

**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): **August 1, 2013**

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)

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

Not Applicable
(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 August 1, 2013, HSN, Inc., a Delaware corporation ("HSNi"), announced its financial results for the quarter ended June 30, 2013. A copy of HSNi's earnings press release is furnished as Exhibit 99.1 to this report on Form 8-K and is incorporated herein by this reference. The information contained in this report, including Exhibit 99.1, shall not be deemed "filed" with the U.S. Securities and Exchange Commission ("SEC") nor incorporated by reference in any registration statement filed by HSNi under the Securities Act of 1933, as amended (the "Securities Act").

Item 7.01. Regulation FD Disclosure.

On August 1, 2013, HSNi announced its financial results for the quarter ended June 30, 2013. A copy of HSNi's earnings press release is furnished as Exhibit 99.1 to this report on Form 8-K and is incorporated herein by this reference. The information contained in this report, including Exhibit 99.1, shall not be deemed "filed" with the SEC nor incorporated by reference in any registration statement filed by HSNi under the Securities Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release dated August 1, 2013

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.

Date: August 1, 2013

By: /s/ JUDY A. SCHMELING
Judy A. Schmeling
Chief Operating Officer and Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit</u> | <u>Description</u> |
|----------------|------------------------------------|
| 99.1 | Press Release dated August 1, 2013 |

HSN, Inc. Reports Second Quarter 2013 Results

Highlights for the Second Quarter 2013:

- Diluted EPS From Continuing Operations Increased 30% to \$0.79 Per Share
- Net Sales Increased 6% With Digital Sales Up 10%
- Adjusted EBITDA Increased 7%

ST. PETERSBURG, Fla., Aug. 1, 2013 (GLOBE NEWSWIRE) -- HSN, Inc. (Nasdaq:HSNI) reported results for the second quarter ended June 30, 2013 for HSN, Inc. ("HSNi" or "Company") and its two operating segments, HSN and Cornerstone.

Table 1

SUMMARY RESULTS AND KEY OPERATING METRICS (a)

(\$ in millions, except per share and average price point amounts)

| | Q2 2013 | Q2 2012 | Change |
|--|----------|----------|----------|
| Net Sales | \$ 812.6 | \$ 767.2 | 6% |
| Adjusted EBITDA (Non-GAAP) | \$ 85.2 | \$ 79.6 | 7% |
| GAAP: | | | |
| Operating Income | \$ 71.3 | \$ 65.3 | 9% |
| Income from continuing operations | \$ 43.3 | \$ 35.6 | 22% |
| Diluted EPS from continuing operations | \$ 0.79 | \$ 0.61 | 30% |
| HSNi: | | | |
| Average price point | \$ 64.25 | \$ 64.54 | (0%) |
| Units shipped (millions) | 14.2 | 13.5 | 5% |
| Gross margin | 38.0% | 38.2% | (20 bps) |
| Return rate | 17.0% | 17.8% | 80 bps |
| Digital sales penetration | 45.1% | 43.4% | 170 bps |

(a) HSNi's two operating segments, HSN and Cornerstone, are presented separately in Tables 2 and 3 of this release.

See reconciliation of Non-GAAP to GAAP measures in Table 4.

Second Quarter 2013 Results vs Second Quarter 2012 Results

- HSNi's net sales grew 6% over the prior year to \$812.6 million. HSN's net sales increased 5% to \$526.2 million, including 10% growth in digital sales. Cornerstone's net sales increased 8% to \$286.4 million, including 10% growth in digital sales.
- HSNi's Adjusted EBITDA increased 7% to \$85.2 million. These results were driven by a 6% increase in net sales offset by a 20 basis point decrease in gross margin and a 5% increase in operating expenses (excluding non-cash charges). Operating income increased 9% to \$71.3 million.
- Diluted EPS from continuing operations increased 30% to \$0.79 compared to \$0.61 in the prior year.
- During the second quarter, HSNi repurchased approximately 0.9 million shares of its common stock at a cost of \$49.8 million, or an average cost of \$52.95 per share. From inception of the share repurchase program in September 2011 through July 31, 2013, HSNi repurchased a total of 8.4 million shares at an aggregate cost of \$365.5 million, representing an average cost of \$43.31 per share.

"Our strong financial performance during the second quarter is a result of the uniqueness of our customer experiences, the power of our digital platforms and the quality of our brands and products," said Mindy Grossman, CEO of HSN, Inc. "Sales for the quarter were up 6%, digital sales increased 10% and EPS grew 30%. In addition, we continued returning value to shareholders through our share repurchase and cash dividend programs."

