Scripps Networks Interactive, Inc. (SNI)

10−Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 11/4/2010
Filed Period 9/30/2010

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, 2010

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)**
312 Walnut Street **Cincinnati, Ohio** **(Address of principal executive offices)**	**45202** **(Zip Code)**

Registrant's telephone number, including area code: (513) 824−3200

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, 2010 there were 130,593,590 of the Registrant's Class A Common shares outstanding and 36,218,226 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, 2010

Table of Contents

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.

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, 2009 to be the most significant and there have been no material changes.

ITEM 2. UNREGISTERED SALES OF EQUITY 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 on July 29, 2008, we were authorized to repurchase up to 5 million Class A Common 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.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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

ITEM 4. (REMOVED AND RESERVED)

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.

Table of Contents

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 4, 2010

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

Table of Contents

Index to Financial Information

Table of Contents

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)	As of September 30, 2010 (Unaudited)	As of December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 416,795	$ 254,370
Accounts and notes receivable (less allowances: 2010 − $4,490; 2009 − $5,587)	471,258	430,410
Programs and program licenses	274,309	271,773
Other current assets	53,392	25,716
Total current assets	1,215,754	982,269
Investments	45,333	46,395
Property, plant and equipment, net	237,413	239,644
Goodwill	666,502	670,494
Other intangible assets, net	648,062	681,312
Programs and program licenses (less current portion)	255,966	255,839
Unamortized network distribution incentives	91,010	71,266
Other non−current assets	13,326	15,843
Total Assets	$ 3,173,366	$ 2,963,062
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 12,527	$ 27,538
Program rights payable	27,748	20,350
Customer deposits and unearned revenue	18,631	16,865
Employee compensation and benefits	45,635	43,377
Accrued marketing and advertising costs	15,701	13,477
Other accrued liabilities	59,422	89,101
Total current liabilities	179,664	210,708
Deferred income taxes	81,013	119,515
Long−term debt	884,357	884,239
Other liabilities (less current portion)	117,912	99,662
Total liabilities	1,262,946	1,314,124
Redeemable noncontrolling interests	130,671	113,886
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: 2010 − 130,230,514 shares; 2009 − 129,443,195 shares	1,303	1,295
Voting − authorized: 60,000,000 shares; issued and outstanding: 2010 − 36,218,226 shares; 2009 − 36,338,226 shares	362	363
Total	1,665	1,658
Additional paid−in capital	1,306,546	1,271,209
Retained earnings	322,793	113,853
Accumulated other comprehensive income (loss)	(2,938)	(3,004)
Total SNI shareholders' equity	1,628,066	1,383,716
Noncontrolling interest	151,683	151,336
Total equity	1,779,749	1,535,052
Total Liabilities and Equity	$ 3,173,366	$ 2,963,062

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, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Operating Revenues:				
Advertising	$319,386	$238,189	$ 942,967	$ 726,606
Network affiliate fees, net	139,647	81,055	415,745	240,174
Referral fees	39,222	37,482	109,696	120,627
Other	10,432	7,735	25,713	24,102
Total operating revenues	508,687	364,461	1,494,121	1,111,509
Costs and Expenses:				
Employee compensation and benefits	74,989	61,675	220,643	185,374
Programs and program licenses	99,002	79,767	292,409	229,043
Marketing and advertising	43,064	31,080	142,039	100,915
Other costs and expenses	67,815	47,675	212,168	146,547
Total costs and expenses	284,870	220,197	867,259	661,879
Depreciation, Amortization, and Losses (Gains):				
Depreciation	14,895	15,562	47,627	42,859
Amortization of intangible assets	15,379	5,104	47,261	15,711
Losses (gains) on disposal of property, plant and equipment	(36)	898	1,284	967
Total depreciation, amortization, and losses (gains)	30,238	21,564	96,172	59,537
Operating income	193,579	122,700	530,690	390,093
Interest expense	(8,774)	(285)	(26,546)	(1,021)
Equity in earnings of affiliates	6,940	4,873	21,482	12,834
Miscellaneous, net	(319)	(1,321)	(1,164)	(721)
Income from continuing operations before income taxes	191,426	125,967	524,462	401,185
Provision for income taxes	55,289	41,544	160,867	130,449
Income from continuing operations, net of tax	136,137	84,423	363,595	270,736
Income (loss) from discontinued operations, net of tax		676	10,029	(1,885)
Net income	136,137	85,099	373,624	268,851
Less: net income attributable to noncontrolling interests	34,444	19,779	93,265	63,879
Net income attributable to SNI	$101,693	$ 65,320	$ 280,359	$ 204,972
Basic income per share:				
Income from continuing operations attributable to SNI common shareholders	$ .61	$ .39	$ 1.62	$ 1.26
Income (loss) from discontinued operations attributable to SNI common shareholders	.00	.00	.06	(.01)
Net income attributable to SNI common shareholders	$ .61	$ .40	$ 1.68	$ 1.25
Diluted income per share:				
Income from continuing operations attributable to SNI common shareholders	$ .61	$ .39	$ 1.61	$ 1.26
Income (loss) from discontinued operations attributable to SNI common shareholders	.00	.00	.06	(.01)
Net income attributable to SNI common shareholders	$ .61	$ .39	$ 1.67	$ 1.24
Amounts attributable to SNI:				
Income from continuing operations	$101,693	$ 64,644	$ 270,330	$ 206,857
Income (loss) from discontinued operations		676	10,029	(1,885)
Net income attributable to SNI	$101,693	$ 65,320	$ 280,359	$ 204,972

See notes to condensed consolidated financial statements.

