

## **ValueVision Media Announces Financial Results For Fiscal Second Quarter 2004**

Wednesday August 18, 4:01 pm ET

### **Achieves Second Quarter Record Sales, Redesigns Look of ShopNBC Television Network, Debuts Key Merchandising Initiative 'Our Top Value'**

MINNEAPOLIS, Aug. 18 -- ValueVision Media (Nasdaq: VVTV) today announced financial results for its second quarter ended July 31, 2004.

Consolidated net sales were a second-quarter-record \$161.5 million, an increase of 12% over prior-year period. Internet net sales were a second- quarter-record \$31 million, up 20% over previous-year quarter. Net loss was \$8 million in the second quarter and EBITDA, as defined below, was (\$3.2) million.

#### **Quarterly Highlights**

- Sales growth per full-time equivalent home was positive for the second consecutive quarter, up 3% over year-ago.
- ShopNBC.com continued strong growth, representing 19% of company sales.
- Home, apparel, and cosmetics categories grew to 17.9% from 14.5% over year-ago quarter.
- New customer count was up 33% over last year's same period.
- Unit volume growth was a second-quarter-record 36% versus year-ago period.
- Average price point was \$186, a 21% decrease versus prior-year quarter.

"Our second quarter results were in line with expectations," said William Lansing, president and CEO ValueVision Media, "and we continued to make great progress on our key strategic metrics, as noted above. In addition, we recently launched a redesign of our television network as well as a major merchandising initiative called Our Top Value. I'm confident we are building a great foundation and layering on top of that some exciting developments which will position us for accelerated growth in the second half of 2004 and beyond."

#### **Recent Company Developments**

- ValueVision Redesigns Look of the ShopNBC Television Network
- Company Debuts Key Merchandising Initiative: "Our Top Value"
- ValueVision Renews Fulfillment and Customer Services Agreement with Ralph Lauren Media
- FanBuzz Signs E-Commerce and Fulfillment Deals with Chicago Bulls and Washington Wizards

#### **ValueVision Redesigns Look of the ShopNBC Television Network**

On August 16, ValueVision launched a brand new look for ShopNBC. The new look for the shopping network incorporates a state-of-the-art television communication redesign with graphic and sound elements choreographed to present product offers more clearly and effectively. This includes a higher level of aesthetic appeal, such as a new tower, original music, a coming-up menu, catchy promotional packages, and topical transition segments. As part of the redesign, the Company launched a new tagline "Be Good To Yourself," which will be the unifying theme across all customer touch points.

"The new look and tagline were designed to provide a much improved viewing experience for our customers, to further differentiate ShopNBC from the competition, and to strengthen the visual connection we have with our strategic partner NBC," said Lansing.

## **Company Debuts Key Merchandising Initiative: "Our Top Value"**

Coincident with the launch of ShopNBC's TV network redesign, ValueVision debuted a key merchandising initiative called "Our Top Value" (OTV), a daily special product offer at an exceptional value for one day only. OTV products are unique, high quality, and timely. They have broad consumer appeal and are priced at least 15% below ShopNBC's regular price and well below retail.

"The OTV strategy is one of many elements of our merchandising strategy," said Lansing. "For our consumers, it's about unbelievable product at unbelievable values. For vendors, it's a way for new ones to get in the door with us and existing vendors to expand their relationship with us. Not only does OTV complement our category diversification strategy, it should also drive incremental sales and profit."

## **ValueVision Renews Fulfillment and Customer Services Agreement With Ralph Lauren Media**

In the second quarter, ValueVision signed a two-year agreement with Ralph Lauren Media to continue to provide fulfillment and customer care services. ValueVision has a 12.5% ownership stake in the venture with NBC and Polo Ralph Lauren, and has provided these services since the launch of RLM in February 2000.

## **FanBuzz Signs E-Commerce and Fulfillment Deals With Chicago Bulls and Washington Wizards**

During the second quarter, FanBuzz entered into e-commerce and fulfillment agreements with the Chicago Bulls and the Washington Wizards. This marks the third NBA franchise to sign with FanBuzz, including the Boston Celtics. FanBuzz is a wholly owned subsidiary of ValueVision.

## **Outlook**

The following forward-looking statements reflect ValueVision's expectations for full year 2004:

- Consolidated net sales growth is expected to be in the low to mid teens. Unit growth is expected to be approximately 20% as average price points decline.
- EBITDA was negative in the first half of the year and is expected to be positive in the second half, as the Company's upfront investment to improve on-air quality, customer service levels, and test various marketing initiatives improve the business. The third quarter is expected to be slightly negative and the fourth quarter is expected to be positive.
- Full-time equivalent (FTE) household growth is expected to be up approximately 7% to 8%, driven predominantly by satellite and digital cable growth.
- Net sales per FTE is expected to be up approximately 3% to 6% on average for the year.
- New customer acquisition is expected to be up over 20% for the year.