Table 2

SEGMENT RESULTS

(\$ in millions)

| | Three Months Ended June 30, (a) | | | Six Months Ended June 30, (b) | | |
|-----------|------------------------------------|----------|--------|----------------------------------|------------|--------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| Net Sales | | | | | | |
| HSN | \$ 526.2 | \$ 501.9 | 5% | \$ 1,076.3 | \$ 1,043.9 | 3% |

| | | | | | | |
|------------------------------------|-----------------|-----------------|-----------|-------------------|-------------------|-----------|
| Cornerstone | 286.4 | 265.3 | 8% | 508.9 | 461.2 | 10% |
| Total HSNi | <u>\$ 812.6</u> | <u>\$ 767.2</u> | <u>6%</u> | <u>\$ 1,585.3</u> | <u>\$ 1,505.1</u> | <u>5%</u> |
| Gross Profit | | | | | | |
| HSN | \$ 187.5 | \$ 181.7 | 3% | \$ 379.8 | \$ 370.1 | 3% |
| Cornerstone | 121.3 | 111.7 | 9% | 209.1 | 190.3 | 10% |
| Total HSNi | <u>\$ 308.8</u> | <u>\$ 293.4</u> | <u>5%</u> | <u>\$ 588.9</u> | <u>\$ 560.4</u> | <u>5%</u> |
| Adjusted EBITDA (Non-GAAP measure) | | | | | | |
| HSN | \$ 57.1 | \$ 52.7 | 8% | \$ 116.1 | \$ 110.0 | 5% |
| Cornerstone | 28.0 | 26.9 | 4% | 35.9 | 35.8 | 0% |
| Total HSNi | <u>\$ 85.2</u> | <u>\$ 79.6</u> | <u>7%</u> | <u>\$ 152.0</u> | <u>\$ 145.9</u> | <u>4%</u> |
| Operating Income | | | | | | |
| HSN | \$ 47.0 | \$ 43.3 | 8% | \$ 95.6 | \$ 90.8 | 5% |
| Cornerstone | 24.3 | 22.0 | 10% | 28.2 | 25.8 | 9% |
| Total HSNi | <u>\$ 71.3</u> | <u>\$ 65.3</u> | <u>9%</u> | <u>\$ 123.8</u> | <u>\$ 116.6</u> | <u>6%</u> |

(a) Chasing Fireflies was acquired on April 1, 2012; therefore, the acquisition had no impact on the comparability of periods for the three months ended June 30.

(b) HSN's results for the six months ended June 30, 2012 included one extra day versus the current period because of leap year.

See reconciliation of Non-GAAP to GAAP measures in Table 4.

Table 3

SEGMENT KEY OPERATING METRICS

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--------------------------------|--------------------------------|----------|----------|------------------------------|----------|----------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| HSN: | | | | | | |
| Average price point | \$ 56.49 | \$ 58.64 | (4%) | \$ 57.17 | \$ 60.95 | (6%) |
| Units shipped (millions) | 10.9 | 10.2 | 7% | 22.3 | 20.4 | 10% |
| Gross margin | 35.6% | 36.2% | (60 bps) | 35.3% | 35.5% | (20 bps) |
| Return rate | 19.1% | 19.9% | 80 bps | 19.6% | 19.6% | 0 bps |
| Digital sales penetration | 35.4% | 33.8% | 160 bps | 35.5% | 34.4% | 110 bps |
| Cornerstone: | | | | | | |
| Average price point | \$ 89.03 | \$ 81.73 | 9% | \$ 80.64 | \$ 76.59 | 5% |
| Units shipped (millions) | 3.3 | 3.3 | 0% | 6.5 | 6.2 | 5% |
| Gross margin | 42.4% | 42.1% | 30 bps | 41.1% | 41.3% | (20 bps) |
| Return rate | 12.6% | 13.3% | 70 bps | 13.1% | 13.7% | 60 bps |
| Digital sales penetration | 62.9% | 61.7% | 120 bps | 64.7% | 62.6% | 210 bps |
| Catalog circulation (millions) | 79.1 | 77.2 | 2% | 154.8 | 145.8 | 6% |

HSN Segment Results for the Second Quarter 2013

HSN's net sales were \$526.2 million, an increase of 5% from the prior year. Digital sales grew 10% with penetration increasing 160 basis points to 35.4%. Sales grew in home design, household, electronics and apparel & accessories, offset by lower sales in jewelry and culinary. Net sales were favorably affected by lower return rates. The average price point decreased 4% while units shipped increased 7% primarily due to an increase in clearance activity.