Net income per share amounts may not foot since each is calculated independently.

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

(in thousands)	Nine months ended September 30, 2010	2009
Cash Flows from Operating Activities:		
Net income	$ 373,624	$ 268,851
Loss (income) from discontinued operations	(10,029)	1,885
Income from continuing operations, net of tax	363,595	270,736
Depreciation and intangible assets amortization	94,888	58,570
Amortization of network distribution costs	24,579	28,305
Programs and program licenses costs	292,409	229,043
Equity in earnings of affiliates	(21,482)	(12,834)
Program payments	(288,782)	(211,500)
Capitalized network distribution incentives	(45,147)	(5,571)
Dividends received from equity investments	22,660	17,098
Deferred income taxes	(36,149)	(4,616)
Stock and deferred compensation plans	15,891	15,557
Changes in certain working capital accounts:		
Accounts receivable	(41,779)	36,970
Other assets	(2,065)	(297)
Accounts payable	(14,216)	(6,517)
Accrued employee compensation and benefits	2,372	(1,334)
Accrued income taxes	(41,281)	2,371
Other liabilities	(9,446)	(25,106)
Other, net	19,427	14,234
Net cash provided by (used in) continuing operating activities	335,474	405,109
Net cash provided by (used in) discontinued operating activities	10,029	(4,302)
Net operating activities	345,503	400,807
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(52,020)	(57,852)
Increase in short−term investments		(159,762)
Purchase of subsidiary companies and noncontrolling interests	(14,400)	
Other, net	68	(5,087)
Net cash provided by (used in) continuing investing activities	(66,352)	(222,701)
Net cash provided by (used in) discontinued investing activities		(858)
Net investing activities	(66,352)	(223,559)
Cash Flows from Financing Activities:		
Payments on long−term debt		(80,000)
Dividends paid	(37,481)	(37,006)
Dividends paid to noncontrolling interest	(96,656)	(79,482)
Proceeds from stock options	23,087	22,819
Other, net	(6,062)	(2,490)
Net financing activities from continuing operations	(117,112)	(176,159)
Effect of exchange rate changes on cash and cash equivalents	386	61
Increase (decrease) in cash and cash equivalents	162,425	1,150
Cash and cash equivalents:		
Beginning of year	254,370	9,970
End of period	$ 416,795	$ 11,120
Supplemental Cash Flow Disclosures:		
Interest paid, excluding amounts capitalized	$ 19,755	$ 729
Income taxes paid	214,706	125,575

See notes to condensed consolidated financial statements.

Table of Contents

SCRIPPS NETWORKS INTERACTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF ACCUMULATED
OTHER COMPREHENSIVE INCOME (LOSS) AND SHAREHOLDERS' EQUITY (UNAUDITED)

	SNI Shareholders						
(in thousands, except share data)	Common Stock	Additional Paid−in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity	Redeemable Noncontrolling Interests (Temporary Equity)
Balance as of December 31, 2008	$ 1,638	$1,219,930	$(120,774)	$ 31,487	$ 146,733	$1,279,014	$ 9,400
Net income (loss)			204,972		65,562	270,534	(1,683)
Other comprehensive income (loss), net of tax:							
Change in foreign currency translation adjustment, net of tax of ($1,555)				4,881	251	5,132	
Pension liability adjustment, net of tax of $476				548		548	
Other comprehensive income (loss)						5,680	
Total comprehensive income (loss)						276,214	(1,683)
Redeemable noncontrolling interests fair value adjustments		2,517				2,517	(2,517)
Dividend paid to noncontrolling interest					(79,482)	(79,482)	
Dividends: declared and paid − $.225 per share			(37,006)			(37,006)	
Convert 230,000 Voting Shares to Class A Common Shares							
Compensation plans, net: 1,902,206 shares issued; 54,654 shares repurchased; 161 shares forfeited	18	35,720				35,738	
Tax benefits of compensation plans		(248)				(248)	
Balance as of September 30, 2009	$ 1,656	$1,257,919	$ 47,192	$ 36,916	$ 133,064	$1,476,747	$ 5,200
Balance as of December 31, 2009	$ 1,658	$1,271,209	$ 113,853	$ (3,004)	$ 151,336	$1,535,052	$ 113,886
Net income (loss)			280,359		96,953	377,312	(3,688)
Other comprehensive income (loss), net of tax:							
Change in foreign currency translation adjustment, net of tax of ($255)				173	50	223	(22)
Pension liability adjustment, net of tax of ($68)				(107)		(107)	
Other comprehensive income (loss)						116	(22)
Total comprehensive income (loss)						377,428	(3,710)
Additions to noncontrolling interest							957
Redeem noncontrolling interest in FLN							(14,400)
Redeemable noncontrolling interests fair value adjustments			(33,938)			(33,938)	33,938
Dividends paid to noncontrolling interest					(96,656)	(96,656)	
Dividends: declared and paid − $.225 per share			(37,481)			(37,481)	
Convert 120,000 Voting Shares to Class A Common Shares							
Compensation plans, net: 891,523 shares issued; 216,963 shares repurchased; 7,241 shares forfeited	7	31,205				31,212	
Tax benefits of compensation plans		4,132				4,132	
Balance as of September 30, 2010	$ 1,665	$1,306,546	$ 322,793	$ (2,938)	$ 151,683	$1,779,749	$ 130,671

See notes to condensed consolidated financial statements.

