QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2008

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 No. 001-34061

HSN, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**26-2590893** (I.R.S. Employer Identification No.)

1 HSN Drive, St. Petersburg, Florida 33729
(Address of principal executive offices, including zip code)

(727) 872-1000
(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of August 20, 2008, the issuer had 56,144,693 shares of common stock outstanding.

HSN, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

PART 1—FINANCIAL STATEMENTS

Item 1. ***Combined Financial Statements***

HSN, INC. AND SUBSIDIARIES

COMBINED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
			(In thousands)	
Revenue	$ 695,826	$ 681,506	$ 1,372,712	$ 1,348,211
Cost of sales (exclusive of depreciation shown separately below)	447,261	421,474	888,663	840,180
Gross margin	248,565	260,032	484,049	508,031
Selling and marketing expense	144,245	153,556	280,995	290,009
General and administrative expense	55,787	51,074	110,161	105,040
Production and programming expense	14,468	13,867	28,811	28,747
Amortization of non-cash marketing	546	450	4,261	450
Amortization and impairment of intangibles	80,256	2,701	82,454	6,786
Depreciation	9,395	8,621	18,421	17,089
Goodwill impairment	221,500	—	221,500	—
Operating (loss) income	(277,632)	29,763	(262,554)	59,910
Other income (expense):				
Interest income	24	120	39	189
Other expense	—	(148)	—	(256)
Total other income (expense), net	24	(28)	39	(67)
(Loss) earnings from continuing operations before income taxes	(277,608)	29,735	(262,515)	59,843
Income tax benefit (provision)	28,231	(11,315)	22,544	(22,771)
(Loss) earnings from continuing operations	(249,377)	18,420	(239,971)	37,072
Gain on sale of discontinued operations, net of tax	—	34,795	—	34,795
(Loss) income from discontinued operations, net of tax	(974)	21,391	(2,034)	19,825
Net (loss) income	$ (250,351)	$ 74,606	$ (242,005)	$ 91,692

The accompanying Notes to Combined Financial Statements are an integral part of these statements.

HSN, INC. AND SUBSIDIARIES

COMBINED BALANCE SHEETS

	June 30, 2008 (unaudited)	December 31, 2007 (audited)
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 5,057	$ 6,220
Accounts receivable, net of allowance of $9,687 and $8,112, respectively	135,303	192,609
Inventories	339,937	317,411
Deferred income taxes	24,025	24,606
Prepaid expenses and other current assets	56,079	55,182
Total current assets	560,401	596,028
Property and equipment, net	151,125	155,805
Goodwill	2,662,830	2,884,389
Intangible assets, net	489,208	571,662
Other non-current assets	10,719	12,747
TOTAL ASSETS	$ 3,874,283	$ 4,220,631
LIABILITIES AND INVESTED EQUITY		
LIABILITIES:		
Accounts payable, trade	$ 203,110	$ 260,531
Income taxes payable	827	1,811
Accrued expenses and other current liabilities	151,453	186,501
Total current liabilities	355,390	448,843
Other long-term liabilities	8,440	8,933
Deferred income taxes	788,728	819,969
Commitments and contingencies		
INVESTED EQUITY:		
Invested capital	4,280,408	4,522,873
Receivables from IAC and subsidiaries	(1,559,460)	(1,581,157)
Accumulated other comprehensive income	777	1,170
Total invested equity	2,721,725	2,942,886
TOTAL LIABILITIES AND INVESTED EQUITY	$ 3,874,283	$ 4,220,631

The accompanying Notes to Combined Financial Statements are an integral part of these statements.

HSN, INC. AND SUBSIDIARIES

COMBINED STATEMENT OF INVESTED EQUITY

(Unaudited)

	Total	Invested Capital	Receivables from IAC and Subsidiaries	Accumulated Other Comprehensive Income
		(In thousands)		
Balance as of December 31, 2007	$ 2,942,886	$ 4,522,873	$ (1,581,157)	$ 1,170
Comprehensive loss:				
Net loss for the six months ended June 30, 2008	(242,005)	(242,005)	—	—
Foreign currency translation	(393)	—	—	(393)
Comprehensive loss	(242,398)			
Net transfers to IAC	(460)	(460)	—	—
Net change in receivables from IAC and subsidiaries	21,697	—	21,697	—
Balance as of June 30, 2008	$ 2,721,725	$ 4,280,408	$ (1,559,460)	$ 777

The accompanying Notes to Combined Financial Statements are an integral part of these statements.

HSN, INC. AND SUBSIDIARIES

COMBINED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30, 2008	2007
	(In thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net (loss) income	$ (242,005)	$ 91,692
Less: loss (income) from discontinued operations, net of tax	2,034	(54,620)
(Loss) earnings from continuing operations	(239,971)	37,072
Adjustments to reconcile (loss) earnings from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Goodwill impairment	221,500	—
Amortization and impairment of intangibles	82,454	6,786
Depreciation	18,421	17,089
Non-cash compensation expense	7,737	6,256
Amortization of cable and satellite distribution fees	2,114	2,452
Amortization of non-cash marketing	4,261	450
Deferred income taxes	(31,033)	(4,163)
Bad debt expense	9,242	6,014
Changes in current assets and liabilities:		
Accounts receivable	48,064	29,628
Inventories	(22,526)	(17,451)
Prepaid expenses and other current assets	(1,259)	(5,135)
Accounts payable and other current liabilities	(92,882)	(54,411)
Income taxes payable	102	(121)
Other, net	(9)	490
Net cash provided by operating activities attributable to continuing operations	6,215	24,956
Cash flows from investing activities attributable to continuing operations:		
Transfers from (to) IAC	9,865	(10,246)
Capital expenditures	(15,468)	(20,138)
Other, net	—	596
Net cash used in investing activities attributable to continuing operations	(5,603)	(29,788)
Cash flows from financing activities attributable to continuing operations:		
Principal payments on long-term obligations	(60)	—
Excess tax benefits from stock-based awards	65	1,927
Net cash provided by financing activities attributable to continuing operations	5	1,927
Total cash provided by (used in) continuing operations	617	(2,905)
Net cash (used in) provided by operating activities attributable to discontinued operations	(939)	4,759
Net cash used in investing activities attributable to discontinued operations	—	(739)
Net cash used in financing activities attributable to discontinued operations	—	(36,641)
Total cash used in discontinued operations	(939)	(32,621)
Effect of exchange rate changes on cash and cash equivalents	(841)	(5,871)
Net decrease in cash and cash equivalents	(1,163)	(41,397)
Cash and cash equivalents at beginning of period	6,220	53,367
Cash and cash equivalents at end of period	$ 5,057	$ 11,970

The accompanying Notes to Combined Financial Statements are an integral part of these statements.

NOTE 1—ORGANIZATION

Spin-Off

On November 5, 2007, IAC/InterActiveCorp. ("IAC") announced that its Board of Directors approved a plan to separate IAC into five publicly traded companies, identifying HSN as one of those five companies. In these combined financial statements, we refer to the separation transaction as the "spin-off". In anticipation of the spin-off, HSN, Inc. ("HSNi") was incorporated as a Delaware corporation in May 2008. Effective August 20, 2008, HSNi completed the spin-off. Prior to the spin-off, HSN was a wholly owned subsidiary of IAC and did not have any material assets or liabilities, nor did HSN engage in any business or other activities and, other than in connection with the spin-off, did not acquire or incur any material assets or liabilities, nor did HSN engage in any business or other activities. Since completion of the spin-off, HSNi now consists of HSN and Cornerstone, the businesses that formerly comprised IAC's Retailing segment. HSN consists of the HSN television network and *HSN.com*, and Cornerstone includes the Cornerstone Brands portfolio of leading print catalogs and related websites, as well as a limited number of retail stores. HSNi does not include the equity investment in Jupiter Shop Channel, the investment in Arcandor AG and the related contingent value right. The businesses operated by HSNi following the spin-off are referred to herein as the "HSNi Businesses." HSNi will also include the entities classified as discontinued operations in Note 6.

Basis of Presentation

The historical combined financial statements of HSNi and its subsidiaries reflect the contribution or other transfer to HSNi of all of the subsidiaries and assets and the assumption by HSNi of all of the liabilities relating to the HSNi Businesses in connection with the spin-off and the allocation to HSNi of certain IAC corporate expenses relating to the HSNi Businesses. Accordingly, the historical combined financial statements of HSNi reflect the historical financial position, results of operations and cash flows of the HSNi Businesses since their respective dates of acquisition by IAC, based on the historical consolidated financial statements and accounting records of IAC and using the historical results of operations and historical bases of the assets and liabilities of the HSNi Businesses with the exception of accounting for income taxes. For purposes of these financial statements, income taxes have been computed for HSNi on an as if stand-alone, separate tax return basis. These financial statements are prepared on a combined, rather than a consolidated, basis because they exclude certain investments and assets that were owned, either directly or indirectly, by legal entities that comprise the HSNi Businesses. The ownership of these investments and assets will be retained by IAC after the spin-off. These combined financial statements present IAC's and its subsidiaries net investment in the HSNi Businesses as invested equity in lieu of shareholders' equity. Intercompany transactions and accounts have been eliminated.

In the opinion of HSNi's management, the assumptions underlying the historical combined financial statements of HSNi are reasonable. However, this financial information does not necessarily reflect what the historical financial position, results of operations and cash flows of HSNi would have been had HSNi been a stand-alone company during the periods presented.

The accompanying unaudited combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of HSNi's management, all adjustments (consisting of normal recurring

NOTE 1—ORGANIZATION (Continued)

accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for a full year. The accompanying unaudited combined financial statements should be read in conjunction with HSNi's audited combined financial statements and notes thereto for the year ended December 31, 2007.

Company Overview

HSNi markets and sells a wide range of third party and private label merchandise directly to consumers through (i) television home shopping programming broadcast on the HSN television network, (ii) catalogs, which consist primarily of the Cornerstone Brands portfolio of leading print catalogs which includes Frontgate, Garnet Hill, Ballard Designs, Improvements, Smith & Noble, The Territory Ahead and TravelSmith and (iii) websites, which consist primarily of *HSN.com* and branded websites operated by Cornerstone Brands. HSNi's television home shopping business and related internet commerce is referred to herein as "HSN" and all catalog operations, including related internet commerce, are collectively referred to herein as "Cornerstone."

