

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **November 3, 2008**

HSN, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34061
(Commission File Number)

26-2590893
(IRS Employer Identification No.)

1 HSN Drive, St. Petersburg, FL
(Address of principal executive offices)

33729
(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 6, 2008, HSN, Inc. ("HSNi") announced its financial results for the three and nine months ended September 30, 2008. A copy of HSNi's earnings press release is furnished as Exhibit 99.1 to this report on Form 8-K. The full text of the press release is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation Under an Off-Balance Sheet Arrangement of a Registrant.

As previously reported on a Registration Statement on Form S-1 filed on August 20, 2008 with the U.S. Securities and Exchange Commission ("SEC") and a Current Report on Form 8-K filed with the SEC on August 25, 2008, HSN, Inc. entered into senior secured credit facilities providing financing of \$300 million, consisting of a \$150 million term loan and a \$150 million revolving credit facility, each with a maturity of five years.

On November 3, 2008, HSNi borrowed \$40 million under its revolving credit facility. HSNi took this measure due to the current uncertainty in the credit markets and in order to ensure financial flexibility. To the extent necessary, the funds will be used to support seasonal working capital needs.

This borrowing under the revolving credit facility bears interest at a rate per annum of 2.25% over LIBOR (currently 2.18%). For additional information regarding the terms of the revolving credit facility, see our Registration Statement on Form S-1 and Exhibit 10.12 to the Registration Statement.

Item 7.01. Regulation FD Disclosure.

On November 6, 2008, the Company announced its financial results for the three and nine months ended September 30, 2008. A copy of the Company's earnings press release is furnished as Exhibit 99.1 to this report on Form 8-K. The full text of the press release is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated November 6, 2008

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HSN, Inc.

(Registrant)

/s/ **JUDY SCHMELING**

Judy Schmeling
Executive Vice President and Chief Financial Officer

November 6, 2008

(Date)

EXHIBIT INDEX

Exhibit No. **Description**

99.1 Press Release dated November 6,
 2008.

HSN, Inc. Reports Third Quarter Results

ST. PETERSBURG, Fla., Nov. 6, 2008 (GLOBE NEWSWIRE) -- HSN, Inc. (Nasdaq:HSNI) reported results for the third quarter ended September 30, 2008 for HSN, Inc. ("HSNi") and its two operating segments, HSN and Cornerstone.

SUMMARY RESULTS (\$ in thousands, except per share amounts)

	Q3 2008	Q3 2007	Change
Net Sales	\$ 672,348	\$ 680,762	(1%)
Non-GAAP:			
Adjusted EBITDA	\$ 37,500	\$ 53,850	(30%)
Adjusted Net Income	\$ 14,830	\$ 27,958	(47%)
Adjusted EPS	\$ 0.26	\$ 0.49	(47%)
GAAP:			
Operating Income	\$ 12,316	\$ 36,427	(66%)
Net Income	\$ 2,181	\$ 16,655	(87%)
Diluted EPS	\$ 0.04	\$ 0.29	(86%)

"We are continuing to move forward with our strategies as we navigate our way through an obviously difficult retail environment," said Mindy Grossman, Chief Executive Officer of HSNi.

"At HSN, sales growth was driven by an increase in our active customers as they responded to fresh, innovative products, outstanding value, and tremendous improvement in customer service. Even in this challenging economy, HSN has recorded a sales increase in each quarter this year. Nevertheless, we are well aware that the business backdrop has changed dramatically. In response, we have moved quickly to maximize sales and profitability in the short-term without compromising our long-term business strategy. We are assessing changes in consumer demand on a daily basis and are taking advantage of the agility our model provides to keep our strategy on track."

Ms. Grossman continued, "Cornerstone has presented more of a challenge. We are disappointed that the turnaround is progressing more slowly than we had hoped. However, this is due primarily to the overall macroeconomic environment. The home and apparel industries, which are Cornerstone's primary businesses, have been particularly hard-hit by this economic downturn. Nonetheless, we believe that recent organizational and operational changes and the new leadership team we now have in place will enable Cornerstone to weather this challenging period."

