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 September 30, 2014

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 Number 1-34004

SCRIPPS NETWORKS INTERACTIVE, INC.
(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	**61-1551890** (I.R.S. Employer Identification Number)
9721 Sherrill Boulevard **Knoxville, TN** (Address of principal executive offices)	**37932** (Zip Code)

Registrant's telephone number, including area code: (865) 694-2700

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

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 and 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of October 31, 2014 there were 102,794,836 of the Registrant's Class A Common shares outstanding and 34,317,171 of the Registrant's Common Voting shares outstanding.

INDEX TO SCRIPPS NETWORKS INTERACTIVE, INC.

REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2014

PART I

As used in this Quarterly Report on Form 10-Q, the terms “we,” “our,” “us” or “SNI” may, depending on the context, refer to Scripps Networks Interactive, Inc., to one or more of its consolidated subsidiary companies or to all of them taken as a whole.

ITEM 1. FINANCIAL STATEMENTS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

The information required by this item is filed as part of this Form 10-Q. See Index to Financial Information at page F-1 of this Form 10-Q.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are involved in litigation arising in the ordinary course of business none of which is expected to result in material loss.

Table of Contents

ITEM 1A. RISK FACTORS

A wide range of risks may affect our business and financial results, now and in the future; however, we consider the risks described in our Annual Report on Form 10-K for the year ended December 31, 2013 to be the most significant. There have been no material changes to the risk factors previously described in that 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no sales of unregistered equity securities during the quarter for which this report is filed.

Under a share repurchase program authorized by the Board of Directors, the Company is permitted to acquire $2 billion of its Class A Common shares.

As of September 30, 2014, $847 million remains available for repurchase under the share repurchase program. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common shares under the program.

The following table provides information about Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the quarter ended September 30, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans Or Programs
7/1/14—7/31/14				$1,096,700,694
8/1/14—8/31/14	1,822,505	$79.96	1,822,505	950,968,091
9/1/14—9/30/14	1,324,013	78.70	1,324,013	846,763,703
Total	3,146,518	$79.43	3,146,518	$ 846,763,703

The number of shares repurchased during the third quarter represented 3.0% of Class A Common shares that were outstanding as of the beginning of the quarter.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There were no defaults upon senior securities during the quarter for which this report is filed.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The information required by this item is filed as part of this Form 10-Q. See Index to Exhibits at page E-1 of this Form 10-Q.

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.

SCRIPPS NETWORKS INTERACTIVE, INC.

Dated: November 6, 2014

BY: /s/ Joseph G. NeCastro
Joseph G. NeCastro
Chief Financial & Administrative Officer
(Principal Financial and Accounting Officer)

Index to Financial Information

Item

[Table of Contents](#)

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and par value amounts)	As of September 30, 2014	As of December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 157,285	$ 686,371
Accounts receivable (less allowances: 2014—$10,827; 2013—$6,853)	590,154	619,619
Programs and program licenses	464,708	423,949
Deferred income taxes	53,092	41,140
Other current assets	49,442	90,231
Total current assets	1,314,681	1,861,310
Investments	488,628	488,198
Property and equipment, net	232,240	246,350
Goodwill	574,210	574,582
Other intangible assets, net	611,953	655,009
Programs and program licenses (less current portion)	475,530	413,057
Deferred income taxes	68,042	39,075
Other non-current assets	156,274	160,866
Total Assets	$3,921,558	$4,438,447
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 16,661	$ 18,278
Current portion of debt	884,956	
Program rights payable	37,042	30,412
Customer deposits and unearned revenue	47,336	70,427
Employee compensation and benefits	55,871	67,188
Accrued marketing and advertising costs	5,527	11,053
Other accrued liabilities	79,260	81,341
Total current liabilities	1,126,653	278,699
Debt (less current portion)	499,736	1,384,488
Other liabilities (less current portion)	220,051	223,368
Total liabilities	1,846,440	1,886,555
Redeemable noncontrolling interest	119,460	133,000
Equity:		
SNI shareholders' equity:		
Preferred stock, $.01 par—authorized: 25,000,000 shares; none outstanding		
Common stock, $.01 par:		
Class A—authorized: 240,000,000 shares; issued and outstanding: 2014—102,786,682 shares; 2013—111,891,667 shares	1,028	1,119
Voting—authorized: 60,000,000 shares; issued and outstanding: 2014—34,317,171 shares; 2013—34,317,171 shares	343	343
Total	1,371	1,462
Additional paid-in capital	1,404,831	1,447,496
Retained earnings	299,783	662,574
Accumulated other comprehensive income (loss)	(24,068)	(12,529)
Total SNI shareholders' equity	1,681,917	2,099,003
Noncontrolling interest	273,741	319,889
Total equity	1,955,658	2,418,892
Total Liabilities and Equity	$3,921,558	$4,438,447

See notes to condensed consolidated financial statements.

Table of Contents

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share data)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating Revenues:				
Advertising	$432,149	$410,189	$1,362,878	$1,267,440
Network affiliate fees, net	198,236	191,056	597,158	567,895
Other	14,038	15,656	36,268	41,079
Total operating revenues	644,423	616,901	1,996,304	1,876,414
Cost of services, excluding depreciation and amortization of intangible assets	207,099	178,221	578,418	510,649
Selling, general and administrative	167,361	176,644	557,904	536,574
Depreciation	17,541	15,593	55,221	45,176
Amortization of intangible assets	14,076	13,921	41,863	40,592
Losses (gains) on disposal of property and equipment	(448)	95	1,047	1,570
Total operating expenses	405,629	384,474	1,234,453	1,134,561
Operating income	238,794	232,427	761,851	741,853
Interest expense	(12,235)	(12,337)	(36,898)	(36,679)
Equity in earnings of affiliates	17,586	15,180	67,110	61,172
Miscellaneous, net	2,066	(626)	1,871	(344)
Income from operations before income taxes	246,211	234,644	793,934	766,002
Provision for income taxes	75,910	64,174	245,175	234,002
Net income	170,301	170,470	548,759	532,000
Less: net income attributable to noncontrolling interests	38,962	41,467	135,330	135,449
Net income attributable to SNI	$131,339	$129,003	$ 413,429	$ 396,551
Net income attributable to SNI common shareholders per share of common stock:				
Net income attributable to SNI common shareholders per basic share of common stock	$ 0.93	$ 0.88	$ 2.90	$ 2.69
Net income attributable to SNI common shareholders per diluted share of common stock	$ 0.93	$ 0.87	$ 2.88	$ 2.67
Weighted average shares outstanding:				
Weighted average basic shares outstanding	140,738	146,578	142,786	147,499
Weighted average diluted shares outstanding	141,628	147,802	143,703	148,646

See notes to condensed consolidated financial statements.

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Net income	$170,301	$170,470	$548,759	$532,000
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax—2014, $403 and $683; 2013, ($150) and $563	(18,311)	23,471	(13,168)	(2,095)
Pension liability adjustments, net of tax—2014, ($318) and ($895); 2013, ($596) and ($1,692)	518	844	1,467	2,826
Comprehensive income	152,508	194,785	537,058	532,731
Less: comprehensive income attributable to noncontrolling interests	38,867	41,509	135,168	135,317
Comprehensive income attributable to SNI	$113,641	$153,276	$401,890	$397,414

See notes to condensed consolidated financial statements.

Table of Contents

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)	Nine months ended September 30, 2014	2013
Cash Flows from Operating Activities:		
Net income	$ 548,759	$ 532,000
Depreciation and amortization of intangible assets	97,084	85,768
Program amortization	463,802	404,636
Equity in earnings of affiliates	(67,110)	(61,172)
Program payments	(561,249)	(470,454)
Dividends received from equity investments	78,852	60,035
Deferred income taxes	(41,131)	61,869
Stock and deferred compensation plans	32,111	38,624
Changes in certain working capital accounts (excluding the effects of acquisition):		
Accounts receivable	29,268	(8,265)
Other assets	(4,523)	(2,218)
Accounts payable	(1,411)	1,756
Accrued employee compensation and benefits	(10,982)	2,019
Accrued / refundable income taxes	43,966	(5,320)
Other liabilities	(34,175)	26,065
Other, net	6,917	18,020
Cash provided by (used in) operating activities	580,178	683,363
Cash Flows from Investing Activities:		
Additions to property and equipment	(41,784)	(47,394)
Collections (funds advanced) on note receivable	3,776	11,689
Purchase of long-term investments	(17,042)	(171)
Purchase of subsidiary companies, net of cash acquired		(64,412)
Other, net	(5,498)	(31,952)
Cash provided by (used in) investing activities	(60,548)	(132,240)
Cash Flows from Financing Activities:		
Proceeds from debt	120,000	
Payments on debt	(120,000)	
Dividends paid	(85,364)	(66,367)
Dividends paid to noncontrolling interests	(194,856)	(146,647)
Repurchase of Class A common stock	(800,062)	(253,203)
Proceeds from stock options	35,118	36,500
Other, net	(2,417)	(2,539)
Cash provided by (used in) financing activities	(1,047,581)	(432,256)
Effect of exchange rate changes on cash and cash equivalents	(1,135)	182
Increase (decrease) in cash and cash equivalents	(529,086)	119,049
Cash and cash equivalents:		
Beginning of year	686,371	437,525
End of period	$ 157,285	$ 556,574
Supplemental Cash Flow Disclosures:		
Interest paid, excluding amounts capitalized	$ 38,946	$ 38,660
Income taxes paid	228,184	155,232

See notes to condensed consolidated financial statements.

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(in thousands, except share data)	SNI Shareholders						Redeemable
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interest (Temporary Equity)
Balance as of December 31, 2012	$1,489	$1,405,699	$ 452,598	$ (38,862)	$ 307,127	$2,128,051	$ 136,500
Comprehensive income (loss)			396,551	863	124,742	522,156	10,575
Dividends paid to noncontrolling interest					(140,277)	(140,277)	(6,370)
Dividends: declared and paid—$.45 per share			(66,367)			(66,367)	
Convert 2 Voting Shares to Class A Common Shares							
Repurchase of 3,917,471 Class A Common shares	(39)	(38,537)	(214,627)			(253,203)	
Stock-based compensation expense		31,505				31,505	
Exercise of employee stock options: 846,242 shares issued	8	36,492				36,500	
Other stock-based compensation, net: 334,111 shares issued; 101,297 shares repurchased	3	(4,719)				(4,716)	
Tax benefits of compensation plans		4,351				4,351	
Balance as of September 30, 2013	$1,461	$1,434,791	$ 568,155	$ (37,999)	$ 291,592	$2,258,000	$ 140,705
Balance as of December 31, 2013	$1,462	$1,447,496	$ 662,574	$ (12,529)	$ 319,889	$2,418,892	$ 133,000
Comprehensive income (loss)			413,429	(11,539)	126,780	528,670	8,388
Dividends paid to noncontrolling interests					(172,928)	(172,928)	(21,928)
Dividends: declared and paid—$.60 per share			(85,364)			(85,364)	
Repurchase of 10,302,935 Class A Common shares	(103)	(109,103)	(690,856)			(800,062)	
Stock-based compensation expense		29,658				29,658	
Exercise of employee stock options: 905,520 shares issued	9	35,109				35,118	
Other stock-based compensation, net: 443,956 shares issued; 151,526 shares repurchased	3	(9,771)				(9,768)	
Tax benefits of compensation plans		11,442				11,442	
Balance as of September 30, 2014	$1,371	$1,404,831	$ 299,783	$ (24,068)	$ 273,741	$1,955,658	$ 119,460

See notes to condensed consolidated financial statements.

SCRIPPS NETWORKS INTERACTIVE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Business and Basis of Presentation

Description of Business

The Company operates in the media industry and has interests in national television networks and internet based media outlets. The Company's reportable segment is lifestyle media. The lifestyle media segment includes our national television networks, HGTV, Food Network, Travel Channel, DIY Network, Cooking Channel and Great American Country. Lifestyle Media also includes websites that are associated with the aforementioned television brands and other Internet-based businesses serving food, home and travel related categories.

We also have established lifestyle media brands internationally. Our lifestyle-oriented channels are available in the United Kingdom, other European markets, the Middle East, Africa, Asia-Pacific and Latin America.

Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. These financial statements and the related notes should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2013 Annual Report on Form 10-K.

In the opinion of management, the accompanying condensed consolidated balance sheets and related interim condensed consolidated statements of operations, comprehensive income, cash flows, and shareholders' equity include all adjustments, consisting only of normal recurring adjustments, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results and outcomes may differ from management's estimates and assumptions.

Interim results are not necessarily indicative of the results that may be expected for any future interim periods or for a full year.

2. Shareholders' Equity and Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding, including participating securities outstanding. Diluted EPS is similar to basic EPS, but adjusts for the effect of the potential issuance of common shares. We include all unvested stock awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, in the number of shares outstanding in our basic and diluted EPS.

The following table presents information about basic and diluted weighted-average shares outstanding:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Weighted-average shares outstanding:				
Basic	140,738	146,578	142,786	147,499
Dilutive effect of equity awards	890	1,224	917	1,147
Diluted weighted-average shares outstanding	141,628	147,802	143,703	148,646
Anti-dilutive share awards	288	12	301	168

For 2014 and 2013, we had stock options that were anti-dilutive and accordingly were not included in the computation of diluted weighted-average shares outstanding.

3. Accounting Standards Updates

In May 2014, the FASB issued *ASC 606, Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASC will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new ASC is effective for us on January 1, 2017. Early application is not permitted. The ASC permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the new guidance to determine the impact it will have on our condensed consolidated financial statements and related disclosures.

In April 2014, an update was made to the *Presentation of Financial Statements—Discontinued Operations, ASC 205,* which changes the criteria for reporting discontinued operations and modifies the disclosures for other dispositions. Under the update, only disposals representing a strategic shift in operations will be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The update also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The update is to be applied prospectively and is effective for us in the first quarter of 2015. Early adoption is permitted with some limitations. The adoption of the update is not expected to have a material effect on our condensed consolidated financial statements.

In July 2013, an update was made to the *Income Taxes Topic, ASC 740*, which provides guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The update states the presentation of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows: to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The update was effective for us on January 1, 2014. The update did not have a material impact on our condensed consolidated financial statements.

4. Acquisitions

Asian Food Channel—On April 12, 2013, we acquired the Asian Food Channel ("AFC") for consideration of approximately $66 million. Assets acquired in the transaction included approximately $1.2 million of cash. AFC, which is based in Singapore, is an independent company which broadcasts 24 hours a day, seven days a week and leverages a substantial library of acquired Asian and international video content as well as a growing number of originally-produced programs and reaches about 8 million subscribers in 11 markets.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the date of the AFC acquisition. The allocation of the purchase price reflects final values assigned and may differ from preliminary values reported in the consolidated financials for prior periods.

(in thousands)	Asian Food Channel
Accounts receivable	$ 1,960
Other current assets	271
Programs and program licenses	4,794
Property and equipment	399
Amortizable intangible assets	24,600
Other assets	160
Current liabilities	(1,941)
Deferred income taxes	(4,413)
Total identifiable net assets	25,830
Goodwill	38,582
Net purchase price	$64,412

The goodwill arising from the AFC acquisition reflects the economic potential of the markets in which the acquired company operates as well as the synergies and economies of scale expected from operating the business as part of SNI. The goodwill recorded as part of the acquisition is not amortizable for tax purposes.

Pro forma results are not presented for the acquisition because the condensed consolidated results of operations would not be significantly different from reported amounts.

5. Other Charges and Credits

Contract termination costs – In the second quarter of 2014, we reached an agreement to terminate the master services agreement and sales agency agreement related to services provided for our Food Network and Fine Living operations in Europe, the Middle East and Africa. We also entered into an arrangement that establishes a transition plan for us to assume the activities associated with these provided services. Our year-to-date 2014 selling, general and administrative expenses include a $9.7 million charge for the early termination of these agreements.

Income tax adjustments – The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013. The bill includes the reinstatement of the provision which allows programmers to immediately expense production costs which are incurred in the United States. Since the legislation was not enacted until 2013, the impact of this provision was not recognized in our 2012 financial results and was reflected as a $4.1 million unfavorable discrete item in the first quarter of 2013. In the third quarter of 2013, we recorded a $5.4 million favorable tax adjustment reflecting an increase in the taxable income attributable to businesses with noncontrolling owners. For the year-to-date period of 2013, our income tax provision also includes $6.4 million of unfavorable adjustments that are primarily attributed to income tax audit settlements.

6. Investments

Investments consisted of the following:

(in thousands)	As of	
	September 30, 2014	December 31, 2013
Equity-method investments	$ 456,716	$ 473,018
Cost-method investments	31,912	15,180
Total investments	$ 488,628	$ 488,198

Investments accounted for using the equity method include the Company’s investments in UKTV (50% owned), HGTV Canada (33% owned), Food Canada (29% owned), Fox-BRV Southern Sports Holdings (7.25% owned), Food Network Magazine JV (50% owned) and HGTV Magazine JV (50% owned).

UKTV receives financing through loans provided by us. These loans, totaling $121 million at September 30, 2014 and $122 million at December 31, 2013, and reported within “Other non-current assets” in our condensed consolidated balance sheet, effectively act as a revolving facility for UKTV. As a result of this financing arrangement and the level of equity investment at risk, we have determined that UKTV is a variable interest entity (“VIE”). SNI and its partner in the venture share equally in the profits of the entity, have equal representation on UKTV’s board of directors and share voting control in such matters as approving annual budgets, initiating financing arrangements, and changing the scope of the business. However, our partner maintains control over certain operational aspects of the business related to programming content, scheduling, and the editorial and creative development of UKTV. Additionally, certain key management personnel of UKTV are employees of our partner. Since we do not control these activities that are critical to UKTV’s operating performance, we have determined that we are not the primary beneficiary of the entity and account for the investment under the equity method of accounting. The Company’s investment in UKTV was $397 million at September 30, 2014 and $413 million at December 31, 2013.

A portion of the purchase price from our 50% investment in UKTV was attributed to amortizable intangible assets, which are included in the carrying value of our UKTV investment. Amortization recorded on these intangible assets reduces our equity in earnings recognized from the UKTV investment. Estimated amortization that will reduce UKTV’s equity in earnings for each of the next five years is expected to be $4.6 million for the remainder of 2014, $17.6 million in 2015, and $15.3 million in 2016, 2017, and 2018.

We regularly review our investments to determine if there have been any other-than-temporary declines in value. These reviews require management judgments that often include estimating the outcome of future events and determining whether factors exist that indicate impairment has occurred. We evaluate among other factors, the extent to which costs exceed fair value; the duration of the decline in fair value below cost; and the current cash position, earnings and cash forecasts and near term prospects of the investee. No impairments were recognized on any of our investments in 2014 or 2013.

7. Fair Value Measurement

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are classified in one of three categories which are described below.

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs, other than quoted market prices in active markets, that are observable either directly or indirectly.
- Level 3 — Unobservable inputs based on our own assumptions.

The following table sets forth our assets and liabilities that are measured at fair value on a recurring basis at September 30, 2014:

(in thousands)

	Total	Level 1	Level 2	Level 3
Assets -				
Cash equivalents	$ 33,432	$33,432		
Liabilities -				
Derivative liability	$ 896		$ 896	
Temporary equity -				
Redeemable noncontrolling interest	$119,460			$119,460

The following table sets forth our assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013:

(in thousands)

	Total	Level 1	Level 2	Level 3
Assets-				
Cash equivalents	$408,142	$408,142		
Derivative asset	252		$ 252	
Total assets	$408,394	$408,142	$ 252	
Temporary equity -				
Redeemable noncontrolling interest	$133,000			$133,000

Derivatives include freestanding foreign currency forward contracts which are marked to market at each reporting period. We classify our foreign currency forward contracts within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments.

We determine the fair value of the redeemable noncontrolling interest using a combination of a discounted cash flow valuation model and a market approach that applies revenues and EBITDA estimates against the calculated multiples of comparable companies. Operating revenues and EBITDA are key assumptions utilized in both the discounted cash flow valuation model and the market approach. The selected discount rate of approximately 11% is also a key assumption in our discounted cash flow valuation model (Refer to Note 12—*Redeemable Noncontrolling Interest and Noncontrolling Interest* for additional information).

The following table summarizes the activity for account balances whose fair value measurements are estimated utilizing level 3 inputs:

(in thousands)	Redeemable Noncontrolling Interest			
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Beginning period balance	$ 124,763	$ 141,253	$ 133,000	$ 136,500
Dividends paid to noncontrolling interest	(5,863)	(3,220)	(21,928)	(6,370)
Net income	560	2,672	8,388	10,575
End period balance	$ 119,460	$ 140,705	$ 119,460	$ 140,705

The net income amounts reflected in the table above are reported within the “net income attributable to noncontrolling interests” line in our condensed consolidated statements of operations.

Other Financial Instruments—The carrying values of our financial instruments do not materially differ from their estimated fair values as of 2014 and 2013 except for debt, which is disclosed in Note 9–*Debt*.

8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following:

(in thousands)	As of	
	September 30, 2014	December 31, 2013
Goodwill	$ 618,596	$ 618,968
Accumulated impairments	(44,386)	(44,386)
Goodwill, net	$ 574,210	$ 574,582
Other intangible assets:		
Amortizable intangible assets:		
Carrying amount:		
Acquired network distribution rights	589,168	590,460
Customer lists	94,817	94,868
Copyrights and other trade names	66,973	67,037
Acquired rights and other	120,227	120,227
Total carrying amount	871,185	872,592
Accumulated amortization:		
Acquired network distribution rights	(150,564)	(128,038)
Customer lists	(68,471)	(57,281)
Copyrights and other trade names	(19,160)	(16,241)
Acquired rights and other	(21,037)	(16,023)
Total accumulated amortization	(259,232)	(217,583)
Total other intangible assets, net	611,953	655,009
Total goodwill and other intangible assets, net	$1,186,163	$1,229,591

During the nine month periods of 2014 and 2013, we made cash payments totaling $10.3 million and $30.7 million, respectively, that relate to intangible assets acquired in 2012. These cash payments are reported as an investing activity in the "Other, net" caption of our condensed consolidated statement of cash flows. Estimated amortization expense of intangible assets for each of the next five years is as follows: $13.6 million for the remainder of 2014, $46.6 million in 2015, $45.5 million in 2016, $44.3 million in 2017, $44.2 million in 2018 and $417.8 million in later years.

Activity related to goodwill by business segment was as follows:

(in thousands)	Lifestyle Media	Corporate and other	Total
Goodwill:			
Balance as of December 31, 2013	$510,484	$64,098	$574,582
Foreign currency translation adjustment		(372)	(372)
Balance as of September 30, 2014	$510,484	$63,726	$574,210

9. Debt

Debt consisted of the following:

(in thousands)	As of September 30, 2014	As of December 31, 2013
3.55% senior notes due in 2015	$ 884,956	$ 884,844
2.70% senior notes due in 2016	499,736	499,644
Total debt	1,384,692	1,384,488
Current portion of debt	(884,956)	
Debt (less current portion)	$ 499,736	$1,384,488
Fair value of debt*	$1,407,703	$1,429,921

* The fair value of the senior notes were estimated using level 2 inputs comprised of quoted prices in active markets, market indices and interest rate measurements for debt with similar remaining maturity.

The $885 million of aggregate principal amount Senior Notes were issued by a majority-owned subsidiary of SNI through a private placement. The Senior Notes mature on January 15, 2015 and bear interest at 3.55%. Interest is paid on the notes on January 15th and July 15th of each year. The Senior Notes are guaranteed by SNI. Cox TMI, Inc., a wholly-owned subsidiary of Cox Communications, Inc. and 35% owner in the Travel Channel has agreed to indemnify SNI for payments made in respect of SNI's guarantee.

Our $500 million of aggregate principal amount Senior Notes mature on December 15, 2016 bearing interest at 2.70%. Interest is paid on the notes on June 15th and December 15th of each year.