HSN offerings primarily consist of jewelry, apparel & accessories, health & beauty and home & other. Merchandise offered by Cornerstone primarily consists of home furnishings (including indoor/outdoor furniture, window treatments and other home related goods) and apparel & accessories.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

HSNi's management is required to make certain estimates and assumptions during the preparation of its combined financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions impact the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the combined financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying combined financial statements include: the determination of the lower of cost or market adjustment for inventory; sales returns and other revenue allowances; the allowance for doubtful accounts; the recoverability of long-lived assets; the recovery of goodwill and intangible assets; the determination of deferred income taxes, including related valuation allowances; and assumptions related to the determination of stock-based compensation.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES (Continued)

December 15, 2008. SFAS No. 160 will be applied prospectively, except as it relates to disclosures, for which the effects will be applied retrospectively for all periods presented. Early adoption is not permitted. HSNi is currently assessing the impact of SFAS No. 160 on its combined financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"), which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations in fiscal years beginning after December 15, 2008. Early adoption is not permitted. HSNi is currently assessing the impact of the adoption of SFAS No. 141R on its combined financial position, results of operations and cash flows.

NOTE 3—GOODWILL AND INTANGIBLE ASSETS

In the second quarter of 2008, HSNi recorded impairment charges related to goodwill and indefinite—lived intangible assets of $221.5 million and $78.5 million, respectively. The charges related to the impairment of indefinite-lived intangible assets are included in amortization and impairment of intangibles in the accompanying combined statements of operations.

The impairments at HSNi were recorded at the Cornerstone reporting unit and are due, in part, to the significant deterioration in the macro economic environment for retailers, particularly in the home and apparel categories (which are Cornerstone's primary markets), the negative impact of this environment on Cornerstone's performance and the related reduction in market valuations for retailers. The effect of these market conditions has been exacerbated by execution issues and turnover of management of certain catalogs within Cornerstone.

The balance of goodwill and intangible assets, net is as follows (in thousands):

	June 30, 2008	December 31, 2007
Goodwill	$ 2,662,830	$ 2,884,389
Intangible assets with indefinite lives	476,348	554,848
Intangible assets with definite lives, net	12,860	16,814
Total goodwill and intangible assets, net	$ 3,152,038	$ 3,456,051

Intangible assets with indefinite lives relate principally to trade names and trademarks acquired in various acquisitions. At June 30, 2008, intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Distribution agreements	$ 159,268	$ (159,268)	$ —	4.1
Customer lists	36,773	(25,696)	11,077	4.7
Merchandise agreements	33,257	(33,257)	—	4.7
Technology	28,007	(28,007)	—	3.9
Other	7,409	(5,626)	1,783	8.5
Total	$ 264,714	$ (251,854)	$ 12,860	

NOTE 3—GOODWILL AND INTANGIBLE ASSETS (Continued)

At December 31, 2007, intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Distribution agreements	$ 159,268	$ (159,268)	$ —	4.1
Customer lists	36,773	(22,468)	14,305	4.7
Merchandise agreements	33,257	(33,257)	—	4.7
Technology	28,007	(27,665)	342	3.9
Other	7,409	(5,242)	2,167	8.5
Total	$ 264,714	$ (247,900)	$ 16,814	

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on December 31, 2007 balances, such amortization for the next four years is estimated to be as follows (in thousands):

Years Ending December 31,	
2008	$ 7,463
2009	6,844
2010	2,132
2011	375
	$16,814

The following table presents the balance of goodwill by segment, including changes in the carrying amount of goodwill, for the six months ended June 30, 2008 (in thousands):

	Balance as of January 1, 2008	Additions	(Deductions)	Impairment	Balance as of June 30, 2008
HSN	$2,390,197	$ —	$ —	$ —	$ 2,390,197
Cornerstone	494,192	—	(59)	(221,500)	272,633
Total	$2,884,389	$ —	$ (59)	$ (221,500)	$ 2,662,830

NOTE 4—PROPERTY AND EQUIPMENT

The balance of property and equipment, net is as follows (in thousands):

	June 30, 2008	December 31, 2007
Capitalized software	$ 182,372	$ 169,709
Computer and broadcast equipment	87,449	81,821
Buildings and leasehold improvements	75,585	72,815
Furniture and other equipment	59,905	58,058
Projects in progress	9,356	19,572
Land	11,776	11,778
	426,443	413,753
Less: accumulated depreciation and amortization	(275,318)	(257,948)
Total property and equipment, net	$ 151,125	$ 155,805

NOTE 5—SEGMENT INFORMATION

The overall concept that HSNi employs in determining its operating segments and related financial information is to present them in a manner consistent with how the chief operating decision maker and executive management view the businesses, how the businesses are organized as to segment management, and the focus of the businesses with regards to the types of products or services offered or the target market. HSNi has two operating segments, HSN and Cornerstone. Entities included in discontinued operations, as described in Note 6, are excluded from the schedules below.

HSNi's primary metric is Operating Income Before Amortization, which is defined as operating income excluding, if applicable: (1) non-cash compensation expense and amortization of non-cash marketing, (2) amortization and impairment of intangibles, (3) goodwill impairment, (4) pro forma adjustments for significant acquisitions, and (5) one-time items. HSNi believes this measure is useful to investors because it represents the combined operating results from HSNi's segments, taking into account depreciation, which it believes is an ongoing cost of doing business, but excluding the effects of any other non-cash expenses. Operating Income Before Amortization has certain limitations in that it does not take into account the impact to HSNi's statement of operations of certain expenses, including non-cash compensation, amortization of non-cash marketing and acquisition-related accounting.

NOTE 5—SEGMENT INFORMATION (Continued)

The following tables reconcile Operating Income Before Amortization to operating (loss) income for HSNi's operating segments and to net (loss) income in total (in thousands):

	For the Three Months Ended June 30, 2008:					
	Operating Income Before Amortization	Non-Cash Compensation Expense	Amortization of Non-Cash Marketing	Amortization and Impairment of Intangibles	Goodwill Impairment	Operating Income (Loss)
HSN	$ 26,656	$ (3,640)	$ (546)	$ (142)	$ —	$ 22,328
Cornerstone	2,711	(1,057)	—	(80,114)	(221,500)	(299,960)
Total	$ 29,367	$ (4,697)	$ (546)	$ (80,256)	$ (221,500)	(277,632)
Other income, net						24
Loss from continuing operations before income taxes						(277,608)
Income tax benefit						28,231
Loss from continuing operations						(249,377)
Loss from discontinued operations, net of tax						(974)
Net loss						$ (250,351)

	For the Three Months Ended June 30, 2007:				
	Operating Income Before Amortization	Non-Cash Compensation Expense	Amortization of Non-Cash Marketing	Amortization of Intangibles	Operating Income
HSN	$ 21,687	$ (1,868)	$ (450)	$ (647)	$ 18,722
Cornerstone	14,448	(1,353)	—	(2,054)	11,041
Total	$ 36,135	$ (3,221)	$ (450)	$ (2,701)	29,763
Other expense, net					(28)
Earnings from continuing operations before income taxes					29,735
Income tax provision					(11,315)
Earnings from continuing operations					18,420
Income from discontinued operations, net of tax					56,186
Net income					$ 74,606

NOTE 5—SEGMENT INFORMATION (Continued)

	For the Six Months Ended June 30, 2008:					
	Operating Income Before Amortization	Non-Cash Compensation Expense	Amortization of Non-Cash Marketing	Amortization and Impairment of Intangibles	Goodwill Impairment	Operating Income (Loss)
HSN	$ 56,591	$ (5,226)	$ (4,261)	$ (285)	$ —	$ 46,819
Cornerstone	(3,193)	(2,511)	—	(82,169)	(221,500)	(309,373)
Total	$ 53,398	$ (7,737)	$ (4,261)	$ (82,454)	$ (221,500)	(262,554)
Other income, net						39
Loss from continuing operations before income taxes						(262,515)
Income tax benefit						22,544
Loss from continuing operations						(239,971)
Loss from discontinued operations, net of tax						(2,034)
Net loss						$ (242,005)

	For the Six Months Ended June 30, 2007:				
	Operating Income Before Amortization	Non-Cash Compensation Expense	Amortization of Non-Cash Marketing	Amortization of Intangibles	Operating Income
HSN	$ 51,958	$ (3,037)	$ (450)	$ (2,301)	$ 46,170
Cornerstone	21,444	(3,219)	—	(4,485)	13,740
Total	$ 73,402	$ (6,256)	$ (450)	$ (6,786)	59,910
Other expense, net					(67)
Earnings from continuing operations before income taxes					59,843
Income tax provision					(22,771)
Earnings from continuing operations					37,072
Income from discontinued operations, net of tax					54,620
Net income					$ 91,692

Non-cash compensation expense in the tables above is included in the following line items in the accompanying combined statements of operations for the three and six months ended June 30, 2008 and 2007 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Cost of sales	$ 367	$ 249	$ 603	$ 480
Selling and marketing expense	402	272	660	525
General and administrative expense	3,925	2,698	6,469	5,247
Production and programming expense	3	2	5	4
Non-cash compensation expense	$ 4,697	$ 3,221	$7,737	$6,256

NOTE 5—SEGMENT INFORMATION (Continued)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)			
Revenue:				
HSN	$ 460,912	$ 415,377	$ 939,885	$ 869,430
Cornerstone	234,961	266,297	432,915	479,072
Inter-segment elimination	(47)	(168)	(88)	(291)
Total	$ 695,826	$ 681,506	$1,372,712	$1,348,211

HSNi does not report revenue from external customers for each product or each group of similar products as it is impracticable to do so.

HSNi maintains operations principally in the United States. Geographic information about the United States and international territories is presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
United States	$ 695,496	$ 681,270	$1,372,018	$ 1,347,727
All other countries	330	236	694	484
Total	$ 695,826	$ 681,506	$1,372,712	$ 1,348,211

	June 30, 2008	December 31, 2007
Long-lived assets (excluding goodwill and intangible assets):		
United States	$ 160,649	$ 167,444
All other countries	—	—
Total	$ 160,649	$ 167,444

NOTE 6—DISCONTINUED OPERATIONS

On June 19, 2007, HSNi sold Home Shopping Europe GMbH & Co. KG, and its affiliated station HSE24 ("HSE"). Accordingly, HSE is presented as a discontinued operation in the statement of operations through June 19, 2007. Quiz TV Limited and iBuy are also presented as discontinued operations for all periods presented.

NOTE 6—DISCONTINUED OPERATIONS (Continued)

The net revenue and net loss for the aforementioned discontinued operations for the applicable periods were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net revenue	$ 9	$ 86,762	$ 12	$ 192,679
(Loss) earnings before income taxes	$ (1,582)	$ 18,886	$ (3,304)	$ 19,784
Income tax benefit	608	2,505	1,270	41
Net (loss) income	$ (974)	$ 21,391	$ (2,034)	$ 19,825

NOTE 7—COMPREHENSIVE (LOSS) INCOME

Comprehensive (loss) income is comprised of (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net (loss) income	$ (250,351)	$ 74,606	$ (242,005)	$ 91,692
Foreign currency translation	(465)	(23,619)	(393)	(21,570)
Net gains (losses) on derivative contracts	—	201	—	(2,261)
Other comprehensive loss	(465)	(23,418)	(393)	(23,831)
Comprehensive (loss) income	$ (250,816)	$ 51,188	$ (242,398)	$ 67,861

Foreign currency translation, for the three and six months ended June 30, 2007, includes $21.2 million in gains that were recognized into income in connection with the sale of HSE.