"In response to the current environment, we are aggressively managing our operating and capital expenditures, focusing on inventory management and gross profit improvement, and tightening credit policies. We remain focused on building our customer base across our multi-channel network, maintaining financial discipline, and delivering a unique and differentiated shopping experience to our customers."

SEGMENT RESULTS (\$ in thousands)

	Q3 2008	Q3 2007	Change
Net sales			
HSN	\$ 471,040	\$ 452,719	4%
Cornerstone	201,308	228,043	(12%)
Total HSNi	\$ 672,348	\$ 680,762	(1%)
Gross profit			
HSN	\$ 155,431	\$ 157,175	(1%)
Cornerstone	80,395	99,119	(19%)
Total HSNi	\$ 235,826	\$ 256,294	(8%)
Adjusted EBITDA (Non-GAAP measure)			
HSN	\$ 35,454	\$ 42,099	(16%)
Cornerstone	2,046	11,751	(83%)
Total HSNi	\$ 37,500	\$ 53,850	(30%)
Operating income			
HSN	\$ 17,223	\$ 30,217	(43%)
Cornerstone	(4,907)	6,210	(179%)
Total HSNi	\$ 12,316	\$ 36,427	(66%)

HSN Segment Results

HSN's net sales grew 4% to \$471.0 million from \$452.7 million in the prior year. HSN.com net sales grew 17% over the prior year and now represent 28% of HSN net sales. HSN added 3% new customers during the quarter and grew its 12-month active customer base by 3.4%. The average customer spend was up 4%. Shipped units were essentially flat while average price point increased 4% to \$59.66 as the mix of products sold shifted to electronics, housewares and fitness. These increases were offset by decreases in jewelry, apparel and home fashions. Returns decreased to 20.0% from 20.3% in the prior year primarily due to the product mix shift.

Gross profit margin declined to 33.0% from 34.7% in the prior year. The decline was a result of the product mix shift, increased promotional activity in jewelry and fashion and increased shipping and handling costs due to the product mix and higher fuel costs.

Adjusted EBITDA declined 16% due to the decrease in gross profit and an increase in operating expenses. Operating expenses increased as a result of higher payroll and marketing costs and bad debt expense. HSN increased its bad debt provision in anticipation of losses associated with its extended payment program. Accounts receivable outstanding under this program were \$113.2 million at September 30, 2008, compared to \$122.2 million in the third quarter last year. The reserve for bad debt increased to 7.6% of receivables from 4.4% in the prior year. Receivables declined even though sales increased as the company actively reduced the amount of credit extended under this payment program.

Cornerstone Segment Results

Net sales for Cornerstone decreased 12% to \$201.3 million as compared to \$228.0 million in the prior year as consumer demand for home furnishings and apparel continued to decline in the current macroeconomic environment.

Gross profit margin declined to 39.9% from 43.5% as a result of increased promotional activity to reduce inventory levels which were down 19% from the prior year. Increased shipping and handling costs further reduced gross profit margins.

Cornerstone's Adjusted EBITDA margin declined to 1.0% from 5.2% in the prior year. Lower gross profit was partially offset by reduced costs associated with a 14% decrease in catalog circulation and lower payroll costs offset by increased severance associated with a reduction in headcount.

Other Selected Financial Results

Operating income was \$12.3 million as compared to \$36.4 million in the prior year. This quarter, HSNi recognized \$10.3 million of non-cash compensation expense (\$7.5 million for HSN and \$2.8 million for Cornerstone) due principally to the modification of stock-based awards in connection with the spin-off from IAC as compared to \$2.5 million of non-cash compensation recorded in the prior year.

HSNi's effective income tax rate for continuing operations was 19% for the third quarter of 2008 as compared to 38% in the prior year. The decrease in the tax rate is primarily due to the settlement of certain income tax related liabilities.

Liquidity and Capital Resources

For the nine months ended September 30, 2008, HSNi generated net cash provided by operating activities of \$24.0 million and had cash and cash equivalents as of September 30, 2008 of \$56.4 million.

In connection with the spin-off from IAC, HSNi entered into a \$150 million term loan and a \$150 million revolving credit facility and issued \$240 million of 11.25% senior notes. The net proceeds from the term loan and senior notes, less \$50 million in cash retained by HSNi, were used to fund a \$334 million cash distribution to IAC. Interest expense for the third quarter of 2008 was \$6.5 million.