Gross profit increased 3% to \$187.5 million. Gross margin decreased 60 basis points to 35.6% primarily due to an increase in shipping and handling promotions.

Operating expenses (excluding non-cash charges) increased 1% to \$130.3 million. Adjusted EBITDA increased 8% to \$57.1 million compared to \$52.7 million in the prior year. Operating income increased 8% to \$47.0 million compared to \$43.3 million in the prior year.

Cornerstone Segment Results for the Second Quarter 2013

Cornerstone's net sales were \$286.4 million, an increase of 8% from the prior year. The increase in net sales was driven by sales growth in the home brands. Digital sales grew 10% with penetration increasing 120 basis points to 62.9%.

Gross profit increased 9% to \$121.3 million. Gross margin increased 30 basis points to 42.4% primarily due to higher product margins.

Operating expenses (excluding non-cash charges) increased 10% to \$93.3 million largely due to an increase in selling and marketing costs, particularly catalog production and distribution costs, and reorganization costs. Adjusted EBITDA increased 4% to \$28.0 million. Operating income, which was positively impacted by a decrease in stock-based compensation expense, increased 10% to \$24.3 million.

Liquidity and Capital Resources

As of June 30, 2013, HSNi had cash and cash equivalents of \$92.0 million compared to \$222.1 million at December 31, 2012 and \$181.3 million at June 30, 2012. Net cash provided by operating activities in the six months ended June 30, 2013 was \$31.4 million compared to cash used of \$3.0 million in the prior year, an improvement of \$34.4 million, primarily due to improved operating performance and changes in working capital.

Effective August 1, 2013, HSNi's board of directors approved a quarterly cash dividend of \$0.18 per share payable September 18, 2013 to shareholders of record as of September 4, 2013.

During the second quarter, HSNi repurchased approximately 0.9 million shares of its common stock at a cost of \$49.8 million, or an average cost of \$52.95 per share. From inception of the share repurchase program in September 2011 through July 31, 2013, HSNi repurchased a total of 8.4 million shares at an aggregate cost of \$365.5 million, representing an average cost of \$43.31 per share. HSNi is authorized to purchase up to 10 million shares under the repurchase program authorized in September 2011.

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, its operating segments and its consolidated subsidiaries that are based on current expectations, forecasts and assumptions. These statements relate to expectations concerning matters that are not historical fact. These forward-looking statements are based largely on information currently available to our management and on our current expectations, assumptions, plans, estimates, judgments and projections about our business and our industry, and such statements involve inherent risks and uncertainties. Although we believe our expectations are based on reasonable estimates and assumptions, they are not guarantees of performance and there are a number of known and unknown risks, uncertainties, contingencies and other factors (many of which are outside our control) that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include but are not limited to: the influence of the macroeconomic environment and its impact on consumer confidence and spending levels; changes in our relationships with pay television operators, vendors, manufacturers and other third parties; changes in shipping and handling costs, particularly if we are unable to offset them; any technological or regulatory developments that could negatively impact the way we do business, including developments requiring us to collect and remit state and local sales and use taxes; risks associated with possible systems failures and/or security breaches, including any security breach that results in the theft, transfer or unauthorized disclosure of customer, employee or company information, or the failure to comply with various laws applicable to HSNi in the event of such a breach; HSNi's business prospects and strategy, including whether HSNi's initiatives and investments will be effective; our ability to offer new or innovative products and services through various platforms in a cost effective manner and consumer acceptance of these products and services; and the loss of any key member of our senior management team. 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. 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. All written or oral forward-looking statements that are made or attributable to us are expressly qualified in their entirety by this cautionary notice. 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. Such statements speak only to the date such statements are made and HSNi does not undertake to update any forward-looking statements. Historical results should not be considered as an indication of future performance.

Conference Call

Mindy Grossman, Chief Executive Officer, and Judy Schmeling, Chief Operating Officer and Chief Financial Officer, will hold a conference call on Thursday, August 1, 2013 at 9:00 a.m., Eastern Time, to discuss these results. Those interested in participating in the conference call should dial 877-307-0246 or 224-357-2394 at least five minutes prior to the call. There will also be a simultaneous audio webcast available via HSNi's website at <http://www.hsn.com>.