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

1. Basis of Presentation

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 and combined financial statements and notes thereto included in our 2009 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, cash flows, accumulated other comprehensive income (loss) 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. 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, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Weighted−average shares outstanding:				
Basic	166,731	165,329	166,513	164,491
Share options	1,060	407	1,070	269
Diluted weighted−average shares outstanding	167,791	165,736	167,583	164,760
Anti−dilutive share awards	3,801	6,589	3,344	8,031

For 2010 and 2009, 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 and Recently Issued Accounting Standards Updates

Recently Issued Accounting Standards Updates

In June 2009, an update was issued to the *Consolidation Topic*, Accounting Standards Codification (“ASC”) 810, which changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity’s purpose and design and the reporting entity’s ability to direct the activities of the other entity that most significantly impact the other entity’s economic performance. The update also requires ongoing assessments as to whether an entity is the primary beneficiary of an entity (previously, reconsideration was only required upon the occurrence of specific events). The update will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity’s financial statements. The update is effective for fiscal years beginning after November 15, 2009, and interim periods within those fiscal years. This update was effective for us on January 1, 2010 and the update did not have an impact to our condensed consolidated financial statements.

In January 2010, an update was issued to the *Fair Value Measurements Disclosures Topic*, ASC 820, which requires new disclosures for fair value measurements and provides clarification for existing disclosure requirements. More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. This update was effective for us on January 1, 2010, except for Level 3 reconciliation disclosures which will be effective for us on January 1, 2011. The update did not have a material impact on the disclosures to our condensed consolidated financial statements.

4. Other Charges and Credits

Our third quarter 2010 income tax provision includes favorable adjustments attributed to changes in both estimated foreign tax credits and state apportionment factors reflected in our filed tax returns. Net income was increased by $4.3 million.

Operating results in the third quarter of 2010 include $3.5 million of transition costs following our acquisition of a controlling interest in the Travel Channel in December of 2009. Net income attributable to SNI for the third quarter of 2010 was reduced $1.4 million.

For the year−to−date period of 2010, these Travel Channel transition costs were $27.6 million. Year−to−date operating results in 2010 also include $11.0 million of marketing and legal expenses incurred to support the company’s affiliate agreement renewal negotiations for Food Network and HGTV. These items reduced year−to−date net income attributable to SNI $16.9 million.

5. Discontinued Operations

During the second quarter of 2009, the board of directors authorized management to pursue the sale of our uSwitch business, which culminated in the sale of the operations of uSwitch during the fourth quarter 2009 for approximately $10.3 million in cash. The uSwitch business' assets, liabilities and results of operations have been retrospectively presented as discontinued operations within our condensed consolidated financial statements for all periods presented. The results of our uSwitch business have also been excluded from Interactive Services' segment results for all periods presented.

Operating results of our discontinued operations were as follows:

(in thousands)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Operating revenues	$	$6,595	$	$16,581
Income (loss) from discontinued operations, before tax	$	$1,857	$ 714	$ (1,735)
Income tax (benefit)		1,181	(9,315)	150
Income (loss) from discontinued operations, net of tax	$	$ 676	$10,029	$ (1,885)

The income tax benefit recorded during the second quarter of 2010 reflects a reduction in the valuation allowance on the deferred tax asset resulting from the uSwitch sale in December of 2009. The reduction in the valuation allowance is attributed to the utilization of the uSwitch capital loss against capital gains that were generated in periods prior to the Company's separation from The E. W. Scripps Company ("E.W. Scripps"). In accordance with the tax allocation agreement with E. W. Scripps, we were notified in the second quarter that these capital gains were available for use by SNI. The income tax benefit increased income from discontinued operations $9.3 million.

6. Travel Channel Acquisition

On December 15, 2009 we acquired a 65 percent controlling interest in the Travel Channel (the "Travel Channel Acquisition"). The transaction was structured as a leveraged joint venture between SNI and Cox TMI, Inc., a wholly owned subsidiary of Cox Communications, Inc. ("Cox"). Pursuant to the terms of the transaction, Cox contributed the Travel Channel, valued at $975 million, and SNI contributed $181 million in cash to a newly created partnership. The partnership also completed a private placement of $885 million aggregate principal amount of notes ("Senior Notes") that were guaranteed by SNI. Cox has agreed to indemnify SNI for all payments made in respect of SNI's guarantee. (See Note 9—Long−Term Debt for additional details). Proceeds from the issuance of the Senior Notes totaling $877.5 million were distributed to Cox. In connection with the transaction, SNI received a 65% controlling interest in Travel Channel and Cox retained a 35% noncontrolling interest in the business. This transaction provides a unique opportunity to meaningfully expand SNI's portfolio into a lifestyle category that's highly desirable to media consumers, advertisers and programming distributors.