Subsequent to quarter end, HSNi borrowed \$40 million under its revolving credit facility. HSNi took this measure due to the current uncertainty in the credit markets and in order to ensure financial flexibility. To the extent necessary, the funds will be used to support working capital needs.

KEY OPERATING METRICS

	Q3 2008	Q3 2007	Change
HSN, Inc.	(a)		
Units shipped (mm)	12.3	12.5	(2%)
Gross profit%	35.1%	37.6%	(250 bps)
Return rate	18.7%	18.8%	(10 bps)
Average price point	\$ 61.48	\$ 61.08	1%
Internet net sales %	(b) 35.2%	32.5%	7%

(a) HSN, Inc. includes HSN and Cornerstone for all periods presented.

(b) Internet sales as a percent of total HSN, Inc. net sales.

OTHER INFORMATION

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This press release may contain forward-looking statements relating to the future performance of HSNi and its consolidated subsidiaries that are

based on current expectations, forecasts and assumptions. HSNi's actual results could differ materially from those predicted. Factors that could cause or contribute to such differences include but are not limited to: the impact of the credit crisis; the economic downturn and other changes in political, business and economic conditions, including conditions that affect consumer confidence, consumer spending or ecommerce growth; changes in the interest rate environment or overall credit markets; HSNi's business prospects and strategy in light of the recently completed spin-off transaction; changes in our relationships with pay television operators, vendors, manufacturers and other third parties; technological or regulatory changes; changes in senior management; our ability to offer new or alternative products and services in a cost effective manner and consumer acceptance of these products and services; and changes in product delivery costs. More information about potential factors that could affect HSNi's business and financial results is included in our filings with the U.S. Securities and Exchange Commission ("SEC"), including the "Risk Factors" section of the HSNi's 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, any forward-looking statements may not prove to be accurate. Accordingly, you should not place undue reliance on any forward-looking statements, which only reflect the views of HSNi management as of the date of this press release. Reported results should not be considered as an indication of future performance. HSNi does not undertake to update any forward-looking statements.

Conference Call

Mindy Grossman, Chief Executive Officer, and Judy Schmeling, Executive Vice President and Chief Financial Officer, will hold a conference call on November 6, 2008 at 11:00 a.m, Eastern Time, to discuss these results. Those interested in participating in the conference should call 877-741-4249 or 719-325-4790 at least five minutes prior to the call. There will also be a simultaneous audio webcast available via the company's website at <http://www.hsn.com>.

Replays of the conference call can be accessed from 2:00 p.m., Eastern Time, on Thursday, November 6, until midnight, Eastern Time, on Thursday, November 20, by dialing 888-203-1112 or 719-457-0820, plus the passcode 4859621.

About HSN, Inc.

HSN, Inc. (Nasdaq:HSNI) is a \$3 billion interactive multi-channel retailer with strong direct-to-consumer expertise among its two operating segments, HSN and Cornerstone Brands. HSNi offers innovative, differentiated retail experiences on TV, online, in catalogs, and in brick and mortar stores. HSNi ships 50 million products and handles 50 million inbound customer calls annually. HSN, which created the television retail industry 31 years ago, now reaches approximately 90 million homes (24 hours a day, seven days a week, live 364 days a year). HSN.com ranks in the top 30 of the top 500 internet retailers, is one of the top 10 trafficked e-commerce sites, and has more than a quarter million unique users every day. In addition to its existing media platforms, HSN is the industry leader in technological innovation including services such as Shop by Remote, the only service of its kind in the U.S., and Video on Demand. Cornerstone Brands comprises leading home and apparel lifestyle brands including Ballard Design, Frontgate, Garnet Hill, Improvements, Smith+Noble, The Territory Ahead and Travelsmith. Cornerstone Brands distributes 345 million catalogs annually, operates seven separate e-commerce sites and operates 25 retail stores.