A replay of the conference call can be accessed until Thursday, August 15, 2013 by dialing 800-585-8367 or 404-537-3406, plus the pass code 13814363 and will also be hosted on the company's website for a limited time.

About HSN, Inc.

HSN, Inc. (Nasdaq:HSNI) is a \$3.3 billion interactive multichannel retailer with strong direct-to-consumer expertise among its two operating segments, HSN and Cornerstone. HSNi offers innovative, differentiated retail experiences on TV, online, via mobile devices, in catalogs, and in brick and mortar stores. HSN, a leading interactive multichannel retailer which offers a curated assortment of exclusive products combined with top brand names, now reaches 95 million homes (24 hours a day, seven days a week, live 364 days a year). HSN.com offers a differentiated digital experience by leveraging content, community and commerce. In addition to its existing media platforms, HSN is the industry leader in transactional innovation, including services such as HSN Shop by Remote[®], the only service of its kind in the U.S., the HSN Shopping App for mobile handheld devices and HSN on Demand[®]. Cornerstone comprises leading home and apparel lifestyle brands including Ballard Designs[®], Chasing Fireflies[®], Frontgate[®], Garnet Hill[®], Grandin Road[®], Improvements[®] and TravelSmith[®]. Cornerstone distributes more than 300 million catalogs annually, operates eight separate digital sales sites and operates 11 retail and outlet stores.

GAAP FINANCIAL STATEMENTS

HSN, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; in thousands except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------------|------------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | \$ 812,606 | \$ 767,187 | \$ 1,585,257 | \$ 1,505,095 |
| Cost of sales | 503,829 | 473,739 | 996,333 | 944,733 |
| Gross profit | 308,777 | 293,448 | 588,924 | 560,362 |
| Operating expenses: | | | | |
| Selling and marketing | 174,875 | 166,467 | 339,417 | 318,183 |
| General and administrative | 52,652 | 52,050 | 105,786 | 107,023 |
| Depreciation and amortization | 9,951 | 9,589 | 19,904 | 18,555 |
| Total operating expenses | 237,478 | 228,106 | 465,107 | 443,761 |
| Operating income | 71,299 | 65,342 | 123,817 | 116,601 |
| Interest expense, net | (1,661) | (7,849) | (3,301) | (15,184) |
| Income from continuing operations before income taxes | 69,638 | 57,493 | 120,516 | 101,417 |
| Income tax provision | (26,367) | (21,882) | (45,692) | (38,518) |
| Income from continuing operations | 43,271 | 35,611 | 74,824 | 62,899 |
| Income (loss) from discontinued operations, net of tax | 9 | (4,864) | -- | (5,982) |
| Net income | <u>\$ 43,280</u> | <u>\$ 30,747</u> | <u>\$ 74,824</u> | <u>\$ 56,917</u> |
| Income from continuing operations per share | | | | |
| Basic | \$ 0.81 | \$ 0.63 | \$ 1.38 | \$ 1.09 |
| Diluted | \$ 0.79 | \$ 0.61 | \$ 1.35 | \$ 1.06 |
| Net income per share | | | | |
| Basic | \$ 0.81 | \$ 0.54 | \$ 1.38 | \$ 0.99 |
| Diluted | \$ 0.79 | \$ 0.53 | \$ 1.35 | \$ 0.96 |
| Shares used in computing earnings per share | | | | |
| Basic | 53,541 | 56,970 | 54,161 | 57,640 |
| Diluted | 54,728 | 58,450 | 55,500 | 59,251 |
| Dividends declared per common share | \$ 0.18 | \$ 0.125 | \$ 0.36 | \$ 0.25 |

HSN, INC. CONSOLIDATED BALANCE SHEETS
(unaudited; in thousands)

| | June 30, 2013 | December 31, 2012 | June 30, 2012 |
|--|---------------------|----------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 91,976 | \$ 222,092 | \$ 181,314 |
| Accounts receivable, net | 183,940 | 249,890 | 153,119 |
| Inventories | 355,879 | 330,936 | 340,806 |
| Deferred income taxes | 29,585 | 27,603 | 23,040 |
| Prepaid expenses and other current assets | 62,667 | 46,172 | 63,682 |
| Total current assets | 724,047 | 876,693 | 761,961 |
| Property and equipment, net | 171,019 | 171,303 | 158,610 |
| Intangible assets, net | 266,023 | 266,876 | 268,057 |
| Goodwill | 9,858 | 9,858 | 9,858 |
| Other non-current assets | 8,348 | 7,222 | 11,093 |
| TOTAL ASSETS | <u>\$ 1,179,295</u> | <u>\$ 1,331,952</u> | <u>\$ 1,209,579</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable, trade | \$ 212,530 | \$267,061 | \$ 209,314 |
| Current maturities of long-term debt | 12,500 | 9,375 | -- |
| Accrued expenses and other current liabilities | 156,193 | 215,389 | 170,015 |
| Total current liabilities | 381,223 | 491,825 | 379,329 |
| Long-term debt, less current maturities | 234,375 | 240,625 | 239,208 |
| Deferred income taxes | 85,495 | 79,002 | 75,094 |

