Log In. Below the navigation bar is a search bar with a 'GO' button. The main content area shows a breadcrumb trail: Home Page > Today on HSN > Last 24 Hours > Show Product Listing. The event title is 'Spooktacular Fashion Event, 9:00 AM, Friday, October 31, 2003'. Below this is a pagination bar showing 'Page 1 of 2' and a 'Next >' button. To the right of the pagination bar is a 'Sort By' dropdown menu set to 'HSN Recommends' and a 'GO' button. The left sidebar contains a 'Back to:' section with links to Home Page, Today on HSN, Last 24 Hours, and Show Product Listing. Below this is an 'On TV Today' section with links to Today's Special, Showstoppers Star Product, Brand New Items, Limited Quantity, and Back In Stock. Further down is a 'Just Missed!' section with a link to Items Aired Last 24 Hours. At the bottom of the sidebar is a 'TV Tools' section with links to HSN Program Guide, America's Store Program Guide, Channel Finder, Show Hosts, and ShopTalk Email. The main product listing area displays four items in a grid. Each item includes a product image, a title, and pricing information. The items are: Terry Lewis Lambskin Leather Skirt with Perforations (HSN Price: \$179.00, Sale Price: \$152.00), Terry Lewis Lambskin Leather Jacket with Perforations (HSN Price: \$230.00, Sale Price: \$195.50), Atlantic Beach Reversible Hooded Coat (HSN Price: \$48.50, Sale Price: \$39.90), and Storybook Knits Americana Snowmen Denim Jacket (HSN Price: \$69.50, Sale Price: \$59.40). The bottom of the grid shows the start of two more items: Storybook Knits Ear and Monzo & Franco "Oyster".

HSN.com

Jewelry Electronics Fashion & Accessories Beauty Health & Fitness House & Home Cooking Sports & Collectibles Craftopia America's Store

Shopping Cart Help
Order Status Store Directory
Log In

Search GO

Home Page > Today on HSN > Last 24 Hours > Show Product Listing

Spooktacular Fashion Event, 9:00 AM, Friday, October 31, 2003

Page 1 of 2 Next > 2

Sort By: HSN Recommends GO

Back to:

- Home Page
- Today on HSN
- Last 24 Hours
- Show Product Listing

On TV Today

- Today's Special
- Showstoppers Star Product
- Brand New Items
- Limited Quantity
- Back In Stock

Just Missed!

- Items Aired Last 24 Hours

TV Tools

- HSN Program Guide
- America's Store Program Guide
- Channel Finder
- Show Hosts
- ShopTalk Email

Terry Lewis Lambskin Leather Skirt with Perforations
HSN Price: \$179.00
Sale Price: \$152.00

Terry Lewis Lambskin Leather Jacket with Perforations
HSN Price: \$230.00
Sale Price: \$195.50

Atlantic Beach Reversible Hooded Coat
HSN Price: \$48.50
Sale Price: \$39.90

Storybook Knits Americana Snowmen Denim Jacket
HSN Price: \$69.50
Sale Price: \$59.40

Storybook Knits Ear
Monzo & Franco "Oyster"

Store Fronts Leverage Proprietary Brands

The screenshot displays the HSN.com website interface. At the top, the HSN.com logo is on the left, and navigation links for Shopping Cart, Help, Order Status, Store Directory, and Log In are on the right. Below the logo is a search bar and a list of categories: Jewelry, Electronics, Fashion & Accessories, Beauty, Health & Fitness, House & Home, Cooking, Sports & Collectibles, Craftopia, and America's Store. The main content area is titled 'Wolfgang Puck Presents' and features a 'favorite picks' section with links to Professional Appliances, The Perfect Omelet, and Signature Cutlery. Below this is an 'about wolfgang puck' section with a photo of the chef and a 'Meet the Chef to the Stars' bio. To the right is a 'new arrivals' section featuring a 'Wolfgang Puck Bistro 2-Quart Covered Windsor Pan' with HSN and Sale prices. Further down is a 'culinary artistry' section with a 'shop by tool' list and a photo of cookware. To the right is a 'best sellers' section listing various Puck products. Below that is a 'trade secrets' section with a photo of a cookbook and links to Expert Tips, Cookbooks, and Featured Recipe. The footer contains company information, program guide, FAQs, customer service, return policy, contact us, HSN Charge Card, HSN Visa Card, Starbright CD-ROM, become an affiliate, conditions of use, privacy policy, security, product recall information, and jobs at HSN. Copyright information for 1999-2003 HSN Interactive LLC is also present.