Table of Contents

The following table summarizes the preliminary allocation amounts for the Travel Channel assets contributed and liabilities assumed at the closing date, as well as the fair value of the noncontrolling interest at the closing date.

(in thousands)	Travel Channel
Accounts receivable	$ 53,135
Other current assets	438
Programs and program licenses	75,250
Property, plant and equipment	12,151
Amortizable intangible assets	612,278
Other assets	117
Current liabilities	(18,465)
Other long−term obligations	(2,193)
Total identifiable net assets	732,711
Goodwill	242,289
Fair value of Travel Channel net assets	975,000
Noncontrolling interest	(97,500)
Total consideration distributed to Cox	$877,500

The goodwill of $242.3 million arising from the Travel Channel Acquisition consists largely of the synergies and economies of scale expected from operating the Travel Channel as part of SNI. All of the goodwill was assigned to SNI's Lifestyle Media segment. Although the Travel Channel Acquisition did not result in a step up of the tax basis of Travel Channel's assets, through special partnership allocations, we will receive tax deductions generally equivalent in amount to the deductions that would have resulted from a step up in tax basis.

We determine deferred taxes with regard to investments in partnerships based on the difference between the outside tax basis and the investment account balance. At the time of this transaction there was no outside basis difference and, therefore, no corresponding deferred tax asset or liability was recognized as an adjustment to the aggregate fair value of the Travel Channel net assets.

Pro forma results of operations, assuming the Travel Channel Acquisition had taken place at the beginning of 2009, are included in the following table. The pro forma results include adjustments for interest expense that would have been incurred to finance the acquisition and reflect purchase accounting adjustments for additional amortization expense on acquired intangible assets. The pro forma results exclude the $22.3 million of financing and other transaction related costs that were expensed in conjunction with the transaction. The unaudited pro forma financial information is not necessarily indicative of the results that actually would have occurred had the acquisition been completed at the beginning of 2009.

(in thousands, except per share data)	Nine months ended September 30, 2009
Operating revenues	$ 1,274,513
Income from continuing operations attributable to SNI	197,631
Earnings per SNI common shareholder:	
Basic	$ 1.20
Diluted	1.20

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 account balances that are measured at fair value on a recurring basis at September 30, 2010:

(in thousands)	Total	Level 1	Level 2	Level 3
Temporary equity:				
Redeemable noncontrolling interests	$130,671	$	$	$130,671

The following table sets forth account balances that are measured at fair value on a recurring basis at December 31, 2009:

(in thousands)	Total	Level 1	Level 2	Level 3
Temporary equity:				
Redeemable noncontrolling interests	$113,886	$	$	$113,886

The fair values of our redeemable noncontrolling interests are estimated by applying comparable market multiples to the respective businesses' current forecasted results. The market multiples utilized in our 2010 estimates consider the implied market values that existed at the time of the Travel Channel Acquisition and the formation of the international venture with Chello Zone Media. (Refer to Note 11—*Redeemable Noncontrolling Interests 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:

	Redeemable Noncontrolling Interests			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2010	2009	2010	2009
Beginning period balance	$117,027	$ 9,400	$113,886	$ 9,400
Redemption of noncontrolling interest			(14,400)	
Additions to noncontrolling interest			957	
Net income (loss)	1,674	(595)	(3,688)	(1,683)
Noncontrolling interest's share of foreign currency translation	117		(22)	
Fair value adjustment	11,853	(3,605)	33,938	(2,517)
Balance as of September 30	$130,671	$ 5,200	$130,671	$ 5,200

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

8. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consisted of the following:

(in thousands)	As of September 30, 2010	December 31, 2009
Goodwill	$ 666,502	$ 670,494
Other intangible assets:		
Amortizable intangible assets:		
Carrying amount:		
Acquired network distribution	514,947	504,847
Customer lists	197,917	194,003
Copyrights and other trade names	78,067	78,167
Other	20,464	20,478
Total carrying amount	811,395	797,495
Accumulated amortization:		
Acquired network distribution	(36,950)	(17,155)
Customer lists	(92,834)	(71,472)
Copyrights and other trade names	(16,209)	(11,491)
Other	(17,340)	(16,065)
Total accumulated amortization	(163,333)	(116,183)
Total other intangible assets, net	648,062	681,312
Total goodwill and other intangible assets, net	$ 1,314,564	$ 1,351,806

Goodwill and activity related to amortizable intangible assets by business segment were as follows:

(in thousands)	Lifestyle Media	Interactive Services	Corporate	Total
Goodwill:				
Balance as of December 31, 2009	$514,476	$156,018		$670,494
Adjustment of purchase price allocations	(3,992)			(3,992)
Balance as of September 30, 2010	$510,484	$156,018		$666,502
Amortizable intangible assets:				
Balance as of December 31, 2009	$631,825	$ 49,245	$ 242	$681,312
Adjustment of purchase price allocations	14,021			14,021
Foreign currency translation adjustment			(10)	(10)
Amortization	(36,346)	(10,846)	(69)	(47,261)
Balance as of September 30, 2010	$609,500	$ 38,399	$ 163	$648,062

During the first six months of 2010, we decreased the amount assigned to goodwill in the Travel Channel Acquisition by $4.0 million. The adjustment to goodwill was primarily attributed to higher values being assigned to network distribution and advertising relationships offset by lower values assigned to certain acquired programs and fixed assets.