On March 31, 2014, we entered into a five year Competitive Advance and Revolving Credit Facility (the " Facility") that permits $650 million in aggregate borrowings and expires in March 2019. The Facility replaced our existing Competitive Advance and Revolving Credit Facility that collectively permitted aggregate borrowings up to $550 million and was due to expire on June 30, 2014. The Facility bears interest based on the Company's credit ratings, with drawn amounts bearing interest at Libor plus 90 basis points and undrawn amounts bearing interest at 10 basis points as of September 30, 2014. There were no outstanding borrowings under the Facility at September 30, 2014 or December 31, 2013.

The Facility and Senior Note agreements include certain affirmative and negative covenants, including the incurrence of additional indebtedness and maintenance of a maximum leverage ratio.

[Table of Contents](#)

10. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	As of September 30, 2014	As of December 31, 2013
Liability for pension and post employment benefits	$ 64,281	$ 64,952
Deferred compensation	39,119	36,667
Liability for uncertain tax positions	82,300	80,898
Other	34,351	40,851
Other liabilities (less current portion)	$ 220,051	$ 223,368

The "Other" caption in the table above includes obligations recognized for the purchase of intangible assets that totaled $21.8 million at September 30, 2014 and $31.4 million at December 31, 2013. The "Other" caption also includes the estimated Real Gravity contingent consideration liability that totaled $9.8 million at September 30, 2014 and $8.3 million at December 31, 2013.

11. Foreign Exchange Risk Management

In order to minimize earnings and cash flow volatility resulting from currency exchange rate changes, we may enter into derivative instruments, principally forward foreign currency contracts. These contracts are designed to hedge anticipated foreign currency transactions and changes in the value of specific assets, liabilities and probable commitments. All of our forward contracts are designated as freestanding derivatives and are designed to minimize foreign currency exposures between the U.S. Dollar and British Pound. We do not enter into currency exchange rate derivative instruments for speculative purposes.

The freestanding derivative forward contracts are used to offset our exposure to the change in value of specific foreign currency denominated assets and liabilities. These derivatives are not designated as hedges, and therefore, changes in the value of these forward contracts are recognized currently in earnings, thereby offsetting the current earnings effect of the related change in U.S. dollar value of foreign currency denominated assets and liabilities. The cash flows from these contracts are reported as operating activities in the condensed consolidated statements of cash flows. The gross notional amount of these contracts outstanding was $130 million at September 30, 2014 and $236 million at December 31, 2013.

We recognized $0.9 million of losses during the year-to-date period of 2014 and $0.5 million of gains for the same period in 2013 from these forward contracts which are reported in the "Miscellaneous, net" caption in the condensed consolidated statements of operations. The gains and losses recognized from these forward contracts are offset by foreign exchange transaction gains of $0.8 million that have been recognized in 2014 and $2.3 million of losses that were recognized in 2013. Foreign exchange transaction gains and losses are also recorded in the "Miscellaneous, net" caption in our condensed consolidated statement of operations.

12. Redeemable Noncontrolling Interest and Noncontrolling Interest

Redeemable Noncontrolling Interest

A noncontrolling interest holds a 35% residual interest in the Travel Channel. The noncontrolling interest has the right to require us to repurchase their interest and we have an option to acquire their interest. The noncontrolling interest will receive the fair value for their interest at the time either option is exercised. The put option on the noncontrolling interest in the Travel Channel became exercisable on August 17, 2014. The call option becomes exercisable in August of 2015.

Noncontrolling Interest

The Food Network is operated and organized under the terms of a general partnership (the "Partnership"). SNI and a noncontrolling owner hold interests in the Partnership. During the fourth quarter of 2012, the Partnership agreement was extended and specifies a dissolution date of December 31, 2014. The partners are currently discussing an extension of the term of the partnership. If the term of the Partnership is not extended prior to that date, the agreement permits the Company, as the holder of approximately 80% of the applicable votes, to reconstitute the Partnership and continue its business. There are also other options for continuing the business of the Partnership, which the Company is considering. We expect that the partners, or the management committee of the partnership, will take action prior to December 31, 2014 to continue the partnership.

13. Stock Based Compensation and Share Repurchase Program

We have a Long-Term Incentive Plan (the "Plan") which is described more fully in our Annual Report on Form 10-K for the year ended December 31, 2013. The Plan provides for long-term equity incentive compensation for key employees and members of the Board of Directors. A variety of discretionary awards for employees and non-employee directors are authorized under the plan, including incentive or non-qualified stock options, stock appreciation rights, restricted or nonrestricted stock awards and performance awards.

For the year-to-date period of 2014, the Company granted 0.3 million stock options and 0.3 million restricted share awards, including performance share awards. The number of shares ultimately issued for the performance share awards depends upon the specified performance conditions attained. Share based compensation costs totaled $6.0 million for the third quarter of 2014 and $6.1 million for the third quarter of 2013. Year-to-date share based compensation costs totaled $29.7 million in 2014 and $31.5 million in 2013. The fair values for share options and performance-based restricted share awards are estimated on the date of grant using a lattice-based binomial model and Monte Carlo simulation model, respectively. Assumptions utilized in the models are evaluated and revised, as necessary, to reflect market conditions and experience.

As of September 30, 2014, $3.6 million of total unrecognized stock-based compensation costs related to stock options is expected to be recognized over a weighted-average period of 1.3 years. In addition, $28.5 million of total unrecognized stock-based compensation cost related to restricted stock awards, including performance awards, is expected to be recognized over a weighted-average period of 1.4 years.

Share Repurchase Program

Under a share repurchase program authorized by the Board of Directors, we are permitted to acquire $2 billion of Class A Common shares. All shares repurchased under the program are constructively retired and returned to unissued shares. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common shares under the program.

We repurchased 3.1 million shares for approximately $250 million during the third quarter of 2014 and repurchased 45,730 shares for approximately $3.1 million during the third quarter of 2013. For the year-to-date period of 2014, we repurchased 10.3 million shares for approximately $800 million, including repurchasing 2.6 million shares for $191 million from Scripps family members, and repurchased 3.9 million shares for approximately $253 million for the year-to-date period of 2013. As of September 30, 2014, $847 million remains available for repurchase under the program.

14. Employee Benefit Plans

The Company offers various postretirement benefits to its employees.

The components of benefit plan expense consisted of the following:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest cost	$ 816	$ 910	$ 2,528	$ 2,586
Expected return on plan assets, net of expenses	(1,144)	(1,098)	(3,444)	(3,274)
Amortization of net (gain)/loss	291	729	779	2,379
Settlement charges	1,031	1,462	1,031	1,462
Total for defined benefit plans	994	2,003	894	3,153
Supplemental executive retirement plan (“SERP”)	2,148	2,025	4,038	4,163
Defined contribution plans	4,019	3,403	14,091	13,046
Total	$ 7,161	$ 7,431	$19,023	$20,362

Amortization of actuarial losses for our nonqualified supplemental executive retirement plan (“SERP”) totaled $0.6 million in the third quarter of 2014 and $0.7 million in the third quarter of 2013. Year-to-date amortization of actuarial losses totaled $1.6 million in 2014 and $2.1 million in 2013.

We recognized settlement charges related to lump-sum distributions from our defined benefit and SERP retirement plans of $2.2 million in 2014 and $2.4 million in 2013. Settlement charges are recorded when total lump sum distributions for a plan’s year exceed the total projected service cost and interest cost for that plan year.

We contributed $3.5 million to fund current benefit payments for our SERP during the year-to-date period of 2014. We anticipate contributing $1.0 million to fund the SERP’s benefit payments during the remainder of fiscal 2014.

Executive Deferred Compensation Plan

We have an unqualified executive deferred compensation plan that is available to certain management level employees and directors of the Company. Under the plan, participants may elect to defer receipt of a portion of their annual compensation. The deferred compensation plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits. We may use corporate owned life insurance contracts held in a rabbi trust to support the plan. We have invested $19.0 million within this rabbi trust and purchased $12.8 million of corporate owned life insurance contracts with these assets. The cash surrender value of the company owned life insurance contracts totaled $14.5 million at September 30, 2014 and $13.8 million at December 31, 2013 and are included in “Other assets” in our condensed consolidated balance sheets. Gains or losses related to the insurance contracts are included in the caption “Miscellaneous, net” in our condensed consolidated statement of operations. The unsecured obligation to pay the compensation deferred, adjusted to reflect the positive or negative performance of investment measurement options selected by each participant, totaled $41.3 million at September 30, 2014 and $38.9 million at December 31, 2013, and are included in “Other liabilities” in our condensed consolidated balance sheets.

Table of Contents

15. Comprehensive Income

Changes in the accumulated other comprehensive income or loss ("AOCI") balance by component consisted of the following for the respective periods of 2014:

(in thousands)	Three months ended September 30, Currency Translation Adjustments	Three months ended September 30, Pension Liability Adjustments	Nine months ended September 30, Currency Translation Adjustments	Nine months ended September 30, Pension Liability Adjustments
AOCI beginning period balance	$ 17,658	$ (24,029)	$ 12,449	$ (24,978)
Other comprehensive income (loss) before reclassifications	(18,215)	45	(13,006)	45
Amounts reclassified from AOCI		473		1,422
Net current-period other comprehensive income (loss)	(18,215)	518	(13,006)	1,467
AOCI balance as of September 30, 2014	$ (557)	$ (23,511)	$ (557)	$ (23,511)

Amounts reported in the table above are net of income tax.

Amounts reclassified to net earnings for pension liability adjustments relate to the amortization of actuarial losses. These amounts are included within the "Selling, general and administrative" caption on our condensed consolidated statement of operations and totaled $0.8 million for the third quarter 2014 and $2.3 million for the year-to-date period of 2014 (see Note 14–*Employee Benefit Plans* for further information).

Changes in the AOCI balance by component consisted of the following for the respective periods of 2013:

(in thousands)	Three months ended September 30, Currency Translation Adjustments	Three months ended September 30, Pension Liability Adjustments	Nine months ended September 30, Currency Translation Adjustments	Nine months ended September 30, Pension Liability Adjustments
AOCI beginning period balance	$ (19,747)	$ (42,525)	$ 5,645	$ (44,507)
Other comprehensive income (loss) before reclassifications	23,429	(61)	(1,963)	(61)
Amounts reclassified from AOCI		905		2,887
Net current-period other comprehensive income (loss)	23,429	844	(1,963)	2,826
AOCI balance as of September 30, 2013	$ 3,682	$ (41,681)	$ 3,682	$ (41,681)

Amounts reported in the table above are net of income tax.

Amounts reclassified to net earnings for pension liability adjustments totaled $1.4 million for the third quarter 2013 and $4.5 million for the year-to-date period of 2013.

16. Segment Information

The Company determines its operating segments based upon our management and internal reporting structure. We manage our operations through one reportable operating segment, lifestyle media.

Lifestyle media includes our national television networks, HGTV, Food Network, Travel Channel, DIY Network, Cooking Channel and Great American Country. Lifestyle media also includes websites that are associated with the aforementioned television brands and other Internet-based businesses serving home, food and travel related categories. The Food Network and Cooking Channel are included in the Food Network partnership of which we own approximately 69%. We also own 65% of Travel Channel. Each of our networks is distributed by cable and satellite distributors and telecommunication service providers. Lifestyle media earns revenue primarily from the sale of advertising time and from affiliate fees paid by distributors of our content.

The results of businesses not separately identified as reportable segments are included within our corporate and other caption. Corporate and other includes the results of the lifestyle-oriented channels we operate in the United Kingdom, other European markets, the Middle East, Africa, Asia-Pacific and Latin America, operating results from the international licensing of our national networks' programming, and other interactive and digital business initiatives that are not associated with our lifestyle media or international businesses.

In 2014, we made changes to our management reporting structure related to operating results from our businesses located in the Caribbean. In conjunction with this change in our reporting structure, we now report the results of these international businesses within our international operating segment, included within our corporate and other caption for segment reporting purposes, rather than our lifestyle media reportable segment. For comparability purposes, prior year segment results have also been reclassified to reflect the impact of this management reporting change. These reclassifications only affect our segment reporting, and do not change our consolidated operating revenues, operating income, or net income.

Each of our businesses may provide advertising, programming or other services to one another. In addition, certain corporate costs and expenses, including information technology, pensions and other employee benefits, and other shared services, are allocated to our businesses. The allocations are generally amounts agreed upon by management, which may differ from amounts that would be incurred if such services were purchased separately by the business.