Accumulated other comprehensive income at June 30, 2008 and December 31, 2007 is solely related to foreign currency translation and is recorded net of tax.

NOTE 8—INCOME TAXES

HSNi calculates its interim income tax provision in accordance with Accounting Principles Board Opinion No. 28 and FASB Interpretation No. 18. At the end of each interim period, HSNi makes its best estimate of the annual expected effective tax rate and applies that rate to its ordinary year-to-date earnings or loss. The tax or benefit related to significant, unusual, or extraordinary items that will be separately reported or reported net of their related tax effect are individually computed and recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws or rates, tax status, or judgment on the realizability of a beginning-of-the-year deferred tax asset in future years is recognized in the interim period in which the change occurs.

The computation of the annual expected effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income for the year, permanent and temporary differences, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired, additional information is obtained or our tax environment changes. To the extent that the estimated annual effective tax rate changes during a quarter, the effect of the change on prior quarters is included in tax expense for the current quarter.

NOTE 8—INCOME TAXES (Continued)

For the three and six months ended June 30, 2008, HSNi recorded a tax benefit for continuing operations of $28.2 million and $22.5 million, respectively, which represent effective tax rates of 10% and 9%, respectively. These tax rates are lower than the federal statutory rate of 35% due principally to a non-deductible impairment charge related to Cornerstone.

For the three and six months ended June 30, 2007, HSNi recorded a tax provision for continuing operations of $11.3 million and $22.8 million, respectively, which represent effective tax rates of 38%. These tax rates are higher than the federal statutory rate of 35% due principally to state and local income taxes.

As of December 31, 2007 and June 30, 2008, HSNi had unrecognized tax benefits of approximately $8.9 million and $8.6 million, respectively. Included in unrecognized tax benefits at June 30, 2008 is approximately $8.4 million for tax positions included in IAC's consolidated tax return filings that will remain a liability of IAC after the spin-off. HSNi recognizes interest and, if applicable, penalties related to unrecognized tax benefits in income tax expense. Included in income tax expense for the six months ended June 30, 2008 is $0.2 million, net of related deferred taxes, for interest on unrecognized tax benefits. At June 30, 2008 the HSNi has accrued $3.1 million for the payment of interest. There are no material accruals for penalties.

By virtue of previously filed separate company and consolidated tax returns with IAC, HSNi is routinely under audit by federal, state, local and foreign authorities in the area of income tax. These audits include questioning the timing and the amount of deductions and the allocation of income among various tax jurisdictions. Income taxes payable include amounts considered sufficient to pay assessments that may result from examination of prior year returns; however, the amount paid upon resolution of issues raised may differ from the amount provided. Differences between the reserves for tax contingencies and the amounts owed by HSNi are recorded in the period they become known.

The Internal Revenue Service is currently examining the IAC consolidated tax returns for the years ended December 31, 2001 through 2003, which includes the operations of HSNi. The statute of limitations for these years has been extended to December 31, 2009. Various IAC consolidated state, local and foreign jurisdictions are currently under examination, the most significant of which are California, Florida, New York state and New York City, for various tax years after December 31, 2001, and these examinations are expected to be completed by late 2008.

HSNi believes that it is reasonably possible that its unrecognized tax benefits could decrease by approximately $2.5 million within twelve months of the current reporting date due to the reversal of deductible temporary differences which will result in a corresponding increase in net deferred tax liabilities. An estimate of other changes in unrecognized tax benefits cannot be made, but are not expected to be significant.

NOTE 9—CONTINGENCIES

In the ordinary course of business, HSNi is a party to various lawsuits. HSNi establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Management has also identified certain other legal matters where it believes an unfavorable outcome is not probable and, therefore, no reserve is established. Although management currently believes that an unfavorable resolution of claims against HSNi, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the liquidity, results of operations, or financial condition of HSNi, these matters are subject to inherent uncertainties

NOTE 9—CONTINGENCIES (Continued)

and management's view of these matters may change in the future. HSNi also evaluates other contingent matters, including tax contingencies, to assess the probability and estimated extent of potential loss. See Note 8 for discussion related to income tax contingencies.

NOTE 10—RELATED PARTY TRANSACTIONS

HSNi's expenses include allocations from IAC of costs associated with IAC's accounting, treasury, legal, tax, corporate support, human resources and internal audit functions. These expenses were allocated based on the ratio of HSNi's revenue as a percentage of IAC's total revenue. Allocated costs were $1.5 million and $1.6 million for the three months ended June 30, 2008 and 2007, respectively, and $3.3 million and $3.4 million for the six months ended June 30, 2008 and 2007, respectively, and are included in "General and administrative expense" in the accompanying combined statements of operations. It is not practicable to determine the amounts of these expenses that would have been incurred had HSNi operated as an unaffiliated entity. In the opinion of management, the allocation method is reasonable.

The portion of the interest expense reflected in the combined statements of operations that is intercompany in nature was $0.9 million and $1.8 million for the three and six months ended June 30, 2007. There was no interest expense that is intercompany in nature for the three and six months ended June 30, 2008. This intercompany interest expense, which is included in discontinued operations, arose from the transfer of cash from IAC to HSNi that occurred in connection with IAC's treasury operations.

An analysis of HSNi's receivables from IAC and subsidiaries is as follows (in thousands):

	June 30, 2008
Receivables from IAC and subsidiaries at December 31, 2007	$1,581,157
Cash transfers from IAC related to its centrally managed U.S. treasury function	12,308
Employee equity instruments and associated tax withholdings	1,664
Amortization of non-cash marketing	(4,261)
Allocation of non-cash compensation expense	(7,627)
Administrative expenses and other	(23,781)
Receivables from IAC and subsidiaries at June 30, 2008	$1,559,460

Relationship Between IAC and HSNi after the Spin-Off

For purposes of governing certain of the ongoing relationships between HSNi and IAC at and after the spin-off, and to provide for an orderly transition, HSNi and IAC have entered into a separation agreement, a tax sharing agreement, an employee matters agreement and a transition services agreement (the "Spin-Off Agreements"), among other agreements. See Note 11 for a general description of these agreements.

NOTE 11—SUBSEQUENT EVENTS

On July 25, 2008, HSNi entered into a bank credit agreement with a syndicate of banks for a $150 million five year term loan and a $150 million five year revolving credit facility. On July 28, 2008, HSNi issued $240 million of 11.25% senior notes due 2016. The senior notes closed into escrow and were released out of escrow to HSNi shortly before completion of the spin-off. The senior notes are guaranteed by the domestic subsidiaries of HSNi. The net proceeds of the senior note offering together

NOTE 11—SUBSEQUENT EVENTS (Continued)

with the net proceeds from term loan borrowings under the bank credit agreement, of approximately $374 million in the aggregate, less $50 million in cash retained by HSNi, were used to fund a cash distribution to IAC.

On August 20, 2008, each of HSNi's direct and indirect domestic subsidiaries became a party to the bank credit agreement as a guarantor of HSNi's obligations and pledged certain of its assets as security for those obligations and such subsidiaries also became guarantors of HSNi's obligations under the senior notes.

Following the closing of the spin-off, effective August 20, 2008, HSNi entered into the following agreements (collectively, the "Spin-Off Agreements"):

- a Separation and Distribution Agreement that sets forth the arrangements among IAC and HSNi regarding the principal transactions necessary to separate HSNi from IAC, and that governs certain aspects of the relationship of HSNi with IAC and the other Spincos after the Spin-Off;
- a Tax Sharing Agreement that governs the respective rights, responsibilities and obligations of IAC and HSNi after the Spin-Off with respect to tax periods ending on or before the Spin-Off, including tax liabilities and benefits, tax attributes, tax contests and other matters regarding income taxes, other taxes and related tax returns;
- an Employee Matters Agreement that covers a wide range of compensation and benefit issues, including the allocation among IAC and HSNi of responsibility for the employment and benefit obligations and liabilities of each company's current and former employees (and their dependents and beneficiaries), as well as the provision of health and welfare benefits to employees of HSNi (the costs of which will be borne by HSNi) pursuant to IAC's employee benefit plans through the end of 2008; and
- a Transition Services Agreement that governs the provision of transition services among IAC and HSNi.

Also in connection with the spin-off, pursuant to a Spinco Assignment and Assumption Agreement (the "Assignment and Assumption Agreement"), dated as of August 20, 2008, among HSNi, IAC, Liberty Media Corporation ("Liberty") and a subsidiary of Liberty that holds shares of IAC common stock and IAC Class B common stock (together with Liberty, the "Liberty Parties"), HSNi (i) assumed from IAC all rights and obligations providing for post-spin-off governance and other arrangements at HSNi under the Spinco Agreement, dated May 13, 2008, among IAC, Liberty and affiliates of Liberty that held shares of IAC common stock and/or Class B common stock at the time such Spinco Agreement was entered into, and (ii) as required by the Spinco Agreement, entered into a registration rights agreement with the Liberty Parties (the "Registration Rights Agreement").

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

GENERAL

Management Overview

Effective August 20, 2008, HSNi completed its previously announced spin-off from IAC/InterActiveCorp. ("IAC"). In anticipation of the spin-off, HSNi was incorporated as a Delaware corporation in May 2008. Prior to the spin-off, we were a wholly owned subsidiary of IAC and did not have any material assets or liabilities, nor did we engage in any business or other activities and, other than in connection with the spin-off, did not acquire or incur any material assets or liabilities, nor did we engage in any business or other activities. Since completion of the spin-off, HSNi now consists of HSN and Cornerstone, the businesses that formerly comprised IAC's Retailing segment. HSN consists of the HSN television network and HSN.com, and Cornerstone includes the Cornerstone Brands portfolio of leading print catalogs and related websites, as well as a limited number of retail stores. HSNi does not include the equity investment in Jupiter Shop Channel, the investment in Arcandor AG and the related contingent value right. The businesses operated by HSNi following the spin-off are referred to herein as the "HSNi Businesses." HSNi also includes the entities described below under the heading "Discontinued Operations."