Goodwill for each of our reporting units is tested for impairment on an annual basis or when events occur or circumstances change that would indicate the fair value of a reporting unit is below its carrying value. As of our last testing date, the fair value of our Lifestyle Media reporting unit substantially exceeded the carrying value. Additionally, a 10 percent decrease in the fair value of our Shopzilla reporting unit would not have impacted the recorded value of goodwill.

Estimated amortization expense of intangible assets for each of the next five years is as follows: $15.0 million for the remainder of 2010, $55.8 million in 2011, $52.1 million in 2012, $46.6 million in 2013, $44.8 million in 2014, $34.6 million in 2015 and $399.2 million in later years.

9. Long−Term Debt

Long−term debt consisted of the following:

(in thousands)	As of September 30, 2010	As of December 31, 2009
Senior notes	$ 884,357	$ 884,239
Fair value of long−term debt*	$ 928,095	$ 875,600

* Fair value was estimated based on current rates available to the Company for debt of the same remaining maturity.

On December 15, 2009, a majority−owned subsidiary of SNI issued a total of $885 million of aggregate principal amount Senior Notes through a private placement. The Senior Notes mature on January 15, 2015 bearing interest at 3.55%. Beginning on July 15, 2010, interest will be paid on the Senior Notes on January 15th and July 15th of each year. The Senior Notes are guaranteed by SNI. Cox has agreed to indemnify SNI for all payments made in respect of SNI's guarantee. Substantially all of the proceeds from the issuance of the Senior Notes were distributed to Cox in connection with the Travel Channel Acquisition.

On June 30, 2008, we entered into a Competitive Advance and Revolving Credit Facility (the "Revolving Credit Facility") that permits $550 million in aggregate borrowings and expires in June 2013. Borrowings under the Revolving Credit Facility are available on a committed revolving credit basis at our choice of three short−term rates or through an auction procedure at the time of each borrowing. There were no outstanding borrowings under the Revolving Credit Facility at September 30, 2010 or December 31, 2009.

The Revolving Credit Facility and Senior Notes agreements include certain affirmative and negative covenants, including the incurrence of additional indebtedness and maintenance of a minimum leverage ratio. We were in compliance with all debt covenants as of September 30, 2010.

As of September 30, 2010, we had outstanding letters of credit totaling $1.1 million.

10. Other Liabilities

Other liabilities consisted of the following:

(in thousands)	As of September 30, 2010	As of December 31, 2009
Liability for pension and post employment benefits	$ 38,311	$ 40,298
Deferred compensation	13,189	13,543
Liability for uncertain tax positions	58,571	42,404
Other	7,841	3,417
Other liabilities (less current portion)	$ 117,912	$ 99,662

11. Redeemable Noncontrolling Interests and Noncontrolling Interest

As of December 31, 2009, a noncontrolling interest held an approximate 6% residual interest in our Fine Living Network (“FLN”). In January 2010, we reached agreement with the noncontrolling interest owner to acquire their 6% residual interest in FLN for cash consideration of $14.4 million.

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 their option is exercised. The put option on the noncontrolling interest in the Travel Channel becomes exercisable in 2014. The call option becomes exercisable in 2015.

During the third quarter 2010, SNI contributed cash of $7.9 million to our international venture with Chello Zone Media (“Chello”). The contribution reduced Chello’s noncontrolling interest in the venture to 11%. 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 greater of $3.4 million or fair value for their interest at the time their option is exercised. The put and call options on the noncontrolling interest in the venture become exercisable in 2012.

Our condensed consolidated balance sheets include a redeemable noncontrolling interests balance of $130.7 million at September 30, 2010 and $113.9 million at December 31, 2009.

In the third quarter 2010, the Cooking Channel was contributed to the Food Network Partnership. A noncontrolling interest holds an approximate 31% residual interest in the Food Network Partnership. We are currently negotiating the terms of the Cooking Channel contribution with the noncontrolling interest holder. The Food Network general partnership agreement is due to expire on December 31, 2012, unless amended or extended prior to that date. In the event of such termination, the assets of the partnership are to be liquidated and distributed to the partners in proportion to their partnership interests.

12. Stock Based Compensation

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, 2009. The Plan provides for long−term performance compensation for key employees. A variety of discretionary awards for employees 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 2010, the Company granted 0.6 million stock options and 0.6 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 $5.2 million for the third quarter of 2010 and $4.0 million for the third quarter of 2009. Year−to−date share based compensation costs totaled $16.2 million in 2010 and $13.4 million in 2009.