A conference call will be held Thursday, August 19, 2004, at 11 a.m. ET / 8 a.m. PT. To participate via webcast, please go to <http://www.valuevisionmedia.com> and select the link Calendar of Events. A replay of the call will be available through Thursday, September 2. This call will contain forward-looking statements and other material information regarding the Company's financial and operating results.

The Company defines EBITDA as net income (loss) for the respective periods excluding depreciation and amortization expense, interest income (expense), and income taxes. Management views EBITDA as an important alternative operating performance measure because it is commonly used by analysts and institutional investors in analyzing the financial performance of companies in the broadcast and television home shopping sectors. However, EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly entitled measures reported by other companies. Management uses EBITDA to evaluate operating performance and as a measure of performance for incentive compensation purposes.

This release contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are accordingly subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to various important factors, including (but not limited to): consumer spending and debt levels; interest rates; competitive pressures on sales, pricing and gross profit margins; the level of cable distribution for the Company's programming and the fees associated therewith; the success of the Company's e-commerce and rebranding initiatives;

the performance of its equity investments; the success of its strategic alliances and relationships; the ability of the Company to manage its operating expenses successfully; risks associated with acquisitions; changes in governmental or regulatory requirements; litigation or governmental proceedings affecting the Company's operations; and the ability of the Company to obtain and retain key executives and employees. More detailed information about those factors is set forth in the Company's filings with the Securities and Exchange Commission, including the Company's annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Company is under no obligation (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

ValueVision Media is an integrated direct marketing company that sells products directly to consumers through television, the Internet, and direct mail. The television home shopping industry is a \$7 billion industry growing at a double-digit rate annually. The e-commerce space is even larger and growing faster. The Company owns and operates the nation's third largest home shopping network, ShopNBC, with fiscal 2003 sales of \$617 million. At the close of fiscal 2003, ShopNBC was broadcast into approximately 56 million full-time equivalent cable and satellite homes. The Company also operates ShopNBC.com, which contributed \$111 million in sales in fiscal 2003. Through its wholly-owned subsidiary FanBuzz, the Company provides e-commerce solutions to sports, entertainment, and media brands, such as the National Hockey League, Elvis Presley, Peanuts, and ESPN. GE Equity and NBC own approximately 40% of ValueVision Media. For more information, please visit the Company's website at <http://www.valuevisionmedia.com> .

(Tables to follow)

VALUEVISION MEDIA, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands except share and per share data)

	July 31, 2004 (Unaudited)	January 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$25,720	\$81,033
Short-term investments	86,721	46,148
Accounts receivable, net	83,695	71,166
Inventories	64,014	67,620
Prepaid expenses and other	7,979	5,017
Total current assets	268,129	270,984
Property and equipment, net	53,877	54,511
FCC broadcasting license	31,943	31,943
NBC Trademark License Agreement, net	20,301	21,914
Cable distribution and marketing agreement, net	3,998	4,445
Goodwill	9,442	9,442
Other intangible assets, net	437	661
Investments and other assets	3,033	2,691
	\$391,160	\$396,591

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$56,731	\$51,482
Accrued liabilities	36,824	33,355
Total current liabilities	93,555	84,837
Long-term capital lease obligations	1,702	2,002
Series A Redeemable Convertible Preferred Stock,		
\$.01 par value, 5,339,500 shares authorized; 5,339,500 shares issued and outstanding	42,888	42,745
Shareholders' equity:		
Common stock, \$.01 par value, 100,000,000 shares authorized; 36,850,664 and 36,487,821 shares issued and outstanding	368	365
Warrants to purchase 8,035,343 and 8,235,343 shares of common stock	46,683	47,638
Additional paid-in capital	248,914	246,143
Accumulated other comprehensive losses		-
Deferred compensation	(693)	(646)
Note receivable from former officer	(4,191)	(4,158)
Accumulated deficit	(38,066)	(22,335)
Total shareholders' equity	253,015	267,007
	\$391,160	\$396,591