Results of operations for the three and six months ended June 30, 2008 compared to the three and six months ended June 30, 2007:

Revenue

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$460,912	11%	$415,377
Cornerstone	234,961	(12)%	266,297
Inter-segment elimination	(47)	(72)%	(168)
Total revenue	$695,826	2%	$681,506

Revenue primarily relates to the sale of merchandise and is reduced by incentive discounts and sales returns. In accordance with Staff Accounting Bulletin 104, revenue is recorded when delivery to the customer has occurred. Delivery is considered to have occurred when the customer takes title and assumes the risks and rewards of ownership, which is generally on the date of shipment. HSNi's sales policy allows customers to return merchandise for a full refund or exchange, subject in some cases to restocking fees and exceptions to certain merchandise.

Revenue in 2008 increased $14.3 million from 2007 primarily due to 11% growth at HSN, partially offset by a decline of 12% at Cornerstone. Online sales continued to grow at a double digit rate in the second quarter of 2008. HSNi's revenue reflects a 2% increase in average price point on comparable units shipped. Average price point is $62.08 in 2008, up from $60.99 in 2007.

HSN

Revenue from HSN in 2008 increased $45.5 million, reflecting a 5% increase in average price point, a 4% increase in units shipped and an 80 basis point decrease in average return rates. The increase in average price point in 2008 is primarily due to a shift in product mix from the jewelry and apparel & accessories categories to the home & other category (including electronics and housewares) and health & beauty. Electronics merchandise generally carries a higher average price point than jewelry and apparel & accessories categories. During the second quarter of 2008, HSN continued to improve sales efficiency and increased the number and spend of active customers.

HSN's total active customers grew 3% during the quarter. Return rates at HSN in 2008 were 19.5%, down from 20.3% in 2007, primarily driven by the shift in product mix to electronic merchandise which generally carries lower return rates.

Product mix at HSN is provided in the table below:

	Three Months Ended June 30,	
	2008	2007
Jewelry	17%	21%
Apparel & accessories	12%	15%
Health & beauty	21%	19%
Home & other	50%	45%
Total	100%	100%

Cornerstone

Revenue from Cornerstone in 2008 decreased $31.3 million from 2007 primarily due to an 8% decrease in units shipped and a 3% decrease in average price point. Cornerstone, which operates in the home and apparel merchandise categories, was negatively affected by lower consumer demand and aggressive competitive action in this difficult retail environment. Revenue was also negatively impacted by a 26% planned decrease in catalog circulation.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$ 939,885	8%	$ 869,430
Cornerstone	432,915	(10)%	479,072
Inter-segment elimination	(88)	(70)%	(291)
Total revenue	$1,372,712	2%	$1,348,211

Revenue in 2008 increased $24.5 million from 2007 primarily due to 10% growth at HSN (excluding America's Store which ceased operations on April 3, 2007) partially offset by a decline of 10% at Cornerstone. Revenue from America's Store in 2007 was $15.9 million. Online sales continued to grow at a double digit rate in the first half of 2008. HSNi's revenue reflects a 2% increase in average price point on comparable units shipped. Average price point is $61.64 in 2008, up from $60.24 in 2007.

HSN

Revenue from HSN in 2008 increased $70.5 million, reflecting a 5% increase in average price and a 3% increase in units shipped, partially offset by a 10 basis point increase in average return rates. The increase in average price point in 2008 is primarily due to a shift in product mix from the jewelry and apparel & accessories categories to the home & other category (including electronics). As discussed above, electronic merchandise generally carries a higher average price point. During the first half of 2008, HSN continued to improve sales efficiency and increased the number and spend of active customers. Return rates at HSN in 2008 were 19.8%, up from 19.6% in 2007, primarily driven by overall higher return rates in several product categories.

Product mix at HSN is provided in the table below:

	Six Months Ended June 30, 2008	2007
Jewelry	16%	19%
Apparel & accessories	12%	14%
Health & beauty	20%	20%
Home & other	52%	47%
Total	100%	100%

Cornerstone

Revenue from Cornerstone in 2008 decreased $46.2 million from 2007 primarily due to a 6% decrease in units shipped and a 3% decrease in average price point. Cornerstone continues to be affected by the difficult retail environment as described above in the three month discussion. Revenue was also negatively impacted by a 21% planned decrease in catalog circulation.

Cost of sales

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30, 2008	% Change	2007
	(Dollars in thousands)		
HSN	$311,736	13%	$276,363
Cornerstone	135,572	(7)%	145,279
Inter-segment elimination	(47)	(72)%	(168)
Cost of sales	$447,261	6%	$421,474
As a percentage of total revenue	64%	243 bp	62%
Gross margin	36%	(243) bp	38%

	Three Months Ended June 30, 2008	% Change	2007
	(Dollars in thousands)		
Cost of sales—HSN	$311,736	13%	$276,363
As a percentage of HSN revenue	68%	110 bp	67%
HSN gross margin	32%	(110) bp	33%
Cost of sales—Cornerstone	$135,572	(7)%	$145,279
As a percentage of Cornerstone revenue	58%	314 bp	55%
Cornerstone gross margin	42%	(314) bp	45%

bp = basis points

Cost of sales consists primarily of the cost of products sold, shipping and handling costs and compensation and other employee-related costs (including stock-based compensation) for personnel engaged in warehouse functions. Cost of products sold includes merchandise cost, inbound freight and duties and in the case of HSN, certain allocable general and administrative costs, including certain warehouse costs.

Cost of sales in 2008 increased $25.8 million from 2007, primarily due to an increase of $19.9 million in the cost of products sold and an increase of $5.2 million in shipping and handling costs. The increase in cost of sales as a percentage of revenue was due to a decrease in gross margins of 314 basis points and 110 basis points at Cornerstone and HSN, respectively. The decrease in gross margins at Cornerstone was principally due to an aggressive increase in promotional pricing and clearance activity and an increase in fulfillment costs. The decrease in gross margins at HSN was due to a shift in product mix to lower gross margin products, primarily the home & other category (which includes electronics and housewares), higher shipping and handling costs and lower return rates, partially offset by lower inventory reserves due to the improved age of merchandise inventory. Shipping and handling costs grew at a faster rate than revenue primarily due to increased fuel surcharges charged by HSN's shipping partners combined with a shift in product mix to heavier merchandise. Lower return rates favorably impact gross margins as lower returns result in lower warehouse processing costs and lower inventory markdowns. The year over year impact of the decrease in overall return rates on gross margins is $1.9 million.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$635,828	10%	$577,351
Cornerstone	252,923	(4)%	263,120
Inter-segment elimination	(88)	(70)%	(291)
Cost of sales	$888,663	6%	$840,180
As a percentage of total revenue	65%	242 bp	62%
Gross margin	35%	(242) bp	38%

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Cost of sales—HSN	$635,828	10%	$577,351
As a percentage of HSN revenue	68%	124 bp	66%
HSN gross margin	32%	(124) bp	34%
Cost of sales—Cornerstone	$252,923	(4)%	$263,120
As a percentage of Cornerstone revenue	58%	350 bp	55%
Cornerstone gross margin	42%	(350) bp	45%

Cost of sales in 2008 increased $48.5 million from 2007, primarily due to an increase of $38.8 million in the cost of products sold, an increase of $8.3 million in shipping and handling costs and the effects of merchandise clearance and promotional pricing, partially offset by lower inventory reserves. The increase in cost of sales as a percentage of revenue was due to a decrease in gross margins of 350 basis points and 124 basis points at Cornerstone and HSN, respectively. The decrease in gross margins at Cornerstone was principally due to the factors described above in the three month discussion. The decrease in gross margins at HSN was due to a shift in product mix to lower gross margin products, primarily the home & other category (which includes electronics), partially offset by lower inventory reserves.

Selling and marketing expense

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$ 65,061	0%	$ 64,994
Cornerstone	79,184	(11)%	88,562
Selling and marketing expense	$144,245	(6)%	$153,556
As a percentage of total revenue	21%	(180) bp	23%

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Selling and marketing expense—HSN	$65,061	0%	$64,994
As a percentage of HSN revenue	14%	(153) bp	16%
Selling and marketing expense—Cornerstone	$79,184	(11)%	$88,562
As a percentage of Cornerstone revenue	34%	44 bp	33%

Selling and marketing expense consists primarily of advertising and promotional expenditures, compensation and other employee-related costs (including stock-based compensation) for personnel engaged in customer service and sales functions and on-air distribution costs. Advertising and promotional expenditures primarily include catalog production and distribution costs and online marketing, including fees paid to search engines and third party distribution partners.

Selling and marketing expense in 2008 decreased $9.3 million from 2007, primarily due to decreases of $9.6 million in catalog costs at Cornerstone and $1.2 million in on-air distribution costs at HSN, partially offset by an increase of $2.2 million in compensation and other employee-related costs. Catalog costs decreased primarily due to a 26% planned decline in catalog circulation. Compensation and other employee-related costs increased in the current year period due in part to a 5% increase in headcount primarily at HSN related to its customer service and merchandising departments.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$132,759	(1)%	$133,505
Cornerstone	148,236	(5)%	156,504
Selling and marketing expense	$280,995	(3)%	$290,009
As a percentage of total revenue	20%	(104) bp	22%

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Selling and marketing expense—HSN	$132,759	(1)%	$133,505
As a percentage of HSN revenue	14%	(123) bp	15%
Selling and marketing expense—Cornerstone	$148,236	(5)%	$156,504
As a percentage of Cornerstone revenue	34%	157 bp	33%

Selling and marketing expense in 2008 decreased $9.0 million from 2007, primarily due to a decrease of $10.6 million in catalog costs at Cornerstone and a decrease of $3.6 million in on-air distribution costs at HSN, partially offset by an increase of $6.2 million in compensation and other employee-related costs. Catalog costs decreased primarily due to a 21% planned decline in catalog circulation. The decrease in on-air distribution costs is primarily due to lower broadcast fees related to the shut down of America's Store in April 2007. The increase in compensation and other employee-related costs in 2008 is primarily due to the factors described above in the three month discussion.

General and administrative expense

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$39,863	17%	$33,950
Cornerstone	15,924	(7)%	17,124
General and administrative expense	$55,787	9%	$51,074
As a percentage of total revenue	8%	52 bp	7%

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
General and administrative expense—HSN	$39,863	17%	$33,950
As a percentage of HSN revenue	9%	48 bp	8%
General and administrative expense—Cornerstone	$15,924	(7)%	$17,124
As a percentage of Cornerstone revenue	7%	35 bp	6%

General and administrative expense consists primarily of compensation and other employee-related costs (including stock-based compensation) for personnel engaged in finance, legal, tax, human resources, information technology and executive management functions, facilities costs and fees for professional services.

General and administrative expense in 2008 increased $4.7 million from 2007, primarily due to an increase of $2.4 million in compensation and other employee-related costs and an increase of $1.3 million in professional fees driven, in part, by higher legal and audit fees. The increase in compensation and other employee-related costs is primarily due to the impact of higher incentive compensation. HSNi expects to incur increased costs related to the additional financial and legal requirements associated with being a separate public company, as well as increased non-cash compensation associated with the modification of existing stock-based compensation awards in connection with the spin-off and the grant of new awards in connection with and subsequent to the spin-off.