| | | | |
|---|----------------------------|----------------------------|----------------------------|
| Other long-term liabilities | <u>11,346</u> | <u>15,986</u> | <u>15,946</u> |
| Total liabilities | <u>712,439</u> | <u>827,438</u> | <u>709,577</u> |
| Total shareholders' equity | <u>466,856</u> | <u>504,514</u> | <u>500,002</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 1,179,295</u> | <u>\$ 1,331,952</u> | <u>\$ 1,209,579</u> |

HSN, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited; in thousands)

| | Six Months Ended June 30, | |
|--|--------------------------------------|-------------------|
| | 2013 | 2012 |
| Cash flows from operating activities attributable to continuing operations: | | |
| Net income | \$ 74,824 | \$ 56,917 |
| Income (loss) from discontinued operations, net of tax | -- | (5,982) |
| Income from continuing operations | 74,824 | 62,899 |
| Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities attributable to continuing operations: | | |
| Depreciation and amortization | 19,904 | 18,555 |
| Stock-based compensation expense | 7,254 | 10,650 |
| Amortization of debt issuance costs | 563 | 1,422 |
| Loss on disposition of fixed assets | 1,019 | 74 |
| Deferred income taxes | 3,536 | (1,775) |
| Bad debt expense | 10,018 | 10,477 |
| Excess tax benefits from stock-based awards | (5,295) | (15,235) |
| Other | -- | 42 |
| Changes in current assets and liabilities: | | |
| Accounts receivable | 55,719 | 58,763 |
| Inventories | (24,943) | (45,987) |
| Prepaid expenses and other assets | (16,345) | (15,499) |
| Accounts payable, accrued expenses and other liabilities | (94,855) | (87,403) |
| Net cash provided by (used in) operating activities attributable to continuing operations | 31,399 | (3,017) |
| Cash flows from investing activities attributable to continuing operations: | | |
| Capital expenditures | (22,741) | (19,012) |
| Acquisition of business, net of cash received | -- | (22,875) |
| Proceeds received on sale of subsidiary | -- | 5,000 |
| Net cash used in investing activities attributable to continuing operations | (22,741) | (36,887) |
| Cash flows from financing activities attributable to continuing operations: | | |
| Repayment of long-term debt | (3,125) | -- |
| Payments of debt issuance costs | -- | (4,607) |
| Repurchase of common stock | (112,683) | (143,718) |
| Cash dividends paid | (19,486) | (14,347) |
| Proceeds from issuance of common stock | 3,272 | 5,399 |
| Tax withholdings related to stock-based awards | (11,900) | (13,965) |
| Excess tax benefits from stock-based awards | 5,295 | 15,235 |
| Net cash used in financing activities attributable to continuing operations | (138,627) | (156,003) |
| Total cash used in continuing operations | (129,969) | (195,907) |
| Cash flows from discontinued operations: | | |
| Net cash used in operating activities attributable to discontinued operations | (147) | (4,425) |
| Net cash used in investing activities attributable to discontinued operations | -- | (162) |
| Total cash used in discontinued operations | (147) | (4,587) |
| Net decrease in cash and cash equivalents | (130,116) | (200,494) |
| Cash and cash equivalents at beginning of period | 222,092 | 381,808 |
| Cash and cash equivalents at end of period | \$ 91,976 | \$ 181,314 |