VALUEVISION MEDIA, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except share and per share data)  
(Unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2004	2003	2004	2003
Net sales	\$161,478	\$144,214	\$320,675	\$287,689
Cost of sales	107,578	89,933	213,691	180,319
Gross profit	53,900	54,281	106,984	107,370
Operating (income) expense:				
Distribution and selling	52,275	45,773	103,077	93,450
General and administrative	5,107	4,939	10,782	10,337
Depreciation and amortization	4,918	4,301	9,702	8,554
Gain on sale of television stations	-	-	-	(4,417)
Total operating (income) expense	62,300	55,013	123,561	107,924
Operating loss	(8,400)	(732)	(16,577)	(554)
Other income:				
Gain on sale and conversion of investments	-	361	-	361
Other Income	250	-	250	-
Interest income	322	395	596	749
Total other income	572	756	846	1,110
Income (loss) before income taxes	(7,828)	24	(15,731)	556
Income tax provision	-	100	-	100
Net income (loss)	(7,828)	(76)	(15,731)	456
Accretion of redeemable preferred stock	(71)	(71)	(142)	(141)
Net income (loss) available to common shareholders	\$(7,899)	\$(147)	\$(15,873)	\$315
Net income (loss) per common share	\$(0.21)	\$(0.00)	\$(0.43)	\$0.01
Net income (loss) per common share --- assuming dilution	\$(0.21)	\$(0.00)	\$(0.43)	\$0.01
Weighted average number of common shares outstanding:				
Basic	36,809,884	35,689,645	36,725,181	35,835,416
Diluted	36,809,884	35,689,645	36,725,181	42,489,465

SUBSCRIBER INFORMATION (estimated in millions)  
(Unaudited)

	Ending July 31, 2004	Ending January 31, 2004	Ending July 31, 2003
Full-time Equivalent Subscribers	57.6	55.6	53.1
Total Subscribers	61.5	61.9	59.4
Full-time Subscribers	51.7	49.0	46.4

VALUE VISION MEDIA, INC.  
Key Performance Metrics\*  
(Unaudited)

	Q2			YTD		
	For the three months ending 7/31			For the six months ending 7/31		
	F04	F03	%	F04	F03	%
Program Distribution						
Cable FTE's	36,192	34,437	5%	36,046	33,968	6%
Satellite FTE's	20,942	18,413	14%	20,544	18,143	13%
Total FTE's (Average 000's)	57,134	52,850	8%	56,590	52,111	9%
Net Sales per FTE (Annualized)	\$10.83	\$10.51	3.0%	\$10.81	\$10.59	2.0%
New Customer Count	129,935	98,001	33%	278,505	212,509	31%
Customer Penetration - 12 month rolling	1.4%	1.4%		n/a	n/a	
Product Mix						
Jewelry	67.4%	70.5%		66.3%	69.2%	
Apparel	3.2%	0.4%		3.9%	0.6%	
Health & Beauty	2.8%	2.2%		3.1%	2.3%	
Computer & Electronics	14.7%	15.0%		14.3%	15.0%	
Fitness	0.8%	1.1%		1.4%	1.3%	
Home	11.1%	10.8%		10.9%	11.5%	
Shipped Units (000's)	1,233	905	36%	2,549	1,834	39%
Average Price Point - shipped units	\$186	\$237	(21%)	\$177	\$228	(22%)

\*Includes ShopNBC TV and ShopNBC.com only.

Reconciliation of EBITDA to net income (loss):

	Second Quarter 31-Jul-04	Second Quarter 31-Jul-03	Six Months Ending 31-Jul-04	Six Months Ending 31-Jul-03
EBITDA (as defined) (000's) (a)	\$(3,232)	\$3,930	\$(6,625)	\$8,361
A reconciliation of EBITDA to net loss is as follows:				
EBITDA, as presented	\$(3,232)	\$3,930	\$(6,625)	\$8,361
Adjustments:				
Depreciation and amortization	(4,918)	(4,301)	(9,702)	(8,554)
Interest income	322	395	596	749
Income taxes	-	(100)		(100)
Net income (loss)	\$(7,828)	\$(76)	\$(15,731)	\$456

(a) EBITDA as defined for this statistical presentation represents net income (loss) for the respective periods excluding depreciation and amortization expense, interest income (expense) and income taxes. Previous to the second quarter of fiscal 2004, management defined EBITDA as operating income (loss) excluding depreciation and amortization expense, other non-operating income (expense) and income taxes. The change was made to conform to the more common definition of EBITDA. Management views EBITDA as an important alternative operating performance measure because it is commonly used by analysts and institutional investors in analyzing the financial performance of companies in the broadcast and television home shopping sectors. However, EBITDA should not be construed as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as a measure of liquidity. EBITDA, as presented, may not be comparable to similarly entitled measures reported by other companies. Management uses EBITDA to evaluate operating performance and as a measure of performance for incentive compensation purposes.

Source: ValueVision Media