General and administrative expense includes non-cash compensation expense of $3.9 million in 2008 and $2.7 million in 2007. The increase in non-cash compensation expense is primarily due to equity grants issued subsequent to the second quarter of 2007, partially offset by a decrease in expense associated with unvested stock options assumed in the Cornerstone Brands acquisition, as these awards vest. As of June 30, 2008, there was approximately $19.3 million of unrecognized compensation cost, net of estimated forfeitures, related to all equity-based awards, which is currently expected to be recognized over a weighted average period of approximately 2.9 years (exclusive of the impact of the modification related to the spin-off, which consists of the accelerated vesting of certain unvested restricted stock units and the modification of all unvested and vested stock options).

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$ 77,806	14%	$ 68,121
Cornerstone	32,355	(12)%	36,919
General and administrative expense	$110,161	5%	$105,040
As a percentage of total revenue	8%	23 bp	8%

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
General and administrative expense—HSN	$77,806	14%	$68,121
As a percentage of HSN revenue	8%	44 bp	8%
General and administrative expense—Cornerstone	$32,355	(12)%	$36,919
As a percentage of Cornerstone revenue	7%	(23) bp	8%

General and administrative expense in 2008 increased $5.1 million from 2007, primarily due to increases of $4.0 million in compensation and other employee-related costs and $3.5 million in bad debt expense, partially offset by a decrease of $0.8 million in professional fees. The increase in compensation and other employee-related costs is primarily due to a 5% increase in headcount and the impact of higher incentive compensation. The increase in bad debt expense is primarily due to increased Flexpay sales. Flexpay, which is offered exclusively through HSN, allows customers to pay for merchandise in interest free monthly payments over a 2-6 month period. Flexpay sales were 53% and 50% of HSN's net merchandise sales for 2008 and 2007, respectively. The decrease in professional fees is primarily due to lower legal fees at Cornerstone.

General and administrative expense includes non-cash compensation expense of $6.5 million in 2008 and $5.2 million in 2007. The increase in non-cash compensation expense is primarily due to the factors noted above in the three month discussion.

Production and programming expense

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$14,466	5%	$13,812
Cornerstone	2	(96)%	55
Production and programming expense	$14,468	4%	$13,867
As a percentage of total revenue	2%	4 bp	2%

Production and programming expense consists primarily of compensation and other employee-related costs (including stock-based compensation) for personnel engaged in production and programming at HSN.

Production and programming expense in 2008 increased $0.6 million from 2007, primarily due to an increase of $1.4 million in compensation and other employee-related costs, partially offset by lower broadcast fees related to the shut down of America's Store in April 2007.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$28,807	0%	$28,679
Cornerstone	4	(94)%	68
Production and programming expense	$28,811	0%	$28,747
As a percentage of total revenue	2%	(3) bp	2%

Production and programming expense in 2008 increased $0.1 million from 2007, primarily due to factors described above in the three month discussion.

Depreciation

For the three and six months ended June 30, 2008 compared to the three and six months ended June 30, 2007

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	% Change	2007	2008	% Change	2007
	(Dollars in thousands)					
HSN	$ 6,770	5%	$ 6,439	$ 13,320	4%	$ 12,853
Cornerstone	2,625	20%	2,182	5,101	20%	4,236
Depreciation	$ 9,395	9%	$ 8,621	$ 18,421	8%	$ 17,089
As a percentage of total revenue	1%	9 bp	1%	1%	7 bp	1%

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	% Change	2007	2008	% Change	2007
	(Dollars in thousands)					
Depreciation—HSN	$ 6,770	5%	$ 6,439	$ 13,320	4%	$ 12,853
As a percentage of HSN revenue	1%	(8) bp	2%	1%	(6) bp	1%
Depreciation—Cornerstone	$ 2,625	20%	$ 2,182	$ 5,101	20%	$ 4,236
As a percentage of Cornerstone revenue	1%	30 bp	1%	1%	29 bp	1%

Depreciation for the three and six months ended June 30, 2008 increased $0.8 million and $1.3 million, respectively, primarily due to the incremental depreciation associated with capital expenditures made during 2007 and 2008, partially offset by certain fixed assets becoming fully depreciated during the period.

Operating Income Before Amortization

Operating Income Before Amortization is a non-GAAP measure and is defined in "HSNi's Principles of Financial Reporting".

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$26,656	23%	$21,687
Cornerstone	2,711	(81)%	14,448
Operating Income Before Amortization	$29,367	(19)%	$36,135
As a percentage of total revenue	4%	(108) bp	5%

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Operating Income Before Amortization—HSN	$26,656	23%	$21,687
As a percentage of HSN revenue	6%	56 bp	5%
Operating Income Before Amortization—Cornerstone	$ 2,711	(81)%	$14,448
As a percentage of Cornerstone revenue	1%	(428) bp	5%

Operating Income Before Amortization in 2008 decreased $6.8 million from 2007, primarily due to a 243 basis point decrease in gross margins. Operating Income Before Amortization at HSN increased 23% to $26.7 million, primarily driven by the increase in revenue noted above, partially offset by a decrease in gross margins of 110 basis points and an increase of $6.6 million in shipping and handling costs. Gross margins were adversely impacted by an increase in cost of sales as a percentage of revenue due to a shift in mix to lower gross margin products, primarily electronics and housewares. Shipping and handling costs grew at a faster rate than revenue primarily due to fuel surcharges charged by HSNi's shipping partners combined with a shift in product mix to heavier merchandise. Operating Income Before Amortization at Cornerstone decreased 81% to $2.7 million, primarily driven by a decrease in gross margins of 314 basis points in a highly promotional retail environment, partially offset by reduced costs associated with a 26% planned decrease in catalog circulation.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$56,591	9%	$51,958
Cornerstone	(3,193)	NM	21,444
Operating Income Before Amortization	$53,398	(27)%	$73,402
As a percentage of total revenue	4%	(155) bp	5%

NM = not meaningful

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Operating Income Before Amortization—HSN	$56,591	9%	$51,958
As a percentage of HSN revenue	6%	4 bp	6%
Operating Income Before Amortization—Cornerstone	$ (3,193)	NM	$21,444
As a percentage of Cornerstone revenue	(1)%	(522) bp	4%

Operating Income Before Amortization in 2008 decreased $20.0 million from 2007, primarily due to a 242 basis point decrease in gross margins, an increase of $8.3 million in shipping and handling costs and the effect of merchandise clearance and promotional pricing, partially offset by lower inventory reserves. Operating Income Before Amortization at HSN increased 9% to $56.6 million, primarily driven by the increase in revenue noted above, partially offset by a decrease in gross margins of 124 basis points. Gross margins were adversely impacted by a shift in mix to lower gross margin products, primarily electronics, partially offset by lower inventory reserves. Operating Income Before Amortization at Cornerstone declined from $21.4 million in 2007 to a loss of $3.2 million in 2008, primarily driven by a decrease in gross margins of 350 basis points reflecting a shift in mix to lower gross margin products, an aggressive increase in promotional pricing and clearance activity and an increase in fulfillment costs, partially offset by a 21% planned decline in catalog circulation.

Operating (loss) income

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$ 22,328	19%	$18,722
Cornerstone	(299,960)	NM	11,041
Operating (loss) income	$(277,632)	NM	$29,763
As a percentage of total revenue	(40)%	NM	4%

	Three Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Operating income—HSN	$ 22,328	19%	$18,722
As a percentage of HSN revenue	5%	34 bp	5%
Operating (loss) income—Cornerstone	$(299,960)	NM	$11,041
As a percentage of Cornerstone revenue	(128)%	NM	4%

In the second quarter of 2008, HSNi recorded impairment charges related to goodwill and indefinite-lived intangible assets of Cornerstone of $221.5 million and $78.5 million, respectively. The charges related to the impairment of indefinite-lived intangible assets are included in amortization and impairment of intangibles in the accompanying combined statements of operations.

The impairments at HSNi relate to its Cornerstone reporting unit and are due, in part, to the significant deterioration in the macro economic environment for retailers, particularly in the home and apparel categories (which are Cornerstone's primary markets), the negative impact of this environment on Cornerstone's performance and the related reduction in market valuations for retailers. The effect of these market conditions has been exacerbated by execution issues and turnover of management of certain catalogs within Cornerstone.

Operating income in 2008 decreased $307.4 million to a loss of $277.6 million, resulting primarily from the $300.0 million in impairment charges and the decrease in Operating Income Before Amortization described above.

Operating income at HSN increased 19% to $22.3 million, driven by the increase in Operating Income Before Amortization described above, as well as a decrease of $0.5 million in amortization of intangibles, partially offset by an increase of $1.8 million in non-cash compensation expense and an increase of $0.1 million in amortization of non-cash marketing. The amortization of non-cash marketing referred to in this report consists of non-cash marketing and advertising secured by IAC from Universal Television as part of the IAC transaction pursuant to which Vivendi Universal Entertainment, LLLP ("VUE") was created, and the subsequent transaction by which IAC sold its partnership interests in VUE.

Operating income at Cornerstone decreased $311.0 million to a loss of $300.0 million, primarily reflecting impairment charges of $221.5 million and $78.5 million related to goodwill and indefinite-lived intangible assets, respectively.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
HSN	$ 46,819	1%	$46,170
Cornerstone	(309,373)	NM	13,740
Operating (loss) income	$(262,554)	NM	$59,910
As a percentage of total revenue	(19)%	NM	4%

	Six Months Ended June 30,		
	2008	% Change	2007
	(Dollars in thousands)		
Operating income—HSN	$ 46,819	1%	$46,170
As a percentage of HSN revenue	5%	(33) bp	5%
Operating (loss) income—Cornerstone	$(309,373)	NM	$13,740
As a percentage of Cornerstone revenue	NM	NM	3%

Operating income in 2008 decreased $322.5 million to a loss of $262.6 million, resulting primarily from the $300.0 million in impairment charges described above in the three month discussion. Also contributing to the decrease in operating income was the decrease in Operating Income Before Amortization described above.

Operating income at HSN increased 1% to $46.8 million, driven by the increase in Operating Income Before Amortization described above, as well as a decrease of $2.0 million in amortization of intangibles, partially offset by an increase of $3.8 million in amortization of non-cash marketing and an increase of $2.2 million in non-cash compensation expense.

Operating income at Cornerstone decreased $323.1 million to a loss of $309.4 million, primarily reflecting impairment charges of $221.5 million and $78.5 million related to goodwill and indefinite-lived intangible assets, respectively.