Our chief operating decision maker evaluates the operating performance of our businesses and makes decisions about the allocation of resources to the businesses using a measure we call segment profit. Segment profit excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

Information regarding our segments is as follows:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Segment operating revenues:				
Lifestyle media	$618,090	$593,135	$1,926,102	$1,817,893
Corporate and other	27,110	24,990	73,131	59,745
Intersegment eliminations	(777)	(1,224)	(2,929)	(1,224)
Total operating revenues	$644,423	$616,901	$1,996,304	$1,876,414
Segment profit (loss):				
Lifestyle media	$296,639	$289,534	$ 970,104	$ 916,160
Corporate and other	(26,676)	(27,498)	(110,122)	(86,969)
Total segment profit	269,963	262,036	859,982	829,191
Depreciation and amortization of intangible assets	(31,617)	(29,514)	(97,084)	(85,768)
Gains (losses) on disposal of property and equipment	448	(95)	(1,047)	(1,570)
Interest expense	(12,235)	(12,337)	(36,898)	(36,679)
Equity in earnings of affiliates	17,586	15,180	67,110	61,172
Miscellaneous, net	2,066	(626)	1,871	(344)
Income from operations before income taxes	$246,211	$234,644	$ 793,934	$ 766,002

(in thousands)	As of September 30, 2014	As of December 31, 2013
Assets:		
Lifestyle media	$2,826,743	$2,832,529
Corporate and other	1,094,815	1,605,918
Total assets	$3,921,558	$4,438,447

No single customer provides more than 10% of our total operating revenues.

Assets held by our businesses outside of the United States totaled $632 million at September 30, 2014 and $627 million at December 31, 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations is based on the condensed consolidated financial statements and the notes to the condensed consolidated financial statements. You should read this discussion and analysis in conjunction with those condensed consolidated financial statements.

FORWARD-LOOKING STATEMENTS

This discussion and the information contained in the notes to the condensed consolidated financial statements contain certain forward-looking statements that are based on our current expectations. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements. Such risks, trends and uncertainties, which in most instances are beyond our control, include changes in advertising demand and other economic conditions; consumers' tastes; program costs; labor relations; technological developments; competitive pressures; interest rates; regulatory rulings; and reliance on third-party vendors for various products and services. The words "believe," "expect," "anticipate," "estimate," "intend" and similar expressions identify forward-looking statements. All forward-looking statements, which are as of the date of this filing, should be evaluated with the understanding of their inherent uncertainty. We undertake no obligation to publicly update any forward-looking statements to reflect events or circumstances after the date the statement is made.

OVERVIEW

Scripps Networks Interactive is one of the leading developers of lifestyle-oriented content for television and the Internet with respected, high-profile television and interactive brands. We seek to engage audiences that are highly desirable to advertisers with entertaining and informative lifestyle content that is produced for television, the Internet and any other media platforms consumers choose. We intend to expand and enhance our brands through the creation of popular new programming and content, the use of new distribution platforms, such as mobile phones and video-on-demand, the licensing and sale of branded consumer products and through international expansion.

Operating revenues in the third quarter of 2014 increased 4.5 percent to $644 million compared with the same period a year ago, while segment profit for the period was $270 million compared with $262 million a year earlier, a 3.0 percent increase. Operating revenues for the year-to-date period of 2014 increased 6.4 percent to $2.0 billion compared with $1.9 billion for the same period in 2013. Segment profit for the year-to-date period of 2014 was $860 million compared with $829 million for the same period in 2013, a 3.7 percent increase.

We manage our operations through our reportable operating segment, lifestyle media. Lifestyle media includes our national television networks, HGTV, Food Network, Travel Channel, DIY Network, Cooking Channel and Great American Country. Lifestyle media also includes websites that are associated with the aforementioned television brands and other Internet-based businesses serving home, food and travel related categories. Our lifestyle media branded websites consistently rank at or near the top in their respective lifestyle categories on a unique visitor basis.

Lifestyle media generated revenues of approximately $618 million during the third quarter of 2014, which represented 96 percent of our consolidated revenues, compared with $593 million and 96 percent for the third quarter of 2013. Lifestyle media revenues were approximately $1.9 billion for the year-to-date period of 2014 compared with $1.8 billion for the same period in 2013. Lifestyle media generates revenue principally from the sale of advertising time on national television networks and interactive media platforms and from affiliate fees paid by cable television operators, direct-to-home satellite services and other distributors that carry our network programming. Advertising revenues for lifestyle media may be affected by the strength of advertising markets and general economic conditions and may also fluctuate depending on the success of our programming, as measured by viewership, at any given time. For the year-to-date period of 2014, revenues from advertising sales and affiliate fees were approximately 69 percent and 29 percent, respectively, of total revenue for the segment. Lifestyle media also earns revenue from the licensing of its content to third parties and the licensing of its brands for consumer products such as videos, books, kitchenware and tools.

Programming expense, employee costs, and sales and marketing expenses are the primary operating costs for lifestyle media. Program amortization represented 47 percent of lifestyle media expenses in 2014 reflecting our continued investment in the improved quality and variety of programming on our networks. We incur sales and marketing expenses to support brand-building initiatives at all of our television networks.

We also have established lifestyle media brands internationally. We currently broadcast 16 channels reaching approximately 126 million subscribers under the Food Network, HGTV, Travel Channel, Asian Food Channel, DIY Network and Fine Living Brands. In addition to the broadcast networks, we also license a portion of our programming to other broadcasters that can be seen in over 168 territories. Operating results for our international businesses are reported within our corporate and other segment caption.

Our international businesses generated revenues of $23.8 million during the third quarter of 2014, which represented 3.7 percent of our consolidated revenues compared with $21.6 million and 3.5 percent for the third quarter of 2013. For the year-to-date period of 2014, our international business generated revenues of $62.9 million compared with $52.6 million for the year-to-date period of 2013. These businesses earn revenues primarily from advertising sales, affiliate fees, and the licensing of programming to third parties. In the year-to-date period of 2014, revenues from advertising sales, affiliate fees, and program licensing were approximately 30 percent, 51 percent and 19 percent, respectively, of total revenue for our international businesses. Satellite transmission fees, programming expense, employee costs, and sales and marketing expenses are the primary operating costs for our international businesses.

The growth of our international business both organically and through acquisitions and joint ventures continues to be a strategic priority of the Company. In the third quarter of 2014, we announced the launch of Food Network in Brazil. During the first quarter of 2014, we launched the Fine Living Network in Italy. In the second quarter of 2013, we completed our acquisition of the Asian Food Channel ("AFC"). AFC, which is based in Singapore, is an independent company which broadcasts 24 hours a day, seven days a week and leverages a substantial library of acquired Asian and international video content as well as a growing number of originally-produced programs and reaches about 8 million subscribers in 11 markets. In the second quarter of 2012, we completed the acquisition of Travel Channel International ("TCI"). TCI is an independent company headquartered in the United Kingdom that broadcasts in 21 languages to 128 countries across Europe, the Middle East, Africa, and Asia-Pacific.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience, actuarial studies and other assumptions. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

Note 2 to the Consolidated Financial Statements included in our Annual Report on Form 10-K describes the significant accounting policies we have selected for use in the preparation of our financial statements and related disclosures. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used could materially change the financial statements. We believe the accounting for Programs and Program Licenses, Revenue Recognition, Acquisitions, Goodwill, Finite-Lived Intangible Assets, and Income Taxes to be our most critical accounting policies and estimates. A detailed description of these accounting policies is included in the Critical Accounting Policies and Estimates section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no significant changes in those accounting policies.

Table of Contents

RESULTS OF OPERATIONS

The competitive landscape in our business is affected by multiple media platforms competing for consumers and advertising dollars. We strive to create popular programming that resonates with viewers across a variety of demographic groups, develop brands and create new media platforms through which we can capitalize on the audiences we aggregate.

Consolidated results of operations were as follows:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Change	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Change
Operating revenues	$ 644,423	$ 616,901	4.5%	$1,996,304	$1,876,414	6.4%
Cost of services, excluding depreciation and amortization of intangible assets	(207,099)	(178,221)	16.2%	(578,418)	(510,649)	13.3%
Selling, general and administrative	(167,361)	(176,644)	(5.3)%	(557,904)	(536,574)	4.0%
Depreciation and amortization of intangible assets	(31,617)	(29,514)	7.1%	(97,084)	(85,768)	13.2%
Gains (losses) on disposal of property and equipment	448	(95)		(1,047)	(1,570)	
Operating income	238,794	232,427	2.7%	761,851	741,853	2.7%
Interest expense	(12,235)	(12,337)	(0.8)%	(36,898)	(36,679)	0.6%
Equity in earnings of affiliates	17,586	15,180	15.8%	67,110	61,172	9.7%
Miscellaneous, net	2,066	(626)		1,871	(344)	
Income from operations before income taxes	246,211	234,644	4.9%	793,934	766,002	3.6%
Provision for income taxes	(75,910)	(64,174)	18.3%	(245,175)	(234,002)	4.8%
Net income	170,301	170,470	(0.1)%	548,759	532,000	3.2%
Net income attributable to noncontrolling interests	(38,962)	(41,467)	(6.0)%	(135,330)	(135,449)	(0.1)%
Net income attributable to SNI	$ 131,339	$ 129,003	1.8%	$ 413,429	$ 396,551	4.3%

The increase in operating revenues for the third quarter of 2014 was due primarily to solid growth in advertising sales and affiliate fee revenue from our national television networks. Advertising revenues from our national networks increased $20.1 million or 5.0 percent for the third quarter of 2014 compared with the third quarter of 2013. For the year-to-date period of 2014 compared with the year-to-date period of 2013, advertising revenues were up $84.5 million or 6.8 percent. The increase in advertising revenues is primarily attributed to higher pricing in our sold advertising units. Affiliate fee revenues at our national television networks increased $5.9 million or 3.2 percent in the third quarter of 2014 compared with the third quarter of 2013. For the year-to-date period of 2014 compared with the year-to-date period of 2013, affiliate fee revenues were up $24.5 million or 4.5 percent. The increase in affiliate fee revenues is primarily due to contractual rate increases.

Cost of services, which are comprised of program amortization and the costs associated with distributing our content, increased 16 percent in the third quarter of 2014 and 13 percent in the year-to-date period of 2014 compared with the respective periods in 2013. Program amortization attributed to our continued investment in the improved quality and variety of programming at our networks represents the largest expense and is the primary driver of fluctuations in costs of services. Program amortization increased $26.4 million in the third quarter of 2014 and $59.2 million for the year-to-date period of 2014 compared with 2013.

Selling, general and administrative expenses are primarily comprised of sales, marketing and advertising expenses, research costs, administrative costs, and costs of facilities. Increases in marketing and promotion costs and $9.7 million of contract termination costs incurred in the second quarter of 2014 contributed to the increase in selling, general and administrative expenses in the year-to-date period of 2014 compared with the year-to-date period of 2013. Personnel transition costs that were incurred in the third quarter of 2013 contributed to the 2014 quarter over quarter decrease in selling, general and administrative costs.

Interest expense primarily reflects the interest incurred on our outstanding borrowings. Our outstanding borrowings include $885 million aggregate principal amount Senior Notes that bear interest at 3.55% and mature on January 15, 2015. We also have $500 million aggregate principal amount Senior Notes outstanding that bear interest at 2.70% and mature on December 15, 2016.

Equity in earnings of affiliates represents the proportionate share of net income or loss from each of our equity method investments. Included in equity in earnings of affiliates is our proportionate 50% share of results from UKTV. Amortization expense attributed to intangible assets recognized upon acquiring our interest in UKTV reduces equity in earnings we recognize from the UKTV investment. Accordingly, equity in earnings of affiliates in the third quarter of 2014 includes our $8.4 million proportionate share of UKTV's results and $6.4 million for our proportionate share of UKTV's results in the third quarter of 2013. For the year-to-date period of 2014, equity in earnings of affiliates includes $33.4 million for our proportionate share of UKTV's results compared with $28.1 million for the year-to-date period of 2013. Equity in earnings of affiliates was reduced by amortization on the UKTV investment of $4.8 million and $4.5 million for the third quarter of 2014 and 2013, respectively. Equity in earnings of affiliates was reduced by amortization on the UKTV investment of $14.4 million for the year-to-date period of 2014 and $13.4 million for the year-to-date period of 2013.