HSN.com

• Shopping Cart • Help
• Order Status • Store Directory
• Log In

Jewelry Electronics Fashion & Accessories Beauty Health & Fitness House & Home Cooking Sports & Collectibles Craftopia America's Store

Search GO

Home Page > Cooking > Wolfgang Puck

Back to:
• Home Page
• Cooking
• Wolfgang Puck

By Department:
• Cookware
• Small Electrics
• Bakeware
• Kitchen Accessories
• Gourmet Foods
• Cookbooks
• Cutlery

• New Arrivals
• Clearance

Tips and Guides:
• HSN Cookbook

Get the HSN Newsletter:
 Enter email address GO

Wolfgang Puck Presents
favorite picks:
➔ Professional Appliances
➔ The Perfect Omelet
➔ Signature Cutlery

about wolfgang puck
Meet the Chef to the Stars.
Wolfgang has won the world over with his unique culinary talents. Now he's ready to share his trade secrets with at-home chefs. [Read more.](#)

new arrivals
Wolfgang Puck Bistro 2-Quart Covered Windsor Pan
HSN Price: \$19.90
Sale Price: \$18.90
[See More](#)

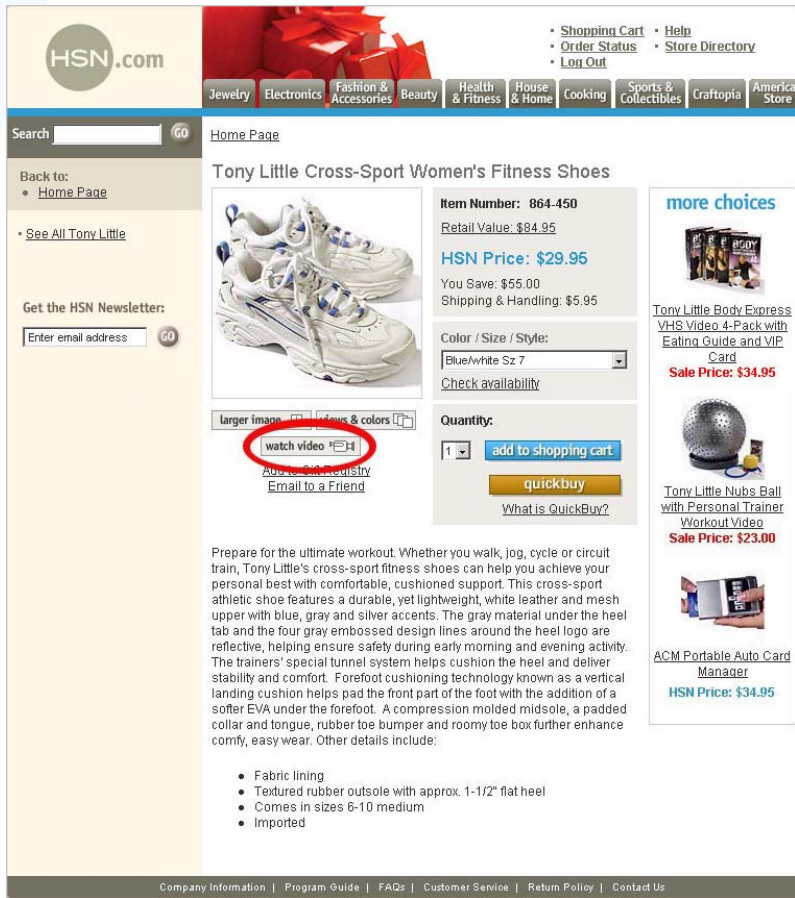
best sellers
Wolfgang Puck 5-Speed Triple Beater Hand Mixer
Wolfgang Puck Bistro 16-Piece Cookware Set
Wolfgang Puck Bistro 16-piece Signature Cutlery Set
Live, Love, Eat! The Best of Wolfgang Puck Cookbook - Signed
Wolfgang Puck Bistro 20-Piece Cookware Set
[See More](#)

culinary artistry
shop by tool:
Bistro Sets
Under \$20
Accessories
Cookbooks

trade secrets
From gourmet to everyday, Wolfgang can help you cook up culinary perfection in no time.
Expert Tips
Cookbooks
Featured Recipe

Company Information | Program Guide | FAQs | Customer Service | Return Policy | Contact Us
HSN Charge Card | HSN Visa Card | Starbright CD-ROM | Become an Affiliate
Conditions of Use | Privacy Policy | Security | Product Recall Information | Jobs at HSN
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HSN and HSN.com are registered trademarks of HSN LP

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



BUYER'S GUIDE

<p>#779030 SiPix Digital Camera</p> <p>5.5 megapixel 3x zoom lense 6hr battery</p>  <p>\$99.92 s&h \$8.95</p>	<p>#889030 Fuji Finepix 100</p> <p>\$199.95 s&h \$18.95</p> 	<p>#999030 Fuji XLR 450</p> <p>\$499.95 s&h \$18.95</p> 
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800.393.1224

buy now @ **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 ...