GAAP FINANCIAL STATEMENTS

HSN, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited; in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net sales	\$ 672,348	\$ 680,762	\$2,045,060	\$2,028,974
Cost of sales	436,522	424,468	1,325,185	1,264,648
Gross profit	235,826	256,294	719,875	764,326
Operating expenses:				
Selling and marketing	134,106	139,065	415,102	429,075
General and administrative	58,528	52,222	168,688	157,262
Production and programming	15,980	13,630	44,791	42,377
Amortization of non-cash marketing	3,761	3,993	8,022	4,442
Amortization and impairment of intangibles	1,755	2,197	84,209	8,983
Depreciation	9,380	8,760	27,801	25,849
Goodwill impairment	--	--	221,500	--
Total operating expenses	223,510	219,867	970,113	667,988
Operating income (loss)	12,316	36,427	(250,238)	96,338
Other (expense) income:				

Interest expense	(6,461)	--	(6,461)	--
Other income (expense)	365	36	404	(31)
	-----	-----	-----	-----
Total other (expense) income, net	(6,096)	36	(6,057)	(31)
	-----	-----	-----	-----
Income (loss) from continuing operations before income taxes	6,220	36,463	(256,295)	96,307
Income tax (provision) benefit	(1,202)	(13,874)	21,342	(36,645)
	-----	-----	-----	-----
Income (loss) from continuing operations	5,018	22,589	(234,953)	59,662
(Loss) gain on sale of discontinued operations, net of tax	--	(4,223)	--	30,572
(Loss) income from discontinued operations, net of tax	(2,837)	(1,711)	(3,366)	18,114
	-----	-----	-----	-----
Net income (loss)	\$ 2,181	\$ 16,655	\$ (238,319)	\$ 108,348
	=====	=====	=====	=====
Income (loss) from continuing operations per share:				
Basic	\$ 0.09	\$ 0.40	\$ (4.18)	\$ 1.06
Diluted	\$ 0.09	\$ 0.40	\$ (4.18)	\$ 1.05
Net income (loss) per share:				
Basic	\$ 0.04	\$ 0.30	\$ (4.24)	\$ 1.93
Diluted	\$ 0.04	\$ 0.29	\$ (4.24)	\$ 1.91
Shares used in computing earnings per share:				
Basic	56,207	56,206	56,206	56,206
Diluted	56,665	56,649	56,206	56,649

SEE IMPORTANT NOTES AT END OF THIS DOCUMENT

HSN, INC. CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2008	December 31, 2007
	----- (unaudited)	----- (audited)
ASSETS		
Cash and cash equivalents	\$ 56,365	\$ 6,220
Accounts receivable, net	135,093	192,609
Inventories	363,298	317,411
Deferred income taxes	7,070	24,606
Prepaid expenses and other current assets	61,808	55,182
	-----	-----
Total current assets	623,634	596,028
Property and equipment, net	152,131	155,805
Goodwill	2,662,700	2,884,389
Intangible assets, net	487,453	571,662
Other non-current assets	23,841	12,747
	-----	-----
TOTAL ASSETS	\$ 3,949,759	\$ 4,220,631
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	\$ 206,619	\$ 260,531
Current maturities of long-term debt	11,287	--
Accrued expenses and other current liabilities	151,243	188,312
	-----	-----
Total current liabilities	369,149	448,843
Long-term debt, less current liabilities	377,230	--
Deferred income taxes	795,199	819,969
Other long-term liabilities	8,363	8,933
	-----	-----
Total liabilities	1,549,941	1,277,745
TOTAL SHAREHOLDERS' EQUITY	2,399,818	2,942,886
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,949,759	\$ 4,220,631
	=====	=====