Income tax provision

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

For the three months ended June 30, 2008 and 2007, HSNi recorded a tax benefit for continuing operations of $28.2 million and a tax provision for continuing operations of $11.3 million, respectively, which represent effective tax rates of 10% and 38%, respectively. The 2008 tax rate is lower than the federal statutory rate of 35% due principally to a non-deductible impairment charge related to Cornerstone. The 2007 tax rate is higher than the federal statutory rate of 35% due principally to state and local income taxes.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

For the six months ended June 30, 2008 and 2007, HSNi recorded a tax benefit for continuing operations of $22.5 million and a tax provision for continuing operations of $22.8 million, respectively, which represent effective tax rates of 9% and 38%, respectively. The 2008 tax rate is lower than the federal statutory rate of 35% due principally to a non-deductible impairment charge related to Cornerstone. The 2007 tax rate is higher than the federal statutory rate of 35% due principally to state and local income taxes.

As of December 31, 2007 and June 30, 2008, HSNi had unrecognized tax benefits of approximately $8.9 million and $8.6 million, respectively. Included in unrecognized tax benefits at June 30, 2008 is approximately $8.4 million for tax positions included in IAC's consolidated tax return filings that will remain a liability of IAC after the spin-off. HSNi recognizes interest and, if applicable, penalties related to unrecognized tax benefits in income tax expense. Included in income tax expense for the six months ended June 30, 2008 is $0.2 million, net of related deferred taxes, for interest on unrecognized tax benefits. At June 30, 2008 the HSNi has accrued $3.1 million for the payment of interest. There are no material accruals for penalties.

By virtue of previously filed separate company and consolidated tax returns with IAC, HSNi is routinely under audit by federal, state, local and foreign authorities in the area of income tax. These audits include questioning the timing and the amount of deductions and the allocation of income among various tax jurisdictions. Income taxes payable include amounts considered sufficient to pay assessments that may result from examination of prior year returns; however, the amount paid upon resolution of issues raised may differ from the amount provided. Differences between the reserves for tax contingencies and the amounts owed by HSNi are recorded in the period they become known. HSNi believes that it is reasonably possible that its unrecognized tax benefits could decrease by approximately $2.5 million within twelve months of the current reporting date due to the reversal of deductible temporary differences which will result in a corresponding increase in net deferred tax liabilities. An estimate of other changes in unrecognized tax benefits cannot be made, but are not expected to be significant.

Under the terms of the tax sharing agreement, which was executed in connection with the spin-off, IAC will generally retain the liability related to federal and state returns filed on a consolidated or unitary basis for all periods prior to the spin-off.

Discontinued operations

For the three months ended June 30, 2008 compared to the three months ended June 30, 2007

Discontinued operations in the accompanying combined statements of operations include Home Shopping Europe GMbH & Co. KG, and its affiliated station HSE24 ("HSE") through June 19, 2007. Quiz TV Limited and iBuy are presented as discontinued operations in the accompanying combined financial statements for all periods presented. Results from these discontinued operations in 2008 and 2007 were losses of $1.0 million and income of $21.4 million, respectively, net of tax. Loss from discontinued operations, net of tax, in 2008 primarily includes the losses of iBuy. Income from discontinued operations, net of tax, in 2007 primarily includes the income of HSE. Additionally, in 2007, HSNi recognized an after-tax gain on the sale of HSE of $34.8 million.

For the six months ended June 30, 2008 compared to the six months ended June 30, 2007

(Losses) income from discontinued operations in 2008 and 2007 were losses of $2.0 million and income of $19.8 million, respectively, net of tax. Loss from discontinued operations, net of tax, in 2008 primarily includes the losses of iBuy. Income from discontinued operations, net of tax, in 2007 primarily includes the income of HSE. Additionally, in 2007, HSNi recognized an after-tax gain on the sale of HSE of $34.8 million.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2008, HSNi had $5.1 million of cash and cash equivalents.

Net cash provided by operating activities attributable to continuing operations was $6.2 million in 2008 and $25.0 million in 2007, a decrease of $18.7 million. This decline was primarily due to a decrease in accounts payable and other current liabilities, partially offset by a decrease in accounts receivable.

Net cash used in investing activities attributable to continuing operations in 2008 of $5.6 million resulted primarily from capital expenditures of $15.5 million, partially offset by cash transfers of $9.9 million from IAC. The cash transfers from IAC relate to IAC's centrally managed U.S. treasury function. Net cash used in investing activities attributable to continuing operations in 2007 of $29.8 million resulted primarily from capital expenditures of $20.1 million, as well as cash transfers of $10.2 million to IAC.

Net cash provided by financing activities attributable to continuing operations in 2008 was less than $0.1 million. Net cash provided by financing activities attributable to continuing operations in 2007 of $1.9 million was due to excess tax benefits from stock-based awards.

Net cash used in discontinued operations in 2008 and 2007 of $0.9 million and $32.6 million, respectively, relates primarily to the operations of HSN International and HSE, respectively. HSNi does not expect future cash flows associated with existing discountinued operations to be material.

In connection with the spin-off, HSNi raised $390 million through a combination of privately issued debt securities (the "Notes") and a secured credit facility (the "Term Loan"). In addition, HSNi negotiated a $150 million revolving credit facility (the "RCF"). The total costs, including the discount on the issuance of the Notes, incurred in connection with the issuance of the Notes and borrowings under the Term Loan and establishing the RCF are estimated to be $16.0 million. The net proceeds were approximately $374.0 million. In connection with the separation, HSNi distributed the net proceeds of the financing to IAC except for $50 million which it retained. Upon completion of the spin-off, intercompany receivable balances were extinguished.

HSNi anticipates that it will need to make capital and other expenditures in connection with the development and expansion of its operations. HSNi's ability to fund its cash and capital needs will be affected by its ongoing ability to generate cash from operations, the overall capacity and terms of its financing arrangements as discussed above, and access to the capital markets. HSNi believes that its cash on hand along with its anticipated operating cash flows in 2008 and its access to capital markets are sufficient to fund its operating needs, capital, investing and other commitments and contingencies for the foreseeable future.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Foreign Currency Exchange Risk

During the second quarter of 2003, one of HSNi's foreign subsidiaries entered into a foreign exchange forward contract with a notional amount of $38.6 million which was used to hedge against the change in value of a liability denominated in a currency other than the subsidiary's functional currency. In connection with the sale of HSE, HSNi unwound the foreign exchange forward contract during June 2007. Prior to unwinding this contract, all foreign exchange remeasurement gains and losses related to the contract and liability were recognized each period in the statements of operations and were offsetting. Subsequent to the sale of HSE, HSNi does not have significant exposure to foreign currency risk and does not hold any derivative instruments at June 30, 2008.

Item 4T. *Controls and Procedures*

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), our management, including our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing reasonable assurance that information we are required to disclose in our filings with the U.S. Securities and Exchange Commission (the "SEC") under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have determined that, during the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. *Legal Proceedings*

In the ordinary course of business, HSNi and its subsidiaries are parties to litigation involving property, personal injury, contract, intellectual property and other claims. The amounts that may be recovered in such matters may be subject to insurance coverage or, where the claim arises from a product sold by HSNi businesses, indemnity from manufacturer. HSNi does not believe that such ordinary course litigation will have a material effect on its business, financial condition or results of operations.

Rules of the SEC require the description of material pending legal proceedings, other than ordinary, routine litigation incident to the company's business, and advise that proceedings ordinarily need not be described if they primarily involve damage claims for amounts (exclusive of interest and costs) not exceeding 10% of the current assets of the company and its subsidiaries on a consolidated basis. In the judgment of management, none of the pending litigation matters which HSNi and its subsidiaries are defending involves or is likely to involve amounts of that magnitude.

Item 1A. *Risk Factors*

Cautionary Statement Regarding Forward-Looking Information

This quarterly report on Form 10-Q contains "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The use of words such as "anticipates," "estimates," "expects," "intends," "plans" and "believes," among others, generally identify forward-looking statements. These forward-looking statements include, among others, statements relating to: HSNi's future financial performance, HSNi's business prospects and strategy, anticipated trends and prospects in the various industries in which HSNi's businesses operate and other similar matters. These forward looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Actual results could differ materially from those contained in the forward looking statements included in this quarterly report for a variety of reasons, including, among others: risks related to the recently completed spin-off transaction and related matters, including, among other, increased demands on senior management at HSNi and its businesses; changes in our relationships with our pay television operators, vendors, manufacturers and other third parties; changes in economic conditions generally or in any of the markets in which HSNi's businesses operate; changes in senior management at HSNi and/or its businesses; technological changes; regulatory changes; failure to respond to changes in customer preferences and trends and offer new or alternative products in a cost-effective manner; changes affecting distribution channels and product delivery costs and failure to comply with existing laws. Certain of these and other risks and uncertainties are discussed in HSNi's filings with the SEC, including the "Risk Factors" section in our registration statement on Form S-1 filed with the SEC on August 20, 2008. Other unknown or unpredictable factors that could also adversely affect HSNi's business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, the forward looking statements discussed in this report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward looking statements, which only reflect the views of HSNi management as of the date of this report. HSNi does not undertake to update these forward-looking statements.

Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in the "Risk Factors" sections in our registration statement on Form S-1 filed with the

SEC on August 20, 2008, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

None

Item 3. ***Defaults Upon Senior Securities***

None

Item 4. ***Submission of Matters to a Vote of Security Holders***

None

Item 5. ***Other Information***

None

Item 6. ***Exhibits***

Exhibit Number	Description	Location
3.1	Form of Amended and Restated Certificate of Incorporation of HSN, Inc.	Exhibit 3.1 to the Company's Amendment No. 1 to Registration Statement on Form S-1 (Registration No. 333-152697) filed August 8, 2008 and incorporated herein by reference
3.2	Form of Amended and Restated By-laws of HSN, Inc.	Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 333-152697) filed August 1, 2008 and incorporated herein by reference.
10.1	Employment Agreement between Mark Ethier and HSN General Partner LLC effective December 1, 2004, as amended by the First Amendment to Employment Agreement dated July 9, 2007 and Second Amendment to Employment Agreement dated June 23, 2008.	Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.	Filed herewith
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.	Filed herewith

† Reflects management contracts and management compensation plan.

SIGNATURES

Pursuant to the requirements 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.

Date: September 22, 2008

HSN, INC.

By: /s/ JUDY SCHMELING

Judy Schmeling,
Executive Vice President and Chief Financial Officer

Signature	Title	Date
/s/ JUDY SCHMELING	Judy Schmeling, Executive Vice President and Chief Financial Officer	September 22, 2008

QuickLinks

Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Mark Ethier ("Employee") and HSN General Partner LLC, a Delaware limited liability company (the "Company"), and is effective December 1, 2004 (the "Effective Date").