We recognized foreign exchange gains of $0.4 million and $0.1 million during the third quarter of 2014 and the third quarter of 2013, respectively. For the year-to-date periods of 2014 and 2013, we recognized foreign exchange losses of $0.1 million and $1.8 million, respectively. These gains and losses, reported within the "Miscellaneous, net" caption in our condensed consolidated statements of operations, relate to realized and unrealized foreign exchange on the Company's foreign denominated asset and liability balances.

Our third quarter of 2014 effective income tax rate was 30.8 percent compared with 27.3 percent for the third quarter of 2013. For the year-to-date period of 2014, our effective income tax rate was 30.9 percent compared with 30.5 percent for the year-to-date period of 2013. Our income tax provision in the third quarter of 2013 includes a $5.4 million favorable tax adjustment reflecting an increase in the taxable income attributable to businesses with noncontrolling owners. Additionally, for the year-to-date period of 2013, our income tax provision includes unfavorable tax adjustments totaling $10.5 million that reflect the impacts of the reinstatement of certain provisions included within the American Taxpayer Relief Act of 2012 and reaching agreement on certain income tax audits.

Noncontrolling owners hold a 31 percent interest in the Food Network Partnership and a 35 percent interest in the Travel Channel. The noncontrolling owners' proportionate share of these businesses' results are captured in the net income attributable to noncontrolling interests caption of our condensed consolidated statements of operations.

Business Segment Results - As discussed in Note 16—*Segment Information* to the condensed consolidated financial statements, our chief operating decision maker evaluates the operating performance of our businesses and makes decisions about the allocation of resources to the businesses using a performance measure we call segment profit. Segment profit excludes interest, income taxes, depreciation and amortization, divested operating units, restructuring activities, investment results and certain other items that are included in net income determined in accordance with accounting principles generally accepted in the United States of America.

Items excluded from segment profit generally result from decisions made in prior periods or from decisions made by corporate executives rather than the managers of the businesses. Depreciation and amortization charges are the result of decisions made in prior periods regarding the allocation of resources and are therefore excluded from the measure. Financing, tax structure and divestiture decisions are generally made by corporate executives. Excluding these items from the performance measure of our business enables us to evaluate operating performance based upon current economic conditions and decisions made by the managers of those businesses in the current period.

In 2014, we made changes to our management reporting structure related to operating results from our businesses located in the Caribbean. In conjunction with this change in our reporting structure, we now report the results of these international businesses within our international operating segment, included within our corporate and other caption for segment reporting purposes, rather than our lifestyle media reportable segment. For comparability purposes, prior year segment results have also been reclassified to reflect the impact of this management reporting change. These reclassifications only affect our segment reporting, and do not change our consolidated operating revenues, operating income, or net income.

Information regarding the operating performance of our segments and a reconciliation of such information to the condensed consolidated financial statements is as follows:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Change	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Change
Segment operating revenues:						
Lifestyle media	$618,090	$593,135	4.2%	$1,926,102	$1,817,893	6.0%
Corporate and other	27,110	24,990	8.5%	73,131	59,745	22.4%
Intersegment eliminations	(777)	(1,224)		(2,929)	(1,224)	
Total operating revenues	$644,423	$616,901	4.5%	$1,996,304	$1,876,414	6.4%
Segment profit (loss):						
Lifestyle media	$296,639	$289,534	2.5%	$ 970,104	$ 916,160	5.9%
Corporate and other	(26,676)	(27,498)	(3.0)%	(110,122)	(86,969)	26.6%
Total segment profit	269,963	262,036	3.0%	859,982	829,191	3.7%
Depreciation and amortization of intangible assets	(31,617)	(29,514)	7.1%	(97,084)	(85,768)	13.2%
Gains (losses) on disposal of property and equipment	448	(95)		(1,047)	(1,570)	
Interest expense	(12,235)	(12,337)	(0.8)%	(36,898)	(36,679)	0.6%
Equity in earnings of affiliates	17,586	15,180	15.8%	67,110	61,172	9.7%
Miscellaneous, net	2,066	(626)		1,871	(344)	
Income from operations before income taxes	$246,211	$234,644	4.9%	$ 793,934	$ 766,002	3.6%

Corporate and other includes the results of the lifestyle-oriented channels we operate in Europe, the Middle East and Africa (“EMEA”), Asia-Pacific and Latin America, operating results from the international licensing of our national networks’ programming, and the costs associated with both international expansion initiatives and other interactive and digital business initiatives. Corporate and other includes segment losses of $8.1 million in the third quarter of 2014 and $46.0 million for the year-to-date period of 2014 compared with $7.6 million in the third quarter of 2013 and $26.3 million for the year-to-date period of 2013 from our international operations and other interactive and digital business initiatives. The corporate and other segment loss amounts in the year-to-date period of 2014 include $9.7 million of costs incurred for the early termination of service agreements provided for our Food Network and Fine Living operations in EMEA. In conjunction with the termination of these agreements, we also entered into an arrangement that establishes a transition plan for us to assume the activities associated with these provided services.

A reconciliation of segment profit to operating income determined in accordance with accounting principles generally accepted in the United States of America is as follows:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating income	$238,794	$232,427	$761,851	$741,853
Depreciation and amortization of intangible assets:				
Lifestyle media	25,927	25,178	78,383	73,959
Corporate and other	5,690	4,336	18,701	11,809
Losses (gains) on disposal of property and equipment:				
Lifestyle media	54	95	1,549	1,500
Corporate and other	(502)		(502)	70
Total segment profit	$269,963	$262,036	$859,982	$829,191

Lifestyle media – Lifestyle media includes six national television networks and a collection of Internet businesses.

Our lifestyle media division earns revenue primarily from the sale of advertising time on our national networks, affiliate fees paid by cable and satellite television operators that carry our network programming, the licensing of its content to third parties, the licensing of its brands for consumer products and from the sale of advertising on our lifestyle media affiliated websites. Employee costs, programming costs, and sales and marketing costs are lifestyle media's primary expenses. The demand for national television advertising is the primary economic factor that impacts the operating performance of our networks.

Operating results for lifestyle media were as follows:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Change	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Change
Segment operating revenues:						
Advertising	$422,855	$402,708	5.0%	$1,334,612	$1,250,125	6.8%
Network affiliate fees, net	187,385	181,528	3.2%	565,059	540,563	4.5%
Other	7,850	8,899	(11.8)%	26,431	27,205	(2.8)%
Total segment operating revenues	618,090	593,135	4.2%	1,926,102	1,817,893	6.0%
Segment costs and expenses:						
Cost of services	191,723	166,304	15.3%	531,414	477,997	11.2%
Selling, general and administrative	129,728	137,297	(5.5)%	424,584	423,736	0.2%
Total segment costs and expenses	321,451	303,601	5.9%	955,998	901,733	6.0%
Segment profit	$296,639	$289,534	2.5%	$ 970,104	$ 916,160	5.9%
Supplemental Information:						
Program amortization	$166,536	$140,998		$ 452,580	$ 397,404	
Program payments	177,880	169,346		544,454	458,918	
Depreciation and amortization	25,927	25,178		78,383	73,959	
Capital expenditures	13,733	8,909		34,799	36,347	

The amount of advertising revenue we earn is a function of the pricing negotiated with advertisers, the number of advertising spots sold, and audience impressions delivered by our programming. Low single digit pricing growth in the third quarter of 2014 and high single digit pricing growth in year-to-date period of 2014 was the primary contributor to our advertising revenue increases compared with the respective periods of 2013.

Distribution agreements with cable and satellite television systems and telecommunication service providers require distributors to pay SNI fees over the terms of the agreements in exchange for certain rights to distribute our content. The amount of revenue earned from our distribution agreements is dependent on the rates negotiated in the agreements and the number of subscribers that receive our networks. The increase in network affiliate fees for the third quarter and year-to-date period of 2014 compared with 2013 was primarily due to contractual rate increases. The total number of subscribers receiving our networks from cable television operators, direct-to-home satellite services, digital distributors and other distribution platforms decreased slightly in the third quarter and year-to-date periods of 2014 compared with the respective periods of 2013.

The increase in cost of services reflects our continued investment in the improved quality and variety of programming at our networks. Program amortization increased $25.5 million in the third quarter of 2014 compared with the third quarter of 2013 and increased $55.2 million for the year-to-date period of 2014 compared with the year-to-date period of 2013.

Selling, general and administrative expenses in the year-to-date period of 2014 compared with 2013 was relatively flat as increases in marketing and promotion costs were partially offset by decreases in personnel costs. Segment management transition costs that were incurred in the third quarter of 2013 contributed to the 2014 quarter over quarter decrease in selling, general and administrative costs. Fluctuations in selling, general and administrative expenses from quarter to quarter can also be impacted by the timing of marketing campaigns.

Table of Contents

Supplemental financial information for lifestyle media is as follows:

(in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Change	Nine months ended September 30, 2014	Nine months ended September 30, 2013	Change
Operating revenues by brand:						
HGTV	$233,532	$218,329	7.0%	$ 707,344	$ 654,653	8.0%
Food Network	211,860	201,563	5.1%	668,826	632,823	5.7%
Travel Channel	73,513	77,287	(4.9)%	238,481	237,790	0.3%
DIY Network	36,927	33,868	9.0%	115,278	104,243	10.6%
Cooking Channel	28,479	26,564	7.2%	89,006	81,243	9.6%
Great American Country	7,669	6,563	16.9%	22,622	19,982	13.2%
Digital Businesses	23,037	25,933	(11.2)%	74,096	77,161	(4.0)%
Other	3,317	3,044	9.0%	11,095	11,144	(0.4)%
Intrasegment eliminations	(244)	(16)		(646)	(1,146)	
Total segment operating revenues	$618,090	$593,135	4.2%	$1,926,102	$1,817,893	6.0%
Subscribers (1):						
Food Network				97,400	100,600	(3.2)%
HGTV				96,100	99,500	(3.4)%
Travel Channel				92,300	95,600	(3.5)%
DIY Network				58,200	59,300	(1.9)%
Cooking Channel				62,600	61,600	1.6%
Great American Country				60,500	63,800	(5.2)%

(1) Subscriber counts are according to the Nielsen Homevideo Index of homes that receive cable networks.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary sources of liquidity are cash and cash equivalents on hand, cash flows from operations, available borrowing capacity under our revolving credit facility, and access to capital markets. Advertising provides approximately 70 percent of total operating revenues, so cash flow from operating activities can be adversely affected during recessionary periods. Our cash and cash equivalents totaled $157 million at September 30, 2014 and $686 million at December 31, 2013. On March 31, 2014, we entered into a five year Competitive Advance and Revolving Credit Facility (the " Facility") that permits $650 million in aggregate borrowings and expires in March 2019. The Facility replaced our existing Competitive Advance and Revolving Credit Facility that collectively permitted aggregate borrowings up to $550 million and was due to expire on June 30, 2014. There were no outstanding borrowings under the Facility at September 30, 2014.

Our cash flow has been used primarily to fund acquisitions and investments, develop new businesses, acquire common stock under our share repurchase programs, pay dividends on our common stock and repay debt. We expect cash flow from operating activities in 2014 will provide sufficient liquidity to fund our operations.

Cash Flows

Cash and cash equivalents decreased $529 million for the nine months ended 2014 and increased $119 million for the nine months ended 2013. Components of these changes are discussed below in more detail.

Operating Activities – Cash provided by operating activities totaled $580 million for the nine months ended 2014 and $683 million for the nine months ended 2013.

Segment profit generated from our business segments totaled $860 million for the year-to-date period of 2014 and $829 million for the year-to-date period of 2013. Growth in operating revenues at our lifestyle media segment of 6.0 percent in 2014 compared with 2013 contributed to the year-over-year increase in segment profit. Program payments exceeded the program amortization recognized in our statement of operations by $97.4 million for the year-to-date period of 2014 and $65.8 million for the year-to-date period of 2013, reducing cash provided by operating activities for those periods. Cash provided by operating activities is also impacted by payments for income taxes and interest totaling $267 million the year-to-date period of 2014 and $194 million for the year-to-date period of 2013.