SEE IMPORTANT NOTES AT END OF THIS DOCUMENT

HSN, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

	Nine Months Ended September 30,	
	2008	2007
	-----	-----
Cash flows from operating activities attributable to continuing operations:		
Net (loss) income	\$ (238,319)	\$ 108,348
Less: (loss) income from discontinued operations, net of tax	(3,366)	48,686
	-----	-----
(Loss) income from continuing operations	(234,953)	59,662
Adjustments to reconcile (loss) income from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Depreciation	27,801	25,849
Amortization and impairment of intangibles	84,691	8,983
Goodwill impairment	221,500	--
Non-cash compensation expense	18,025	8,730
Amortization of cable and satellite distribution fees	3,068	3,659
Amortization of non-cash marketing	8,022	4,442
Deferred income taxes	(30,017)	(12,263)
Bad debt expense	14,048	8,939
Changes in current assets and liabilities:		
Accounts receivable	43,529	(5,875)
Inventories	(45,887)	(53,917)
Prepaid and other current assets	(6,932)	(5,895)
Accounts payable and other current liabilities	(78,876)	(20,594)
	-----	-----
Net cash provided by operating activities attributable to continuing operations	24,019	21,720
	-----	-----
Cash flows from investing activities attributable to continuing operations:		
Capital expenditures	(26,732)	(33,106)
Transfers from IAC	17,021	9,779
Other, net	--	128
	-----	-----
Net cash used in investing activities attributable to continuing operations	(9,711)	(23,199)
	-----	-----
Cash flows from financing activities attributable to continuing operations:		
Proceeds from issuance of long-term debt, net of issuance costs	373,894	--
Principal payments on long-term obligations	(140)	--
Distribution to IAC in connection with the spin-off	(333,799)	--
Excess tax benefits from stock-based awards	135	2,177
	-----	-----
Net cash provided by financing activities attributable to continuing operations	40,090	2,177
	-----	-----
Total cash provided by continuing operations	54,398	698
Total cash used in discontinued operations	(6,286)	(50,860)
Effect of exchange rate changes on cash and cash equivalents	2,033	937
	-----	-----
Net increase (decrease) in cash and cash equivalents	50,145	(49,225)
Cash and cash equivalents at beginning of period	6,220	53,367
	-----	-----
Cash and cash equivalents at end of period	\$ 56,365	\$ 4,142
	=====	=====

SEE IMPORTANT NOTES AT END OF THIS DOCUMENT

RECONCILIATIONS OF GAAP TO NON-GAAP MEASURES

HSN, INC. RECONCILIATION OF GAAP EPS TO ADJUSTED EPS

(unaudited; in thousands except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Diluted earnings (loss) per share	\$ 0.04	\$ 0.29	\$ (4.24)	\$ 1.91
Net income (loss)	\$ 2,181	\$ 16,655	\$ (238,319)	\$ 108,348
Non-cash compensation expense	10,288	2,473	18,025	8,730
Amortization of non-cash marketing expense	3,761	3,993	8,022	4,442
Amortization and impairment of intangibles	1,755	2,197	84,209	8,983
Goodwill impairment	--	--	221,500	--
Loss (gain) on sale of discontinued operations, net of tax	--	4,223	--	(30,572)
Loss (income) from discontinued operations, net of tax	2,837	1,711	3,366	(18,114)
Impact of income taxes	(5,992)	(3,294)	(48,654)	(8,422)
Adjusted Net Income	\$ 14,830	\$ 27,958	\$ 48,149	\$ 73,395
GAAP diluted weighted average shares outstanding	56,665	56,649	56,652	56,649
Adjusted EPS	\$ 0.26	\$ 0.49	\$ 0.85	\$ 1.30

HSN, INC. RECONCILIATION OF DETAILED SEGMENT RESULTS TO GAAP
(unaudited; \$ in thousands)

	Three Months Ended September 30, 2008			Three Months Ended September 30, 2007		
	HSN	Corner- stone	Total	HSN	Corner- stone	Total
Operating income (loss)	\$17,223	\$ (4,907)	\$ 12,316	\$ 30,217	\$ 6,210	\$36,427
Non-cash compensation expense	7,438	2,850	10,288	1,279	1,194	2,473
Amortization of non-cash marketing	3,761	--	3,761	3,993	--	3,993
Amortization of intangibles	142	1,613	1,755	142	2,055	2,197
Depreciation	6,890	2,490	9,380	6,468	2,292	8,760
Adjusted EBITDA	\$ 35,454	\$ 2,046	\$ 37,500	\$ 42,099	\$11,751	\$53,850