WHEREAS, the Company desires to establish its right to the services of Employee, in the capacity described below, on the terms and conditions hereinafter set forth, and Employee is willing to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Employee and the Company have agreed and do hereby agree as follows:

1A. EMPLOYMENT. The Company agrees to employ Employee as Chief Operations Officer, and Employee accepts and agrees to such employment. During Employee's employment with the Company, Employee shall do and perform all services and acts necessary or advisable to fulfill the duties and responsibilities as are commensurate and consistent with Employee's position and shall render such services on the terms set forth herein. During Employee's employment with the Company, Employee shall report directly such person(s) as from time to time may be designated by the Company (hereinafter referred to as the "Reporting Officer"). Employee shall have such powers and duties with respect to the Company as may reasonably be assigned to Employee by the Reporting Officer, to the extent consistent with Employee's position and status. Employee agrees to devote all of Employee's working time, attention and efforts to the Company and to perform the duties of Employee's position in accordance with the Company's policies as in effect from time to time. Employee's principal place of employment shall be the Company's offices located in St. Petersburg, Florida.

2A. TERM OF AGREEMENT. The term ("Term") of this Agreement shall commence on the Effective Date and shall continue until March 1, 2008, unless sooner terminated in accordance with the provisions of Section 1 of the Standard Terms and Conditions attached hereto.

3A. COMPENSATION.

(a) BASE SALARY. During the Term of this Agreement, the Company shall pay Employee an annual base salary of $360,000 through February 28, 2005 and then effective March 1, 2005 an annual base salary of $400,000 for the remainder of the Term (the "Base Salary"), payable in equal biweekly installments or in accordance with the Company's payroll practice as in effect from time to time. For all purposes under this Agreement, the term "Base Salary" shall refer to Base Salary as in effect from time to time.

(b) DISCRETIONARY BONUS. During the Term, Employee shall be eligible to receive discretionary annual bonuses.

(c) BENEFITS. From the Effective Date through the date of termination of Employee's employment with the Company for any reason, Employee shall be entitled to participate in any welfare, health and life insurance and pension benefit and incentive programs

as may be adopted from time to time by the Company on the same basis as that provided to similarly situated employees of the Company. Without limiting the generality of the foregoing, Employee shall be entitled to the following benefits:

(i) Reimbursement for Business Expenses. During the Term, the Company shall reimburse Employee for all reasonable and necessary expenses incurred by Employee in performing Employee's duties for the Company, on the same basis as similarly situated employees and in accordance with the Company's policies as in effect from time to time.

(ii) Paid Time Off ("PTO"). During the Term, Employee shall be entitled to paid time off per year, in accordance with the plans, policies, programs and practices of the Company applicable to similarly situated employees of the Company generally.

4A. NOTICES. All notices and other communications under this Agreement shall be in writing and shall be given by first-class mail, certified or registered with return receipt requested or hand delivery acknowledged in writing by the recipient personally, and shall be deemed to have been duly given three days after mailing or immediately upon duly acknowledged hand delivery to the respective persons named below:

If to the Company:	HSN General Partner LLC 1 HSN Drive St. Petersburg, FL 33729 Attention: General Counsel
If to Employee:	Mark Ethier 4309 Beach Park Drive Tampa, FL 33609

Either party may change such party's address for notices by notice duly given pursuant hereto.

5A. GOVERNING LAW; JURISDICTION. This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of Florida without reference to the principles of conflicts of laws. Any and all disputes between the parties which may arise pursuant to this Agreement will be heard and determined before an appropriate federal court in Pinellas or Hillsborough Counties or, if not maintainable therein, then in an appropriate Florida state court. The parties acknowledge that such courts have jurisdiction to interpret and enforce the provisions of this Agreement, and the parties consent to, and waive any and all objections that they may have as to, personal jurisdiction and/or venue in such courts.

6A. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Employee expressly understands and acknowledges that the Standard Terms and Conditions attached hereto are incorporated herein by reference, deemed a part of this Agreement and are binding and enforceable provisions of this Agreement. References to "this

Agreement" or the use of the term "hereof" shall refer to this Agreement and the Standard Terms and Conditions attached hereto, taken as a whole.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and delivered by its duly authorized officer, and Employee has executed and delivered this Agreement on December 1st, 2004.

HSN GENERAL PARTNER LLC

/s/ Lisa Letizo
By: Lisa Letizio
Title: Executive VP Human Resources

/s/ Mark Ethier
MARK ETHIER

STANDARD TERMS AND CONDITIONS

1. TERMINATION OF EMPLOYEE'S EMPLOYMENT.

(a) DEATH. In the event Employee's employment hereunder is terminated by reason of Employee's death, the Company shall pay Employee's designated beneficiary or beneficiaries, within 30 days of Employee's death in a lump sum in cash, Employee's Base Salary through the end of the month in which death occurs and any Accrued Obligations (as defined in paragraph 1(f) below).

(b) DISABILITY. If, as a result of Employee's incapacity due to physical or mental illness ("Disability"), Employee shall have been absent from the full-time performance of Employee's duties with the Company for a period of four consecutive months and, within 30 days after written notice is provided to Employee by the Company (in accordance with Section 6 hereof), Employee shall not have returned to the full-time performance of Employee's duties, Employee's employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which Employee is absent from the full-time performance of Employee's duties with the Company due to Disability, the Company shall continue to pay Employee's Base Salary at the rate in effect at the commencement of such period of Disability, offset by any amounts payable to Employee under any disability insurance plan or policy provided by the Company. Upon termination of Employee's employment due to Disability, the Company shall pay Employee within 30 days of such termination (i) Employee's Base Salary through the end of the month in which termination occurs in a lump sum in cash, offset by any amounts payable to Employee under any disability insurance plan or policy provided by the Company; and (ii) any Accrued Obligations (as defined in paragraph 1(f) below).

(c) TERMINATION FOR CAUSE. The Company may terminate Employee's employment under this Agreement for Cause at any time prior to the expiration of the Term. As used herein, "Cause" shall mean: (i) the plea of guilty or nolo contendere to, or conviction for, the commission of a felony offense by Employee; provided, however, that after indictment, the Company may suspend Employee from the rendition of services, but without limiting or modifying in any other way the Company's obligations under this Agreement; (ii) a material breach by Employee of a fiduciary duty owed to the Company; (iii) a material breach by Employee of any of the covenants made by Employee in Section 2 hereof; (iv) the willful or gross neglect by Employee of the material duties required by this Agreement; or (v) a violation of any Company policy pertaining to ethics, wrongdoing or conflicts of interest. In the event of Employee's termination for Cause, this Agreement shall terminate without further obligation by the Company, except for the payment of any Accrued Obligations (as defined in paragraph 1(f) below).

(d) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY OR CAUSE. If Employee's employment is terminated by the Company for any reason other than Employee's death or Disability or for Cause, then (i) the Company shall pay Employee the Base Salary through the end of the Term over the course of the then remaining

Term; and (ii) the Company shall pay Employee within 30 days of the date of such termination in a lump sum in cash any Accrued Obligations (as defined in paragraph 1(f) below). The payment to Employee of the severance benefits described in this Section 1(d) shall be subject to Employee's execution and non-revocation of a general release of the Company and its affiliates in a form substantially similar to that used for similarly situated executives of the Company and its affiliates.

(e) MITIGATION; OFFSET. In the event of termination of Employee's employment prior to the end of the Term, Employee shall use reasonable best efforts to seek other employment and to take other reasonable actions to mitigate the amounts payable under Section 1 hereof. If Employee obtains other employment during the Term, the amount of any payment or benefit provided for under Section 1 hereof which has been paid to Employee shall be refunded to the Company by Employee in an amount equal to any compensation earned by Employee as a result of employment with or services provided to another employer after the date of Employee's termination of employment and prior to the otherwise applicable expiration of the Term, and all future amounts payable by the Company to Employee during the remainder of the Term shall be offset by the amount earned by Employee from another employer. For purposes of this Section 1(e), Employee shall have an obligation to inform the Company regarding Employee's employment status following termination and during the period encompassing the Term.

(f) ACCRUED OBLIGATIONS. As used in this Agreement, "Accrued Obligations" shall mean the sum of (i) any portion of Employee's Base Salary through the date of death or termination of employment for any reason, as the case may be, which has not yet been paid; and (ii) any compensation previously earned but deferred by Employee (together with any interest or earnings thereon) that has not yet been paid.

2. CONFIDENTIAL INFORMATION; NON-COMPETITION; NON-SOLICITATION; AND PROPRIETARY RIGHTS.

(a) CONFIDENTIALITY. Employee acknowledges that while employed by the Company Employee will occupy a position of trust and confidence. Employee shall not, except as may be required to perform Employee's duties hereunder or as required by applicable law, without limitation in time or until such information shall have become public other than by Employee's unauthorized disclosure, disclose to others or use, whether directly or indirectly, any Confidential Information regarding the Company or any of its subsidiaries or affiliates. "Confidential Information" shall mean information about the Company or any of its subsidiaries or affiliates, and their clients and customers that is not disclosed by the Company or any of its subsidiaries or affiliates for financial reporting purposes and that was learned by Employee in the course of employment by the Company or any of its subsidiaries or affiliates, including (without limitation) any proprietary knowledge, trade secrets, data, formulae, information and client and customer lists and all papers, resumes, and records (including computer records) of the documents containing such Confidential Information. Employee acknowledges that such Confidential Information is specialized, unique in nature and of great value to the Company and its subsidiaries or affiliates, and that such information gives the Company and its subsidiaries or affiliates a competitive advantage. Employee agrees to deliver or return to the Company, at the Company's request at any time or upon termination or expiration of Employee's employment or

as soon thereafter as possible, all documents, computer tapes and disks, records, lists, data, drawings, prints, notes and written information (and all copies thereof) furnished by the Company and its subsidiaries or affiliates or prepared by Employee in the course of Employee's employment by the Company and its subsidiaries or affiliates. As used in this Agreement, "subsidiaries" and "affiliates" shall mean any company controlled by, controlling or under common control with the Company.