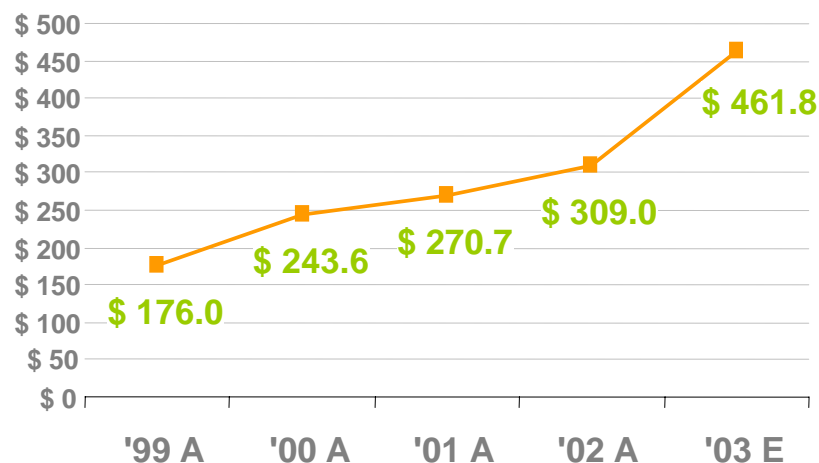
- Packages shipped within 2 days of order from 86% to 97%
- Variable labor per unit has decreased by 29%
- Returns processing decreased from 4 days to just over 1 day
- Percent of calls answered within 20 seconds increased by 10%
- Customer management and sales system moved from mainframe to new platform

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

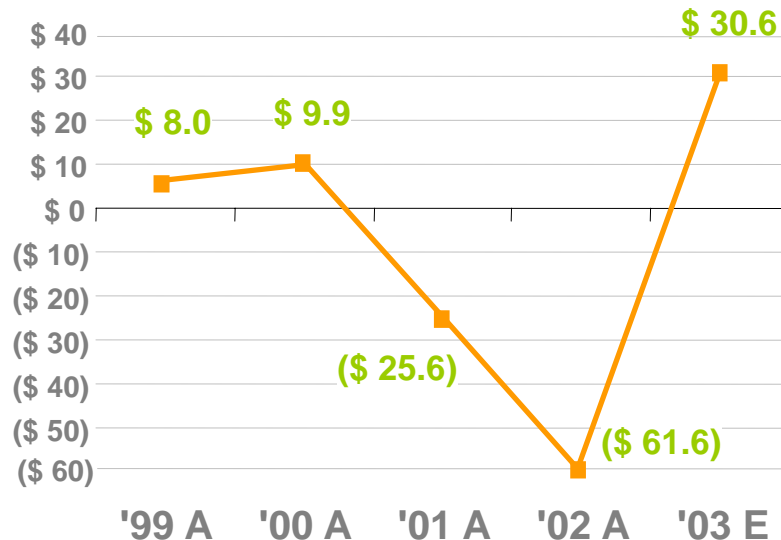
International Consolidated Summary

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

HSE – AG Business Overview



Merchandising Mix (YTD 9/30):

Jewelry	27%
Wellness/Beauty	39%
Fashion/Apparel	5%
Collectibles/Household	24%
Multimedia/Home Electronics	5%

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%
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Employees (Q3 actual):

Engineering & Programming	163
Sales & Merchandising	120
Other	115

Total	398
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Sales Trend Comparison (US & HSE-AG)

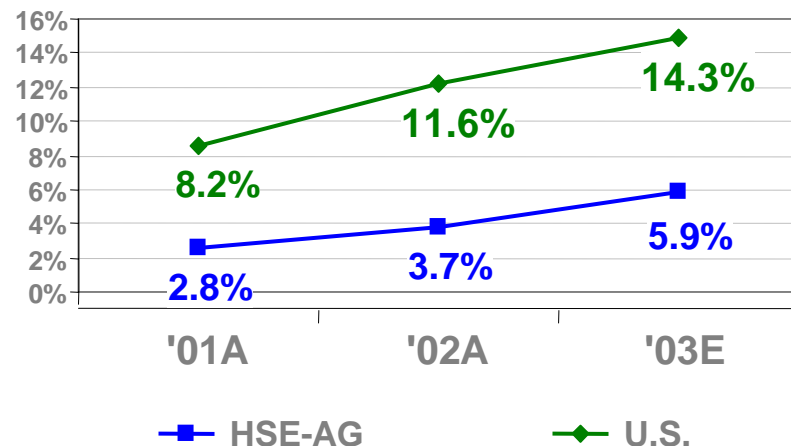
Sales/FTE comparison (12 Month Average)

- 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

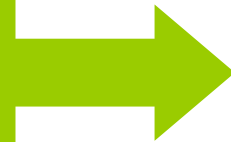


- **Quiz Show Format – Established in 2001**
- **Current Households: 27.6 million**
- **Germany's first and largest interactive quiz channel**
- **Highly profitable => Calls increased by 48 % over PY**
- **Continuous development of new programs and show formats**
- **Interactive expansion opportunities**

HSN – See the Possibilities

Current Realities

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

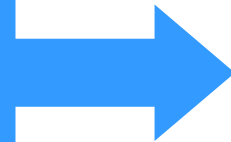


**Long-term organic
earnings growth
of 15%**



Future Realities

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



**Long-term scale
opportunities to
create IAC value**

IAC/ Electronic Retailing Q&A