Investing Activities – Cash used in investing activities totaled $60.5 million for the year-to-date period of 2014 and $132 million for the year-to-date period of 2013. Capital expenditures totaled $41.8 million for the year-to-date period of 2014 and $47.4 million for the year-to-date period of 2013.

On April 12, 2013, we acquired the Asian Food Channel ("AFC") for net cash consideration of approximately $64.4 million.

A noncontrolling owner holds a 35% residual interest in the Travel Channel and the owner of that interest has a put option right requiring us to repurchase their interest. The put option became exercisable beginning August 17, 2014. The noncontrolling interest will receive the fair value for their interest following the exercise of the option. As of September 30, 2014, we valued the noncontrolling owner's interest in the Travel Channel at $119 million.

Financing Activities – Cash used in financing activities totaled $1.0 billion for the year-to-date period of 2014 and $432 million for the year-to-date period of 2013.

Under a share repurchase program approved by the Board of Directors, we are permitted to acquire $2 billion of Class A Common shares. For the year-to-date period of 2014, we repurchased 10.3 million shares for approximately $800 million and repurchased 3.9 million shares for total consideration of $253 million during the year-to-date period of 2013.

As of September 30, 2014, $847 million remains available for repurchase under our share repurchase program. There is no expiration date for the program and we are under no commitment or obligation to repurchase any particular amount of Class A Common shares under the program.

We have $500 million aggregate principal amount Senior Notes that mature on December 15, 2016 and bear interest at 2.70%. Interest is paid on these notes on June 15th and December 15th of each year.

We also have $885 million aggregate principal amount Senior Notes that were issued by a majority-owned subsidiary of SNI through a private placement. The Senior Notes mature on January 15, 2015 bearing interest at 3.55%. Interest is paid on the Senior Notes on January 15th and July 15th of each year. The Senior Notes are guaranteed by SNI. Cox TMI, Inc., a wholly-owned subsidiary of Cox Communications, Inc. and 35% owner in the Travel Channel has agreed to indemnify SNI for all payments made in respect of SNI's guarantee. We anticipate refinancing the $885 million Senior Notes prior to their January 15, 2015 maturity.

Pursuant to the terms of the Food Network general partnership agreement, the partnership is required to distribute available cash to the general partners. Cash distributions to Food Network's noncontrolling interest were $173 million in the year-to-date period of 2014 and $140 million for the year-to-date period of 2013. Cash distributions to Travel Channel's noncontrolling interest were $21.9 million in the year-to-date period of 2014 and $6.4 million in the year-to-date period of 2013. We expect cash distributions to noncontrolling interests will approximate $220 million in 2014.

We have paid quarterly dividends since our inception as a public company on July 1, 2008. During the first quarter of 2014, the Board of Directors approved an increase in the quarterly dividend rate to $.20 per share. Total dividend payments to shareholders of our common stock were $85.4 million in the year-to-date period of 2014 and $66.4 million in the year-to-date period of 2013. We currently expect that quarterly cash dividends will continue to be paid in the future. Future dividends are, however, subject to our earnings, financial condition and capital requirements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to interest rates and foreign currency exchange rates. We use or expect to use derivative financial instruments to modify exposure to risks from fluctuations in interest rates and foreign currency exchange rates. In accordance with our policy, we do not use derivative instruments unless there is an underlying exposure, and we do not hold or enter into financial instruments for speculative trading purposes.

Our objectives in managing interest rate risk are to limit the impact of interest rate changes on our earnings and cash flows, and to reduce overall borrowing costs.

We are subject to interest rate risk associated with our credit facility as borrowings bear interest at Libor plus a spread that is determined relative to our Company's debt rating. Accordingly, the interest we pay on our borrowings is dependent on interest rate conditions and the timing of our financing needs. The Company issued $500 million of Senior Notes in December 2011 and a majority-owned subsidiary of SNI issued $885 million of Senior Notes in conjunction with our acquisition of a controlling interest in the Travel Channel in December 2009. A 100 basis point increase in the level of interest rates would decrease the fair value of the Senior Notes by approximately $13.4 million.

The following table presents additional information about market-risk-sensitive financial instruments:

(in thousands)	As of September 30, 2014		As of December 31, 2013	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to interest rate risk:				
3.55% notes due in 2015	$ 884,956	$ 891,906	$ 884,844	$ 910,411
2.70% notes due in 2016	499,736	515,797	499,644	519,510
Total debt	$1,384,692	$1,407,703	$1,384,488	$1,429,921

We are also subject to interest rate risk associated with the notes receivable acquired in the UKTV transaction. The notes, totaling $121 million at September 30, 2014 and $122 million at December 31, 2013, effectively act as a revolving credit facility for UKTV. The notes accrue interest at variable rates, related to either the spread over LIBOR or other identified market indices. Because the notes receivable are variable rate, the carrying amount of such notes receivable is believed to approximate fair value.

We conduct business in various countries outside the United States, resulting in exposure to movements in foreign exchange rates when translating from the foreign local currency to the U.S. Dollar. Our primary exposure to foreign currencies is the exchange rates between the U.S. dollar and the Canadian dollar, the British pound and the Euro. Reported earnings and assets may be reduced in periods in which the U.S. dollar increases in value relative to those currencies.

Our objective in managing exposure to foreign currency fluctuations is to reduce volatility of earnings and cash flow. Accordingly, we may enter into foreign currency derivative instruments that change in value as foreign exchange rates change, such as foreign currency forward contracts or foreign currency options. The change in fair value of non-designated contracts is included in current period earnings within our Miscellaneous, net caption. The gross notional value of foreign exchange rate derivative contracts were $130 million at September 30, 2014 and $236 million at December 31, 2013. A sensitivity analysis of changes in the fair value of all foreign exchange rate derivative contracts at September 30, 2014 indicates that if the U.S. dollar strengthened/weakened by 10 percent against the British pound, the fair value of these contracts would increase/decrease by approximately $13.0 million, respectively. Any gains and losses on the fair value of derivative contracts would be largely offset by gains and losses on the underlying assets being hedged. These offsetting gains and losses are not reflected in the above analysis.

CONTROLS AND PROCEDURES

SNI’s management is responsible for establishing and maintaining adequate internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The company’s internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error, collusion and the improper overriding of controls by management. Accordingly, even effective internal control can only provide reasonable but not absolute assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) was evaluated as of the date of the financial statements. This evaluation was carried out under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective. There were no changes to the company’s internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the three months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the company’s internal control over financial reporting.

SCRIPPS NETWORKS INTERACTIVE, INC.

Index to Exhibits

Exhibit No.	Item
10.33	Employment Agreement between the Company and Mark Hale
31(a)	Section 302 Certifications
31(b)	Section 302 Certifications
32(a)	Section 906 Certifications *
32(b)	Section 906 Certifications *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* This exhibit is furnished herewith but will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934.

Exhibit 10.33

scrippsnetworks interactive

Joseph G. NeCastro
Chief Financial & Administrative Officer

9721 Sherrill Blvd. | Knoxville, TN 37932
865-560-4447 | fax 865-985-7792
jnecastro@scrippsnetworks.com
assistant: Cindi Bowers | 865-560-4793

August 26, 2014

Mark Hale
9721 Sherrill Boulevard
Knoxville, TN 37932

Re: Employment Agreement

Dear Mark:

Scripps Networks Interactive, Inc. (the "Company"), either directly or through one of its subsidiaries, agrees to employ you and you agree to accept such employment upon the following terms and conditions:

l. Term. Subject to the provisions for earlier termination provided in paragraph 8 below, the term of your employment hereunder shall become effective as of January 1, 2015 and continue until December 31, 2015; provided that you and the Company may mutually agree to extend the Term on terms and conditions similar to those set forth herein, for two successive periods of one year each. Such period shall be referred to as the "Term," notwithstanding any earlier termination of your employment for any reason. The Company shall provide you with at least ninety (90) days' notice prior to the expiration of the Term if the Company does not intend to continue to employ you beyond the expiration of the Term. If the Company does not provide you with such notice and the Company and you do not agree in writing to renew or extend this Agreement or enter into a new employment agreement upon the expiration of the Term, the parties agree that, notwithstanding the expiration of this Agreement, you shall continue to be employed by the Company on an at-will basis which means that either you or the Company may terminate the employment relationship at any time, with or without cause or advance notice.

2. Duties. You will be the Executive Vice President, Global Operations and Chief Technology Officer, reporting to the Chief Financial and Administrative Officer ("Reporting Senior"). You agree as a member of management to devote substantially all your business time, and apply your best reasonable efforts, to promote the business and affairs of the Company and its affiliated companies during your employment. You will perform such duties and responsibilities commensurate with your position and title during the Term, and as may be reasonably assigned to you from time to time by your Reporting Senior. You shall not, without the prior written consent of the Company, directly or indirectly, during the Term, other than in the performance of duties naturally inherent to the businesses of the Company and in furtherance thereof, render services of a business, professional, or commercial nature to any other person or firm, whether for

compensation or otherwise; provided, however, that so long as it does not materially interfere with the performance of your duties hereunder, you may serve as a director, trustee or officer of, or otherwise participate in, educational, welfare, social, religious, civic, professional, or trade organizations. Your principal place of employment shall be in Knoxville, Tennessee.

3. <u>Compensation</u>.

(a) <u>Annual Salary</u>. For all the services rendered by you in any capacity under this Agreement, the Company agrees to pay you no less than $560,000 a year in base salary (“Annual Salary”), less applicable deductions and withholding taxes, in accordance with the Company’s payroll practices as they may exist from time to time during the Term. In the event this agreement is extended, your Annual Salary may be increased by the Company in conjunction with your annual performance review conducted pursuant to the guidelines and procedures of the Company applicable to similarly situated executives, but in no event shall your Annual Salary be less than the annual salary amount established under this paragraph 3(a) for the immediately previous calendar year.

(b) <u>Annual Incentive</u>. During your employment hereunder, you shall be eligible to participate in the Company’s applicable Annual Incentive Plan, as amended, or any successor to such plan (the “Annual Incentive Plan”) with a target annual incentive opportunity of 50% of your Annual Salary as established under paragraph 3(a) (“Annual Incentive”). The Annual Incentive amount actually paid shall be based on your attainment of, within the range of the minimum and maximum performance objectives, strategic and financial goals established for you by the Company. The Company shall pay to you any Annual Incentive under this paragraph 3(b) in accordance with the terms and subject to the conditions of the Annual Incentive Plan.

(c) <u>Bonus</u>. You will receive a bonus payment in the amount of $250,000, less necessary withholding for taxes, within 30 days of your execution of this Agreement. You will receive a second bonus payment in the amount of $250,000, less necessary withholding for taxes, on January 1, 2016, provided you have not voluntarily terminated your employment without Good Reason or as the result of your death or disability prior to December 31, 2015. If we have mutually agreed to extend the Term of this Agreement until December 31, 2016, you will receive a third bonus payment in the amount of $250,000, less necessary withholding for taxes, on January 1, 2017, provided you have not voluntarily terminated your employment without Good Reason or as the result of your death or disability prior to December 31, 2016. If we have mutually agreed to extend the Term of this Agreement until December 31, 2017, you will receive a fourth bonus payment in the amount of $250,000, less necessary withholding for taxes, on January 1, 2018, provided you have not voluntarily terminated your employment without Good Reason or as the result of your death or disability prior to December 31, 2017.

4. Benefits. During your employment hereunder, you shall be eligible to participate in all equity incentive plans of the Company applicable to similarly situated executives of the Company in accordance with the terms of each plan. During your employment hereunder, you shall also be entitled to participate in any employee retirement, pension and welfare benefit plan or program available to similarly situated executives of the Company, or to the Company's employees generally, as such plans and programs may be in effect from time to time, including, without limitation, pension, profit sharing, savings, estate preservation and other retirement plans or programs, 401(k), medical, dental, life insurance, short-term and long-term disability insurance plans, accidental death and dismemberment protection, travel accident protection, and all other plans that the Company may have or establish from time to time and in which you would be entitled to participate under the terms of the applicable plan for similarly situated executives. This provision is not intended, nor shall it have the effect of, reducing any benefit to which you were entitled as of the effective date of this Agreement. However, this provision shall not be construed to require the Company to establish any welfare, compensation or long-term incentive plans, or to prevent the modification or termination of any plan once established, and no action or inaction with respect to any plan shall affect this Agreement. You shall be entitled to be reimbursed by the Company for tax and financial planning up to a maximum net amount of $10,000 per year. In addition, the Company shall pay the cost of an annual "senior executive" physical examination.