Compensation costs of share options are estimated on the date of grant using a lattice−based binomial model. The weighted−average assumptions used in the model were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Weighted−average fair value of stock options granted	$14.56	$6.09	$13.88	$6.09
Assumptions used to determine fair value:				
Dividend yield	0.68%	1.46%	0.74%	1.46%
Risk−free rate of return	2.41%	1.9%	2.52%	1.9%
Expected life of options (years)	4.5	5.0	4.9	5.0
Expected volatility	38.80%	34.0%	38.30%	34.0%

As of September 30, 2010, $7.9 million of total unrecognized stock−based compensation costs related to stock options is expected to be recognized over a weighted−average period of 1.7 years. In addition, $19.1 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 1.5 years.

13. Employee Benefit Plans

The Company offers various postretirement benefits to its employees.

In the fourth quarter of 2009, we amended the SNI Pension Plan and enhanced the benefits employees receive from the Scripps Networks Interactive 401K Savings Plan. In accordance with the provisions of the pension plan amendment, no additional service benefits will be earned by participants in the plan after December 31, 2009. The amount of eligible compensation that is used to calculate a plan participant’s pension benefit will continue to include any compensation earned by the employee through December 31, 2019. After December 31, 2019, all plan participants will have a frozen pension benefit.

Under the provisions of the enhanced Scripps Networks Interactive 401K Savings Plan, the Company began making additional contributions to eligible employees’ 401K accounts effective as of January 1, 2010. The amount contributed to each employee’s account is a percentage of the employee’s total eligible compensation based upon their age and service with the Company as of the first day of each year.

The components of benefit plan expense consisted of the following:

(in thousands)	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Service cost		$1,533		$ 4,151
Interest cost	$ 773	885	$ 2,311	2,749
Expected return on plan assets, net of expenses	(643)	(466)	(1,863)	(1,348)
Amortization and deferrals, net		198		524
Total for defined benefit plans	130	2,150	448	6,076
Supplemental executive retirement plan (“SERP”)	416	841	1,304	3,216
Defined contribution plans	2,480	890	9,267	2,767
Total	$3,026	$3,881	$11,019	$12,059

We contributed $0.4 million to fund current benefit payments for our nonqualified supplemental executive retirement plan (“SERP”) during the year−to−date period 2010. We anticipate contributing $2.2 million to fund the SERP’s benefit payments during the remainder of fiscal 2010. While we have met the minimum funding requirements of our SNI Pension Plan, we made discretionary contributions to the plan totaling $3.0 million in 2010.

14. Comprehensive Income (Loss)

Comprehensive income (loss) is as follows:

(in thousands)	Three months ended September 30, 2010	2009	Nine months ended September 30, 2010	2009
Comprehensive Income (Loss):				
Net income	$136,137	$85,099	$373,624	$268,851
Other comprehensive income (loss):				
Currency translation, net of income tax	1,150	726	201	5,132
Pension liability adjustments, net of income tax	20	257	(107)	548
Total comprehensive income	137,307	86,082	373,718	274,531
Comprehensive income attributable to noncontrolling interest	34,659	19,977	93,293	64,130
Comprehensive income attributable to SNI	$102,648	$66,105	$280,425	$210,401

15. Segment Information

The Company determines its business segments based upon our management and internal reporting structure. Our reportable segments are strategic businesses that offer different products and services.

Lifestyle Media includes our national television networks, HGTV, Food Network, Travel Channel, DIY Network, Cooking Channel and GAC. Lifestyle Media also includes Web sites that are associated with the aforementioned television brands and other Internet−based businesses serving food, home, and travel related categories such as HGTVPro.com and FrontDoor.com. 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 cable and satellite television systems.

Interactive Services includes our online comparison shopping service, Shopzilla, and its related online comparison shopping brands, BizRate and Beso. Our product comparison shopping services help consumers find products offered for sale on the Web by online retailers. Shopzilla also operates a Web−based consumer feedback network within the BizRate brand that collects consumer reviews of stores and products. The Interactive Services businesses earn revenue primarily from referral fees and advertising paid by participating online retailers.

Our chief operating decision maker evaluates the operating performance of our business segments 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.

Information regarding our business segments is as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2010	2009	2010	2009
Segment operating revenues:				
Lifestyle Media	$462,490	$325,511	$1,366,247	$ 986,727
Interactive Services	41,802	38,983	116,719	124,885
Corporate	4,405		11,211	
Intersegment eliminations	(10)	(33)	(56)	(103)
Total operating revenues	$508,687	$364,461	$1,494,121	$1,111,509
Segment profit (loss):				
Lifestyle Media	$232,482	$150,461	$ 655,684	$ 468,902
Interactive Services	7,098	6,376	17,940	20,675
Corporate	(15,763)	(12,573)	(46,762)	(39,947)
Total segment profit	223,817	144,264	626,862	449,630
Depreciation and amortization of intangible assets	(30,274)	(20,666)	(94,888)	(58,570)
Gains (losses) on disposal of property, plant and equipment	36	(898)	(1,284)	(967)
Interest expense	(8,774)	(285)	(26,546)	(1,021)
Equity in earnings of affiliates	6,940	4,873	21,482	12,834
Miscellaneous, net	(319)	(1,321)	(1,164)	(721)
Income from continuing operations before income taxes	$191,426	$125,967	$ 524,462	$ 401,185

	As of	
(in thousands)	September 30, 2010	December 31, 2009
Assets:		
Lifestyle Media	$ 2,616,287	$2,620,095
Interactive Services	260,880	269,755
Corporate	296,199	73,212
Total assets	$ 3,173,366	$2,963,062

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

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 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.