(b) NON-COMPETITION. During Employee's employment with the Company and for twelve (12) months thereafter, Employee shall not, directly or indirectly, on behalf of Employee or on behalf of or with any other person, enterprise or entity, in any individual or representative capacity, engage or participate in any business, including its affiliated Internet entities, that is in competition with the Company or any subsidiary or affiliate of the Company in the United States of America in the field of television retailing, including, without limitation, QVC, Shop NBC (formerly called ValueVision) or Shop at Home, as well as any company which subsequently enters the field of television retailing as its primary business (collectively, the "Competing Companies"). Employee's obligations under this Section shall continue during the Term and for the period after the Term set forth above and shall not, for any reason, cease upon termination of Employee's employment with the Company. Notwithstanding anything else contained in this Section, Employee may own, for investment purposes only, up to five percent (5%) of the stock of any Competing Company if it is a publicly-held corporation whose stock is either listed on a national stock exchange or on the NASDAQ National Market System and if Employee is not otherwise affiliated with or participating in such corporation. As used herein, "participate" means lending one's name to, acting as consultant or advisor to, being employed by or acquiring any direct or indirect interest in any business or enterprise, whether as a stockholder, partner, officer, director, employee, consultant or otherwise. In the event that (1) the Company or any of its subsidiaries or affiliates places, or has placed for it, all or substantially all of its assets up for sale within one (1) year after termination of Employee's employment hereunder or (2) Employee's employment is terminated in connection with the disposition of all or substantially all of such assets (whether by sale of assets, equity or otherwise), Employee agrees to be bound by, and to execute such additional instruments as may be necessary or desirable to evidence Employee's agreement to be bound by, the terms and conditions of any non-competition provisions relating to the purchase and sale agreement for such assets, without any consideration beyond that expressed in this Agreement, provided that the purchase and sale agreement is negotiated in good faith with customary terms and provisions and the transaction contemplated thereby is consummated. Notwithstanding the foregoing, in no event shall Employee be bound by, or obligated to enter into, any non-competition provisions referred to in this Section 2(b) which extend beyond twelve (12) months, in each case from the date of termination of Employee's employment hereunder or whose scope extends the scope of the non-competition provisions set forth in this Section 2(b). The twelve (12) month time period referred to above shall be tolled on a day-for-day basis for each day during which Employee participates in any activity in violation of this Section 2(b) so that Employee is restricted from engaging in the conduct referred to in this Section 2(b) for a full twelve (12) months.

(c) NON-SOLICITATION OF EMPLOYEES. Employee recognizes that he will possess confidential information about other employees of the Company and its subsidiaries or

affiliates relating to their education, experience, skills, abilities, compensation and benefits, and inter-personal relationships with suppliers to and customers of the Company and its subsidiaries or affiliates. Employee recognizes that the information he will possess about these other employees is not generally known, is of substantial value to the Company and its subsidiaries or affiliates in developing their respective businesses and in securing and retaining customers, and will be acquired by Employee because of Employee's business position with the Company. Employee agrees that, during the Term (and for a period of 24 months beyond the expiration of the Term), Employee will not, directly or indirectly, solicit or recruit any employee of the Company or any of its subsidiaries or affiliates for the purpose of being employed by Employee or by any business, individual, partnership, firm, corporation or other entity on whose behalf Employee is acting as an agent, representative or employee and that Employee will not convey any such confidential information or trade secrets about other employees of the Company or any of its subsidiaries or affiliates to any other person except within the scope of Employee's duties hereunder.

(d) PROPRIETARY RIGHTS; ASSIGNMENT. All Employee Developments shall be made for hire by the Employee for the Company or any of its subsidiaries or affiliates. "Employee Developments" means any idea, discovery, invention, design, method, technique, improvement, enhancement, development, computer program, machine, algorithm or other work or authorship that (i) relates to the business or operations of the Company or any of its subsidiaries or affiliates, or (ii) results from or is suggested by any undertaking assigned to the Employee or work performed by the Employee for or on behalf of the Company or any of its subsidiaries or affiliates, whether created alone or with others, during or after working hours. All Confidential Information and all Employee Developments shall remain the sole property of the Company or any of its subsidiaries or affiliates. The Employee shall acquire no proprietary interest in any Confidential Information or Employee Developments developed or acquired during the Term. To the extent the Employee may, by operation of law or otherwise, acquire any right, title or interest in or to any Confidential Information or Employee Development, the Employee hereby assigns to the Company all such proprietary rights. The Employee shall, both during and after the Term, upon the Company's request, promptly execute and deliver to the Company all such assignments, certificates and instruments, and shall promptly perform such other acts, as the Company may from time to time in its discretion deem necessary or desirable to evidence, establish, maintain, perfect, enforce or defend the Company's rights in Confidential Information and Employee Developments.

(e) COMPLIANCE WITH POLICIES AND PROCEDURES. During the Term, Employee shall adhere to the policies and standards of professionalism set forth in the Company's Policies and Procedures as they may exist from time to time.

(f) REMEDIES FOR BREACH. Employee expressly agrees and understands that Employee will notify the Company in writing of any alleged breach of this Agreement by the Company, and the Company will have 30 days from receipt of Employee's notice to cure any such breach.

Employee expressly agrees and understands that the remedy at law for any breach by Employee of this Section 2 will be inadequate and that damages flowing from such breach are

not usually susceptible to being measured in monetary terms. Accordingly, it is acknowledged that upon Employee's violation of any provision of this Section 2 the Company shall be entitled to obtain from any court of competent jurisdiction immediate injunctive relief and obtain a temporary order restraining any threatened or further breach as well as an equitable accounting of all profits or benefits arising out of such violation. Nothing in this Section 2 shall be deemed to limit the Company's remedies at law or in equity for any breach by Employee of any of the provisions of this Section 2, which may be pursued by or available to the Company.

(g) SURVIVAL OF PROVISIONS. The obligations contained in this Section 2 shall, to the extent provided in this Section 2, survive the termination or expiration of Employee's employment with the Company and, as applicable, shall be fully enforceable thereafter in accordance with the terms of this Agreement. If it is determined by a court of competent jurisdiction in any state that any restriction in this Section 2 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that state, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that state.

3. TERMINATION OF PRIOR AGREEMENTS. This Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and understandings (whether written or oral) between the parties with respect to the subject matter of this Agreement. Employee acknowledges and agrees that neither the Company nor anyone acting on its behalf has made, and is not making, and in executing this Agreement, the Employee has not relied upon, any representations, promises or inducements except to the extent the same is expressly set forth in this Agreement. Employee hereby represents and warrants that by entering into this Agreement, Employee will not rescind or otherwise breach an employment agreement with Employee's current employer prior to the natural expiration date of such agreement

4. ASSIGNMENT; SUCCESSORS. This Agreement is personal in its nature and none of the parties hereto shall, without the consent of the others, assign or transfer

this Agreement or any rights or obligations hereunder, provided that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder, and all references herein to the "Company" shall refer to such successor.

5. WITHHOLDING. The Company shall make such deductions and withhold such amounts from each payment and benefit made or provided to Employee hereunder, as may be required from time to time by applicable law, governmental regulation or order.

6. HEADING REFERENCES. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose. References to "this Agreement" or the use of the term "hereof" shall refer to these Standard Terms and Conditions and the Employment Agreement attached hereto, taken as a whole.

7. WAIVER; MODIFICATION. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto. Notwithstanding anything to the contrary herein, neither the assignment of Employee to a different Reporting Officer due to a reorganization or an internal restructuring of the Company or its affiliated companies nor a change in the title of the Reporting Officer shall constitute a modification or a breach of this Agreement.

8. SEVERABILITY. In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any law or public policy, only the portions of this Agreement that violate such law or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

9. INDEMNIFICATION. The Company shall indemnify and hold Employee harmless for acts and omissions in Employee's capacity as an officer, director or employee of the Company to the maximum extent permitted under applicable law; provided, however, that neither the Company, nor any of its subsidiaries or affiliates shall indemnify Employee for any losses incurred by Employee as a result of acts described in Section 1(c) of this Agreement.

ACKNOWLEDGED AND AGREED:

Date: 12/1/04

HSN GENERAL PARTNER LLC

/s/ Lisa Letizo
By: Lisa Letizio
Title: Executive VP Human Resources

/s/ Mark Ethier
MARK ETHIER

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT ("First Amendment") is entered into by and between Mark Ethier ("Employee") and HSN General Partner LLC, a Delaware limited liability company (the "Company"), and is effective as of the date signed below ("Effective Date").

WHEREAS, Employee and Company previously entered into an Employment Agreement as of December 1, 2004;and

WHEREAS, Employee and Company now wish to modify that Employment Agreement with this First Amendment.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Employee and Company have agreed and do hereby agree as follows:

A. Section 2A, "TERM OF AGREEMENT", shall extend two (2) years from March 1, 2008 unless sooner terminated in accordance with the provisions of Section 1 of the Standard Terms and Conditions.

B. Section 3A, "BASE SALARY", shall remain the same during the Term.

C. Unless specifically changed by this First Amendment, all other terms and conditions in the Employment Agreement shall remain in full force and effect.

D. The Employment Agreement and this First Amendment shall be referred to collectively as the "Agreement."

IN WITNESS WHEREOF, Employee and Company have executed this First Amendment on this 9th day of July, 2007.

/s/ Lisa Letizio
Lisa Letizio
VP Human Resources

/s/ Mark Ethier
Mark Ethier

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EMPLOYMENT AGREEMENT ("Second Amendment") is entered into by and between Mark Ethier ("Employee") and HSN General Partner LLC, a Delaware limited liability company (the "Company"), and is effective as of the date signed below ("Effective Date").

WHEREAS, Employee and Company previously entered into an Employment Agreement as of December 1, 2004, and a First Amendment to Employment Agreement as of July 9, 2007 (collectively the "Employment Agreement"); and

WHEREAS, Employee and Company now wish to modify that Employment Agreement with this Second Amendment.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Employee and Company have agreed and do hereby agree as follows:

A. Section 3A, "BASE SALARY", shall be $450,000 during the Term.

B. Unless specifically changed by this Second Amendment, all other terms and conditions in the Employment Agreement shall remain in full force and effect.

C. The Employment Agreement and this Second Amendment shall be referred to collectively as the "Agreement."

IN WITNESS WHEREOF, Employee and Company have executed this First Amendment on this 23rd day of June, 2008.

/s/ Lisa Letizio	/s/ Mark Ethier
Lisa Letizio	Mark Ethier
VP Human Resources	

Exhibit 31.1

Certification

I, Mindy Grossman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2008 of HSN, 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(s) 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 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(s) 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.

Dated: September 22, 2008

/s/ MINDY GROSSMAN

Mindy Grossman,
Chief Executive Officer

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.2

Certification

I, Judy Schmeling, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2008 of HSN, 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(s) 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 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(s) 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

c) 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.

Dated: September 22, 2008

/s/ JUDY SCHMELING

Judy Schmeling,
Executive Vice President and
Chief Financial Officer

QuickLinks

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mindy Grossman, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008 of HSN, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSN, Inc.

Dated: September 22, 2008

/s/ MINDY GROSSMAN

Mindy Grossman,
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Judy Schmeling, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2008 of HSN, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSN, Inc.

Dated: September 22, 2008

/s/ JUDY SCHMELING

Judy Schmeling,
Executive Vice President and
Chief Financial Officer