5. Business Expenses. During your employment hereunder, upon delivery of proper documentation in accordance with the Company's expense reimbursement policy, the Company shall reimburse you for reasonable travel and other expenses incurred in the performance of your duties as are customarily reimbursed to similarly situated executives of the Company.

6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit your continuing or future participation in any plan, program, policy or practice provided by the Company or its affiliates and for which you may qualify that are provided to any other similarly situated executives. Amounts that are vested benefits or that you are otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or its affiliates at or subsequent to the date of termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Non-Competition, Confidential Information, Etc.

(a) Non-Competition. You agree that your employment with the Company is on an exclusive basis and that, while you are employed by the Company, you will not engage in any other business activity that would otherwise conflict with your duties and obligations (including your commitment of substantially all business time) under this Agreement. You agree that, during the Non-Compete Period (as defined below), you shall not directly or indirectly engage in or participate as an owner, partner, stockholder, officer, employee, director, agent of or consultant for any business competitive with any business of the Company, or for any customer of the Company, without the prior written consent of the Company; provided, however, that this provision shall not prevent you from investing as a less-than-one-percent (1%) stockholder in the securities of any company listed on a national securities exchange or quoted on an automated quotation system. The Non-Compete Period shall cover the entire Term, unless earlier terminated as set forth in Sections 8(b) or (c) as well as twelve (12) months after your employment with the Company terminates for any reason, or on such earlier date as you may make the election under paragraph 7(i) (which relates to your ability to terminate your obligations under this paragraph 7(a) in exchange for waiving your right to certain compensation and benefits).

(b) Confidential Information. You agree that, during the Term or at any time thereafter: (i) you shall not use for any purpose other than the duly authorized business of the Company, or disclose to any third party, any information relating to the Company or any of its affiliated companies which is proprietary to the Company or any of its affiliated companies (“Confidential Information”), including any trade secret or any written (including in any electronic form) or oral communication incorporating Confidential Information in any way (except as may be required by law or in the performance of your duties under this Agreement consistent with the Company’s policies); and (ii) you will comply with any and all confidentiality obligations of the Company to a third party, whether arising under a written agreement or otherwise. Information shall not be deemed Confidential Information which: (*x*) is or becomes generally available to the public other than as a result of a disclosure by you or at your direction or by any other person who directly or indirectly receives such information from you, or (*y*) is or becomes available to you on a non-confidential basis from a source which is entitled to disclose it to you.

(c) No Solicitation or Interference. You agree that, during the Term and for one (1) year thereafter, no matter how the Term ends, you shall not, directly or indirectly: (i) employ or solicit the employment of any person who is then or has been within six (6) months prior thereto, an employee, independent contractor or consultant of the Company or any of its affiliated companies; or (ii) interfere with, disturb or interrupt the relationships (whether or not such relationships have been reduced to formal contracts) of the Company or any of its affiliated companies with any talent, production companies, vendors, advertisers (including, without limitation their agencies or representatives), sponsors, distributors, customers, suppliers, agents, consultants or independent contractors.

(d) Ownership of Works. The results and proceeds of your services under this Agreement, including, without limitation, any works of authorship resulting from your services to the Company or any of its affiliates during your employment with the Company and/or any of its affiliated companies and any works in progress resulting from such services, shall be works-made-for-hire and the Company shall be deemed the sole owner throughout the universe of any and all rights of every nature in such works, whether such rights are now known or hereafter defined or discovered, with the right to use the works in perpetuity in any manner the Company determines in its sole discretion without any further payment to you. If, for any reason, any of such results and proceeds are not legally deemed a work-made-for-hire and/or there are any rights in such results and proceeds which do not accrue to the Company under the preceding sentence, then you hereby irrevocably assign and agree to assign any and all of your right, title and interest thereto, including, without limitation, any and all copyrights, patents, trade secrets, trademarks and/or other rights of every nature in the work, whether now known or hereafter defined or discovered, and the Company shall have the right to use the work in perpetuity throughout the universe in any manner the Company determines in its sole discretion without any further payment to you. You shall, as may be requested by the Company from time to time, do any and all things which the Company may deem useful or desirable to establish or document the Company’s rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright, trademark and/or patent applications, assignments or similar documents and, if you are unavailable or unwilling to execute such documents, you hereby irrevocably designate your Reporting Senior or his designee as your attorney-in-fact with the power to execute such documents on your behalf. To the extent you have any rights in the results and proceeds of your services under this Agreement that cannot be assigned as described above, you unconditionally and irrevocably waive the enforcement of such rights. This paragraph 7(d) is subject to, and does not limit, restrict, or constitute a waiver by the Company or any of its affiliated companies of any ownership rights to which the Company or any of its affiliated companies may be entitled by operation of law by virtue of being your employer.

(e) Litigation.

(i) You agree that, during the Term, for one (1) year thereafter and, if longer, during the pendency of any litigation or other proceeding, and except as may be required by law or legal process: (*x*) you shall not communicate with anyone (other than your own attorneys and tax advisors), except to the extent necessary in the performance of your duties under this Agreement, with respect to the facts or subject matter of any pending or potential litigation, or regulatory or administrative proceeding involving the Company or any of its affiliated companies, other than any litigation or other proceeding in which you are a party-in-opposition, without giving prior notice to the Company’s Chief Legal Officer; and (*y*) in the event that any other party attempts to obtain information or documents from you with respect to such matter, either through formal legal process such as a subpoena or by informal means such as interviews, you shall promptly notify the Company's Chief Legal Officer before providing any information or documents.

(ii) You agree to cooperate with the Company and its attorneys, both during employment and during the five (5) year period following termination of your employment, in connection with any litigation or other proceeding arising out of or relating to matters in which you were involved prior to the termination of your employment. Your cooperation shall include, without limitation, providing assistance to the Company's counsel, experts or consultants, and providing truthful testimony in pretrial and trial or hearing proceedings. In the event that your cooperation is requested after the termination of your employment, the Company will: (*x*) seek to minimize interruptions to your schedule to the extent consistent with its interests in the matter; and (*y*) reimburse you for all reasonable and appropriate out-of-pocket expenses actually incurred by you in connection with such cooperation upon reasonable substantiation of such expenses.

(iii) Except as required by law or legal process, or as requested by the Company's Chief Legal Officer, you agree that you will not testify in any lawsuit or other proceeding which directly or indirectly involves the Company or any of its affiliated companies that was not filed by you, or which may create the impression that such testimony is endorsed or approved by the Company or any of its affiliated companies. In all events, you shall give advance notice to the Company's Chief Legal Officer that you will be testifying promptly after you become aware that you may be required to provide it. The Company expressly reserves its attorney-client and other privileges except if expressly waived in writing.

(f) Return of Property. All documents, data, recordings, or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for you and utilized by you in the course of your employment with the Company or any of its affiliated companies shall remain the exclusive property of the Company. In the event of the termination of your employment for any reason, the Company reserves the right, to the extent permitted by law and in addition to any other remedy either may have, to deduct from any monies otherwise payable to you the following: (i) all amounts you may directly owe to the Company or any of its affiliated companies at the time of or subsequent to the termination of your employment with the Company; and (ii) the reasonable value of the Company property which you retain in your possession after the termination of your employment with the Company. In the event that the law of any state or other jurisdiction requires the consent of an employee for such deductions, this Agreement shall serve as such consent.

(g) Non-Disparagement. During the duration of your employment and for one (1) year following the termination thereof for any reason, you shall not make, nor cause any one else to make or cause on your behalf, any public disparaging or derogatory statements or comments regarding the Company or its affiliated companies, or its officers or directors; likewise, the Company's officers will not make, nor cause any one else to make, any public disparaging or derogatory statements or comments regarding you.

(h) Injunctive Relief. The Company has entered into this Agreement in order to obtain the benefit of your unique skills, talent, and experience. You and the Company acknowledge and agree that your violation of one or all of paragraphs 7(a) through (h) of this Agreement will result in irreparable damage to the Company and/or its affiliated companies and, accordingly, the Company may obtain injunctive and other equitable relief for any breach or threatened breach of such paragraphs, in addition to any other remedies available to the Company.

(i) Survival; Modification of Terms. The obligations set forth under paragraphs 7(a) through (i) shall remain in full force and effect for the entire period provided therein notwithstanding the termination of your employment under this Agreement for any reason or the expiration of the Term; provided, however, that your obligations under paragraph 7(a) (but not under any other provision of this Agreement) shall cease if you terminate your employment for Good Reason or the Company terminates your employment without Cause and you notify the Company in writing, prior to the Company's payment of any severance benefits in accordance with paragraph 8(e)(i) through (vii) and pursuant to terms of the Company's Executive Severance Plan, that you have elected to waive your right to receive termination payments and benefits in accordance with paragraph 8(e)(iii) through (vii) and payable pursuant to the terms of the Company's Executive Severance Plan. You and the Company agree that the restrictions and remedies contained in paragraphs 7(a) through (h) are reasonable and that it is your intention and the intention of the Company that such restrictions and remedies shall be enforceable to the fullest extent permissible by law. If a court of competent jurisdiction shall find that any such restriction or remedy is unenforceable but would be enforceable if some part were deleted or the period or area of application reduced, then such restriction or remedy shall apply with the modification necessary to make it enforceable. For avoidance of doubt, you will not be required to waive your rights to receive the payment under paragraphs 8(e)(iii) if you wish to be released from paragraph 7(a).

8. Termination.

(a) Termination for Cause. The Company may, at its option, terminate your employment under this Agreement for Cause and thereafter shall have no obligations under this Agreement, including, without limitation, any obligation to pay Annual Salary or Annual Incentive or provide benefits, excluding any and all earned and/or vested compensation and/or benefits. “Cause” shall mean exclusively: (i) embezzlement, fraud or other conduct that would constitute a felony (other than traffic-related citations); (ii) willful unauthorized disclosure of Confidential Information; (iii) your material breach of this Agreement; (iv) your gross misconduct or gross neglect in the performance of your duties hereunder; (v) your willful failure to cooperate with a bona fide internal investigation or investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other material reasonably known to be relevant to such an investigation, or the willful inducement of others to fail to cooperate or to destroy or fail to produce documents or other material; or (vi) your willful and material violation of the Company’s written conduct policies, including but not limited to the Company’s Employment Handbook and Ethics Code. The Company will give you written notice prior to terminating your employment pursuant to (iii), (iv), (v), or (vi), of this paragraph 8(a), setting forth the nature of any alleged failure, breach or refusal in reasonable detail and the conduct required to cure. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, you shall have twenty (20) business days from the giving of such notice within which to cure any failure, breach or refusal under (iii), (iv), (v), or (vi) of this paragraph 8(a); provided, however, that, if the Company reasonably expects irreparable injury from a delay of twenty (20) business days, the Company may give you notice of such shorter period within which to cure as is reasonable under the circumstances.

(b) Good Reason Termination. You may terminate your employment under this Agreement for Good Reason at any time during the Term by written notice to the Company in accordance with the Company’s Executive Severance Plan. “Good Reason” shall mean without your consent (other than in connection with the termination or suspension of your employment or duties for Cause or in connection with your Disability) exclusively: (i) a material diminution in your Annual Salary or target Annual Incentive opportunity; (ii) a material diminution in your authority, duties, or responsibilities; including, but not limited to, the elimination of your current international responsibilities; (iii) a material diminution in the authority, duties, or responsibilities of the supervisor to whom you are required to report, (iv) a requirement that you report to someone else other than your Reporting Senior or similar positions then in effect that results in a material change in your reporting structure that result in your Reporting Senior no longer being a direct report to the Chief Executive Officer of the Company; (v) a material diminution in the budget over which you retain authority (except for good faith budget adjustments necessitated by the legitimate business needs of the Company); (vi) a material change in geographic location at which you must perform services under this Agreement from the Company’s offices at which you were principally employed; or (vii) any other action or inaction that constitutes a material breach by the Company of the terms of the Agreement. Notwithstanding the foregoing, no event described above shall constitute Good Reason unless: (1) you give notice of termination for Good Reason to the Company in accordance with the Company’s Executive

Severance Plan specifying the condition or event relied upon for such termination within ninety (90) calendar days after the initial existence of such event; and (2) the Company fails to cure the condition or event constituting Good Reason within thirty (30) calendar days after receipt of such notice.