EXECUTIVE OVERVIEW

Scripps Networks Interactive is a leading lifestyle content and Internet search company with respected, high−profile television and interactive brands. Our businesses engage audiences and efficiently serve advertisers by delivering entertaining and useful content that focuses on specifically defined topics of interest.

We manage our operations through two reportable operating segments, Lifestyle Media and Interactive Services. Lifestyle Media includes our national television networks, Home and Garden Television ("HGTV"), Food Network, Travel Channel, DIY Network ("DIY"), Cooking Channel and Great American Country ("GAC"). Lifestyle Media also includes Web sites that are associated with the aforementioned television brands and other Internet−based businesses serving food, home, and travel related categories such as HGTVPro.com and FrontDoor.com. HGTV, Food Network, and Travel Channel are the only television channels in the United States that dedicate their entire programming schedules to the home, food, and travel lifestyle content categories, respectively. All three networks are considered to be fully distributed in the United States via leading cable and direct−to−home television distribution services. Our Lifestyle Media branded Web sites consistently rank at or near the top in their respective lifestyle categories on a unique visitor basis.

On May 31, 2010, we completed the rebranding of Fine Living Network ("FLN") with the launch of Cooking Channel. The Cooking Channel is a 24−hour network that explores the food content genre at a more detailed level, including expert advice and techniques.

Our Interactive Services operating segment includes the online comparison shopping and consumer information service, Shopzilla, and its related online comparison shopping brands, BizRate and Beso. Shopzilla sites collectively rank among the top comparison shopping Web sites in the United States and among the country's top 10 general retail sites.

Operating revenues in the third quarter of 2010 increased 40 percent to $509 million compared with the same period a year ago, while segment profit for the period was $224 million compared with $144 million a year earlier, a 55 percent increase. Operating revenues for the year−to−date period of 2010 increased 34 percent to $1.5 billion compared with $1.1 billion for the same period in 2009. Segment profit for the year−to−date period of 2010 was $627 million compared with $450 million for the same period in 2009, a 39 percent increase. Excluding the effects of the Travel Channel Acquisition (as defined in Note 6 to our condensed consolidated financial statements), operating revenues increased 22 percent in the third quarter and increased 18 percent for the year−to−date period 2010 compared with the same periods in 2009.

Lifestyle Media revenues increased 42 percent to $462 million in the third quarter of 2010 and 39 percent to $1.4 billion for the year−to−date period of 2010 compared with the same periods in 2009. Excluding the effects of the Travel Channel Acquisition, operating revenues increased 23 percent compared with the third quarter of 2009 and 20 percent for the year−to−date period of 2010 compared with the same period in 2009. Positive viewership trends combined with strong pricing in the scatter advertising market and contractual rate increases that were secured in the recent HGTV and Food Network affiliate distribution renewals contributed to the operating revenue growth in 2010 compared with 2009. Food Network had its highest rated and most watched September prime time in its history. Viewership among young adults increased 4 percent when compared with September 2009. At HGTV, the network experienced some modest declines in its September prime time viewership when compared with September of 2009. However, the network also had the best September in its history with respect to total day adult viewership. Travel Channel saw a 17 percent increase in young adult prime time viewership during September when compared with the same period in 2009. Additionally, the median age of Travel Channel's viewers is at the lowest levels in the network's history. Cooking Channel's deliveries have steadily increased each month since the 2010 debut of the network. For the month of September, primetime viewership increased 15 percent when compared with FLN's viewership in September 2009. For our Lifestyle Media businesses, we remain focused on building larger and younger audiences for each of our flagship brands.

At Interactive Services, we are competitively repositioning Shopzilla and its related online comparison shopping businesses for long−term growth. Specifically, the company has increased consumer engagement with its Web sites by expanding the comprehensiveness of product search results and developing consumer−friendly page layouts. The company also has been working to increase the value of its Web sites as search−based marketing platforms for online retail merchants. For the third quarter of 2010 and the year−to−date period of 2010, redirects per user session increased 17 percent and 16 percent, respectively, which is a positive indication that we are successfully engaging consumers more deeply in product search on our Web sites. While the repositioning of Shopzilla and its related businesses has had a near−term impact on Interactive Services operating results, operating revenues and segment profit increased in the third quarter of 2010 when compared with the third quarter of 2009.

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 and Combined 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, 2009. There have been no significant changes in those accounting policies.

RESULTS OF OPERATIONS

The trends and underlying economic conditions affecting the operating performance and future prospects differ for each of our business segments, although the competitive landscape in both segments is affected by multiple media platforms competing for consumers and advertising dollars. In our Lifestyle Media division, we strive to create popular programming that resonates across a variety of demographic groups, develop brands and create new media platforms through which we can capitalize on the audiences we aggregate. In the Interactive Services division, we attract and monetize user traffic to our Web sites by providing a consumer−friendly, online shopping experience and providing participating online merchants with a valued marketing alternative.