Table 4

RECONCILIATIONS OF NON-GAAP TO GAAP MEASURES

HSN, INC. RECONCILIATION OF NON-GAAP TO GAAP DETAILED SEGMENT RESULTS

(unaudited; in thousands)

| | Three Months Ended June 30, 2013 | | | Three Months Ended June 30, 2012 | | |
|--|-------------------------------------|------------------|------------------|-------------------------------------|------------------|------------------|
| | HSN | Cornerstone | Total | HSN | Cornerstone | Total |
| Adjusted EBITDA | \$ 57,135 | \$ 28,017 | \$ 85,152 | \$ 52,709 | \$ 26,903 | \$ 79,612 |
| Stock-based compensation expense | (2,761) | (784) | (3,545) | (2,752) | (1,898) | (4,650) |
| Depreciation and amortization | (7,037) | (2,914) | (9,951) | (6,609) | (2,980) | (9,589) |
| Loss on disposition of fixed assets | (357) | -- | (357) | (31) | -- | (31) |
| Operating income | <u>\$ 46,980</u> | <u>\$ 24,319</u> | 71,299 | <u>\$ 43,317</u> | <u>\$ 22,025</u> | 65,342 |
| Interest expense, net | | | (1,661) | | | (7,849) |
| Income from continuing operations before income taxes | | | 69,638 | | | 57,493 |
| Income tax provision | | | (26,367) | | | (21,882) |
| Income from continuing operations | | | 43,271 | | | 35,611 |
| Income (loss) from discontinued operations, net of tax | | | 9 | | | (4,864) |
| Net income | | | <u>\$ 43,280</u> | | | <u>\$ 30,747</u> |

| | Six Months Ended June 30, 2013 | | | Six Months Ended June 30, 2012 | | |
|--|-----------------------------------|------------------|------------------|-----------------------------------|------------------|------------------|
| | HSN | Cornerstone | Total | HSN | Cornerstone | Total |
| Adjusted EBITDA | \$ 116,069 | \$ 35,925 | \$ 151,994 | \$ 110,031 | \$ 35,849 | \$ 145,880 |
| Stock-based compensation expense | (5,584) | (1,670) | (7,254) | (6,039) | (4,611) | (10,650) |
| Depreciation and amortization | (13,858) | (6,046) | (19,904) | (13,174) | (5,381) | (18,555) |
| Loss on disposition of fixed assets | (1,018) | (1) | (1,019) | (45) | (29) | (74) |
| Operating income | <u>\$ 95,609</u> | <u>\$ 28,208</u> | 123,817 | <u>\$ 90,773</u> | <u>\$ 25,828</u> | 116,601 |
| Total other expense, net | | | (3,301) | | | (15,184) |
| Income from continuing operations before income taxes | | | 120,516 | | | 101,417 |
| Income tax provision | | | (45,692) | | | (38,518) |
| Income from continuing operations | | | 74,824 | | | 62,899 |
| Income (loss) from discontinued operations, net of tax | | | -- | | | (5,982) |
| Net income | | | <u>\$ 74,824</u> | | | <u>\$ 56,917</u> |

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 charges including: (a) stock-based compensation expense, (b) amortization of intangibles, (c) depreciation and gains and losses on asset dispositions, and (d) goodwill, long-lived asset and intangible asset impairments; (2) pro forma adjustments for significant acquisitions; and (3) other significant items. Significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, thereby affecting the comparability of results. Adjusted EBITDA is not a measure determined in accordance with GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. Adjusted EBITDA is used as a measurement of operating efficiency and overall financial performance and HSNi believes it to be a helpful measure for those evaluating companies in the retail and media industries. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Adjusted EBITDA has certain limitations in that it does not take into account the impact to HSNi's statement of operations of certain expenses, gains and losses that are excluded from the company's definition of Adjusted EBITDA.

Adjusted Net Income is defined as net income available to common shareholders excluding, net of tax effects, if applicable: (1) goodwill, long-lived asset and intangible asset impairments, (2) pro forma adjustments for significant acquisitions, (3) discontinued operations and (4) other significant items. Significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, thereby affecting the comparability of results. 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 goodwill and asset impairments, significant acquisition-related adjustments, discontinued operations and certain other significant items.

Adjusted EPS is defined as Adjusted Net Income divided by 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 goodwill and asset impairments, significant acquisition-related adjustments, discontinued operations and certain other significant items. Adjusted Net Income and Adjusted EPS have certain limitations in that they do not take into account the impact of goodwill and asset impairments, significant acquisition-related adjustments, discontinued operations and certain other significant items. Therefore, we think it is important to evaluate these measures along with our consolidated statement of operations.

CONTACT: Felise Glantz Kissell (Analysts/Investors)
727-872-7529
felise.kissell@hsn.net

Gigi Ganatra Duff (Media)
727-872-4808
gigi.ganatraduff@hsn.net