(c) Termination Without Cause or for Disability. The Company may terminate your employment under this Agreement without Cause or for "Disability" (defined by reference to the employee long-term disability plan of the Company or a subsidiary that covers you) at any time during the Term by written notice to you in accordance with the Company's Executive Severance Plan at least thirty (30) days prior to the date of such termination.

(d) Termination as a Result of Death. Your employment with the Company shall terminate in the event of your death.

(e) Termination Payments/Benefits. Subject to paragraph 7 and, as applicable, paragraph 9, and pursuant to the terms, and subject to the conditions, of the Company's Executive Severance Plan, but in no event less than the benefits as provided in this Agreement, in the event that your employment terminates under paragraph 8(b), (c) or (d), you (or your estate or legal representative, if applicable) shall thereafter receive the following benefits (in each case less applicable deductions and withholding taxes):

(i) Accrued Benefits: The portion of your Annual Salary earned, but not yet paid, through your Date of Termination; any Annual Incentive earned, but not yet paid, for a completed fiscal year preceding the Date of Termination; and any accrued paid vacation, sick leave, sabbatical, holiday and other paid-time off, to the extent not yet paid (collectively, the "Accrued Benefits"). The Accrued Benefits shall be paid in a single lump sum within 30 calendar days after your Date of Termination, or as otherwise may be provided in a valid deferral election made pursuant to the terms of the Company's deferred compensation plan.

(ii) Pro-Rated Annual Incentive. A Pro-Rated Annual Incentive, which shall be paid in a single lump sum at the same time that payments are made to other participants in the annual incentive plan for that fiscal year (pursuant to the terms of the applicable plan but in no event later than March 15 of the fiscal year immediately following the fiscal year during which your Date of Termination occurs), or as otherwise may be provided in a valid deferral election made pursuant to the terms of the Company's deferred compensation plan, and shall be in lieu of any annual incentive that you would have otherwise been entitled to receive under the terms of the annual incentive plan covering you for the fiscal year during which your Date of Termination occurs.

(iii) Severance Payment. As additional severance (and not in lieu of any annual incentive for the fiscal year in which your Date of Termination occurs), a severance payment equal to 1.5 times the sum of your Base Salary and Target Annual Incentive. The severance shall be paid in a single lump sum within 20 calendar days after the Release Deadline.

(iv) Health Care Coverage. As long as you (or your estate or legal representative) pays the required full monthly premiums for coverage, the Company shall provide you and, as applicable, your eligible dependents with continued medical and dental coverage, on the same basis as provided to Company's active executives and their dependents for 1.5 years (or, if earlier, until you first become eligible for any such coverage under a plan maintained by another employer or your spouse's employer) (the "Benefit Continuation Period"). In addition, within 20 calendar days after the Release Deadline, the Company shall pay to you a lump sum cash payment equal to 18 times the monthly medical and dental premiums based on the level of coverage in effect for you (*e.g.,* employee only or family coverage) on the Date of Termination; provided, however, that to the extent necessary to avoid a violation of Section 409A, any cash payment attributable to medical and dental insurance premiums for periods more than 18 months after your Date of Termination, shall be paid in monthly installments at the same time that such premiums are due and payable. The Benefit Continuation Period shall run concurrently with (and shall count against) the Company's obligation to provide continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act.

(v) Life Insurance. The Company shall take all steps reasonably necessary to continue the life insurance coverage applicable to you on your Date of Termination (and if the policy cannot be continued in its then-current form, the Company shall exercise any required conversion features to continue the policy), at no cost to you, for 1.5 years following your Date of Termination. The amount of such coverage will be reduced by the amount of life insurance coverage furnished to you at no cost by a third party employer.

(vi) Financial Planning. An net amount of $10,000, which is intended to cover the approximate cost of financial planning services for you for a period of one year after your Date of Termination. This financial planning stipend shall be paid in a single lump sum within 20 calendar days after the Release Deadline.

(vii) Outplacement. The Company shall, at its sole expense as incurred, provide you with outplacement services from a recognized outplacement service provider for 12 months, the scope of such services to be determined in the sole discretion of the Company.

(f) Termination of Benefits. Notwithstanding anything in this Agreement to the contrary (except as otherwise provided in paragraph 8(e) with respect to medical and dental benefits and life insurance), participation in all the Company benefit plans and programs will terminate upon the termination of your employment except to the extent otherwise expressly provided in such plans or programs and subject to any vested rights you may have under the terms of such plans or programs.

(g) Resignation from Official Positions. If your employment with the Company terminates for any reason, you shall be deemed to have resigned at that time from any and all officer or director positions that you may have held with the Company or any of its affiliated companies and all board seats or other positions in other entities you held on behalf of the Company. If, for any reason, this paragraph 8(g) is deemed insufficient to effectuate such resignation, you agree to execute, upon the request of the Company, any documents or instruments which the Company may deem necessary or desirable to effectuate such resignation or resignations, and you hereby authorize the Secretary and any Assistant Secretary of the Company to execute any such documents or instruments as your attorney-in-fact.

9. Severance Contingent On Release. Any compensation and benefits to be provided under the Company's Executive Severance Plan and described in paragraph 8(e)(ii), (iii), (iv), (v), (vi) or (vii) shall be provided only if you (or in the case of your death or Disability, your legal representative, if applicable) execute and do not later revoke or materially violate a release of claims the form of that certain Form of Release attached to the Company's Executive Severance Plan (with such changes as the Company may determine to be required or reasonably advisable in order to make the release enforceable and otherwise compliant with applicable law) (the "Release"). The Release must be executed by you and become effective and irrevocable in accordance with its terms no later than the fifty-second (52nd) day following termination of your employment (the "Release Deadline").

10. Change in Control Protections. You shall be included in and covered by the Company's Executive Change in Control Plan, which is incorporated herein by reference. Your Termination Pay Multiple, as defined in the Change in Control Plan, will be at least "2.0". In the event that such plan is terminated or you are excluded from the plan for any reason during the Term, the Company agrees to promptly amend this Agreement so that you are similarly covered and eligible for the same benefits and protection thereunder.

11. Company's Policies. You agree that, during your employment hereunder, you will comply in all material respects with all of the Company's written policies, including, but not limited to, the Company's Employee Handbook and Code of Ethics.

12. Indemnification; Liability Insurance. If you are made a party to, are threatened to be made a party to, receive any legal process in, or receive any discovery request or request for information in connection with, any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that you were an officer, director, employee, or agent of the Company or any of its affiliated companies, or were serving at the request of or on behalf of the Company or any of its affiliated companies, the Company shall indemnify and hold you harmless to the fullest extent permitted or authorized by the Company's Articles of Incorporation or Code of Regulations or, if greater, by the laws of the State of Tennessee, against all costs, expenses, liabilities and losses you incur in connection therewith. Such indemnification shall continue even if you have ceased to be an officer, director, employee or agent of the Company or any of its affiliated companies, and shall inure to the benefit of your heirs, executors and administrators. The Company shall reimburse you for all costs and expenses you incur in connection with any Proceeding within twenty (20) business days after receipt by the Company of a written request for such reimbursement and appropriate documentation associated with such expenses. In addition, the Company agrees to maintain a director's and officer's liability insurance policy or policies covering you at a level and on terms and conditions no less favorable than the Company provides it directors and senior-level officers currently (subject to any future improvement in such terms and conditions), until such time as legal or regulatory action against you are no longer permitted by law.

13. Notices. All notices under this Agreement must be given in writing, by personal delivery facsimile or by mail, if to you, to the address shown on this Agreement (or any other address designated in writing by you), with a copy to any other person you designate in writing, and, if to the Company, to your Reporting Senior to the address shown on this Agreement (or any other address designated in writing by the Company), with a copy, to the attention of the Company's Chief Legal Officer. Any notice given by mail shall be deemed to have been given three (3) days following such mailing.

14. Assignment. This is an Agreement for the performance of personal services by you and may not be assigned by you, without the prior written consent of the Company, otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by your legal representatives. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Except as provided in the immediately following sentence, this Agreement shall not be assignable by the Company without your prior written consent. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. "Company" means the Company as defined in this Agreement and any successor to

its business and/or assets as described above that assumes and agrees to perform this Agreement by operation of law or otherwise.

15. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

16. No Implied Contract. Nothing contained in this Agreement shall be construed to impose any obligation on the Company or you to renew this Agreement or any portion thereof. The parties intend to be bound only upon execution of a written agreement and no negotiation, exchange of draft or partial performance shall be deemed to imply an agreement. Neither the continuation of employment nor any other conduct shall be deemed to imply a continuing agreement upon the expiration of the Term.

17. Entire Understanding. Except where specifically stated otherwise herein, this Agreement contains the entire understanding of the parties hereto relating to the subject matter contained in this Agreement, and can be changed only by a writing signed by both parties. Capitalized terms used in this Agreement without definition shall have the meaning given to such terms in the Company's Executive Severance Plan.

18. Void Provisions. If any provision of this Agreement, as applied to either party or to any circumstances, shall be found by a court of competent jurisdiction to be unenforceable but would be enforceable if some part were deleted or the period or area of application were reduced, then such provision shall apply with the modification necessary to make it enforceable, and shall in no way affect any other provision of this Agreement or the validity or enforceability of this Agreement.

19. Deductions and Withholdings. All amounts payable under this Agreement shall be paid less deductions and income and payroll tax withholdings as may be required under applicable law.

20. Section 409A of the Code. It is the Company's intent that this Agreement be exempt from the application of, or otherwise comply with, the requirements of Section 409A of the Internal Revenue Code. In particular, any expense eligible for reimbursement must be incurred, or any entitlement to a benefit must be used, during the Term (or the applicable expense reimbursement or benefit continuation period provided in this Agreement). The amount of the reimbursable expense or benefit to which you are entitled during a calendar year will not affect the amount to be provided in any other calendar year, and your right to receive the reimbursement or benefit is not subject to liquidation or exchange for another benefit. Provided the requisite documentation is submitted, the Company will reimburse the eligible expenses on or before the last day of the calendar year following the calendar year in which the expense was incurred.

If the foregoing correctly sets forth our understanding, please sign, date and return an original executed copy to me for our records.

Sincerely yours,

SCRIPPS NETWORKS INTERACTIVE, INC.

Joseph G. NeCastro
Chief Financial and Administrative Officer

ACCEPTED AND AGREED:

Mark Hale

Dated:

EXHIBIT 31(a)
Section 302 Certifications

CERTIFICATIONS

I, Kenneth W. Lowe, certify that:

1. I have reviewed this report on Form 10-Q of Scripps Networks Interactive, 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 officers 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 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 officers 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 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 controls 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 controls over financial reporting.

Date: November 6, 2014

BY: /s/ Kenneth W. Lowe
Kenneth W. Lowe
Chairman, President and Chief Executive Officer

EXHIBIT 31(b)
Section 302 Certifications

CERTIFICATIONS

I, Joseph G. NeCastro, certify that:

1. I have reviewed this report on Form 10-Q of Scripps Networks Interactive, 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 officers 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 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 officers 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 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 controls 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 controls over financial reporting.

Date: November 6, 2014

BY: /s/ Joseph G. NeCastro
Joseph G. NeCastro
Chief Financial & Administrative Officer

EXHIBIT 32(a)
Section 906 Certifications

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth W. Lowe, Chairman, President and Chief Executive Officer of Scripps Networks Interactive, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2014 (the "Report"), which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

November 6, 2014

BY: /s/ Kenneth W. Lowe
Kenneth W. Lowe
Chairman, President and Chief Executive Officer

EXHIBIT 32(b)
Section 906 Certifications

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph G. NeCastro, Chief Financial & Administrative Officer of Scripps Networks Interactive, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2014 (the “Report”), which this certification accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

November 6, 2014

BY: /s/ Joseph G. NeCastro
Joseph G. NeCastro
Chief Financial & Administrative Officer