	Nine Months Ended September 30, 2008			Nine Months Ended September 30, 2007		
	HSN	Corner- stone	Total	HSN	Corner- stone	Total
Operating income (loss)	\$ 64,042	\$ (314,280)	\$ (250,238)	\$ 76,388	\$19,950	\$ 96,338
Non-cash compensation expense	12,664	5,361	18,025	4,317	4,413	8,730
Amortization of non-cash marketing	8,022	--	8,022	4,442	--	4,442
Amortization and impairment of intangibles	426	83,783	84,209	2,442	6,541	8,983
Goodwill impairment	--	221,500	221,500	--	--	--

Depreciation	20,210	7,591	27,801	19,322	6,527	25,849
Adjusted EBITDA	\$105,364	\$ 3,955	\$ 109,319	\$106,911	\$37,431	\$144,342

SEE IMPORTANT NOTES AT END OF THIS DOCUMENT

HSN, INC.'S PRINCIPLES OF FINANCIAL REPORTING

HSNi reports Adjusted EBITDA, Adjusted Net Income and Adjusted EPS, all of which are supplemental measures to GAAP. These measures are among the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. We believe that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. HSNi endeavors to compensate for the limitations of the non-GAAP measures presented by providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measures. We encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures contained in this release and which we discuss below.

Definitions of Non-GAAP Measures

Adjusted EBITDA 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) depreciation, (4) goodwill impairment, (5) pro forma adjustments for significant acquisitions, and (6) one-time items. We believe this measure is useful to investors because it represents the consolidated operating results from HSNi's segments, but excludes the effects of non-cash expenses or one-time items. Adjusted EBITDA 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, non-cash marketing, amortization and impairment of intangibles, depreciation and one-time items.

Adjusted Net Income generally captures all items on the statement of operations that have been, or ultimately will be, settled in cash and is defined as net income available to common shareholders excluding, net of tax effects, if applicable: (1) non-cash compensation expense, (2) amortization of non-cash marketing, (3) amortization and impairment of intangibles, (4) goodwill impairment, (5) pro forma adjustments for significant acquisitions, (6) one-time items, and (7) discontinued operations. We believe Adjusted Net Income is useful to investors because it represents HSNi's consolidated results taking into account charges which are not allocated to the operating businesses such as interest expense and taxes, but excluding the effects of any other non-cash expenses or one-time items.

Adjusted EPS is defined as Adjusted Net Income divided by fully diluted weighted average shares outstanding for Adjusted EPS purposes. We believe Adjusted EPS is useful to investors because it represents, on a per share basis, HSNi's consolidated results, taking into account charges which are not allocated to the operating businesses such as interest expense and taxes, but excluding the effects of any other non-cash expenses or one-time items. Adjusted Net Income and Adjusted EPS have the same limitations as Adjusted EBITDA. Therefore, we think it is important to evaluate these measures along with our consolidated statement of operations.

Pro Forma Results

We will only present Adjusted EBITDA, Adjusted Net Income and Adjusted EPS on a pro forma basis if we view a particular transaction as significant in size or transformational in nature. For the periods presented in this release, there are no transactions that we have included on a pro forma basis.

One-Time Items

Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are presented before one-time items, if applicable. These items are truly one-time in nature and non-recurring, infrequent or unusual, and have not occurred in the past two years or are not expected to recur in the next two years, in accordance with SEC rules. GAAP results include one-time items. For the periods presented in this release, there are no adjustments for any one-time items.

Basis of Presentation

On November 5, 2007, IAC announced its plan to separate into five independent public companies in order to better achieve certain strategic objectives of the various businesses. This transaction is referred to as the "Spin-Off."

On August 21, 2008, HSN, Inc. became an independent public company and began trading on the Nasdaq Stock Market under the symbol "HSNI." These unaudited consolidated financial statements present our results of operations, financial position, shareholders' equity and cash flows of HSN, Inc. on a combined basis up through the Spin-Off and on a consolidated basis thereafter.

For the three and nine months ended September 30, 2007, we computed basic earnings per share using the number of shares of common stock outstanding immediately following the Spin-Off, as if such shares were outstanding for the entire period. The diluted earnings per share for prior periods was computed based upon the dilutive impact of all stock-based awards outstanding immediately following the Spin-Off, as if such awards were outstanding for the entire period.

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