Consolidated Results of Operations:

(in thousands)	Three months ended September 30, 2010	Three months ended September 30, 2009	Change	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Change
Operating revenues	$ 508,687	$ 364,461	39.6%	$1,494,121	$1,111,509	34.4%
Costs and expenses	(284,870)	(220,197)	29.4%	(867,259)	(661,879)	31.0%
Depreciation and amortization of intangible assets	(30,274)	(20,666)	46.5%	(94,888)	(58,570)	62.0%
Gains (losses) on disposal of PP&E	36	(898)		(1,284)	(967)	32.8%
Operating income	193,579	122,700	57.8%	530,690	390,093	36.0%
Interest expense	(8,774)	(285)		(26,546)	(1,021)	
Equity in earnings of affiliates	6,940	4,873	42.4%	21,482	12,834	67.4%
Miscellaneous, net	(319)	(1,321)	(75.9)%	(1,164)	(721)	61.4%
Income from continuing operations before income taxes	191,426	125,967	52.0%	524,462	401,185	30.7%
Provision for income taxes	(55,289)	(41,544)	33.1%	(160,867)	(130,449)	23.3%
Income from continuing operations, net of tax	136,137	84,423	61.3%	363,595	270,736	34.3%
Income (loss) from discontinued operations, net of tax		676		10,029	(1,885)	
Net income	136,137	85,099	60.0%	373,624	268,851	39.0%
Net income attributable to noncontrolling interests	(34,444)	(19,779)	74.1%	(93,265)	(63,879)	46.0%
Net income attributable to SNI	$ 101,693	$ 65,320	55.7%	$ 280,359	$ 204,972	36.8%

We completed the sale of our uSwitch business in the fourth quarter of 2009. Accordingly, the operating results of our uSwitch business are presented as discontinued operations within our condensed consolidated results of operations. The results of our uSwitch business also have been excluded from Interactive Services' segment results for all periods presented.

During the second quarter of 2010, we reduced the valuation allowance on the deferred tax asset resulting from the uSwitch sale in December of 2009. The reduction in the valuation allowance reflects the utilization of the uSwitch capital loss against capital gains that were generated in periods prior to the separation from The E. W. Scripps Company ("E. W. Scripps"). In accordance with the tax allocation agreement with E. W. Scripps, we were notified in the second quarter that these capital gains were available for use by SNI. Accordingly, results for our discontinued operations in 2010 reflect an income tax benefit of $9.3 million.

On December 15, 2009, we acquired a 65% controlling interest in the Travel Channel. Accordingly, our consolidated results of operations and our Lifestyle Media segment results in 2010 include the operating results of the Travel Channel business.

Continuing Operations – The increase in operating revenues for the third quarter of 2010 and the year−to−date period of 2010 compared with the prior−year periods was due to the Travel Channel Acquisition and solid growth in advertising sales and affiliate fee revenue from our other national television networks. The increase in advertising sales at Lifestyle Media was primarily the result of solid audience delivery at our networks and strong pricing and sales in the scatter advertising market. The increase in affiliate fee revenues reflects the contractual rate increases achieved in new contracts at HGTV and Food Network as well as subscriber growth at all of our networks.

Costs and expenses increased 29% in the third quarter of 2010 compared with the same quarter in 2009 and increased 31% for the year−to−date period of 2010 compared with the same period of 2009. The increase in consolidated expenses is attributable to the addition of the Travel Channel, $3.5 million of costs incurred during the third quarter of 2010 and $27.6 million in the year−to−date period of 2010 related to the transition of the Travel Channel business into SNI, $11.0 million of marketing and legal expenses incurred in the first quarter of 2010 to support the company's affiliate agreement renewal negotiations for Food Network and HGTV, and the restoration of marketing budgets to support brand−building initiatives at all of the company's television networks. Marketing expenses were significantly held back in 2009 in response to the economic recession and its anticipated negative effect on advertising sales.

Depreciation and amortization increased primarily as a result of the Travel Channel Acquisition. We expect depreciation and amortization will be approximately $130 million to $135 million for the full−year of 2010.

In December of 2009, a majority−owned subsidiary of SNI issued $885 million aggregate principal amount of 3.55% Senior Notes in conjunction with the Travel Channel Acquisition. The interest costs incurred on these notes represented the increase in interest expense in the third quarter and year−to−date periods of 2010 compared with the corresponding periods of 2009. We expect interest expense will be $33 million to $35 million for the full−year of 2010.

The increase in equity in earnings of affiliates reflects the growing contribution from both our Fox−BRV investment and the Food Network Magazine.

Our effective income tax rate was 30.7% in the year−to−date period of 2010 compared with 32.5% in the year−to−date period of 2009. For the third quarter of 2010, our effective income tax rate was 28.9% compared with 33.0% for the third quarter of 2009. Our effective tax rates in 2010 are favorably impacted by the phasing in of a higher Section 199 deduction for domestic production activities. The deduction for qualifying activities is 9% in 2010 compared with 6% in 2009. Additionally, the income tax provision in the third quarter of 2010 includes a $4.3 million benefit attributed to changes in both estimated foreign tax credits and state apportionment factors reflected in our filed tax returns.

Our effective income tax rate also is affected by the operating results of the Food Network partnership and Travel Channel, in which we own 69% and 65% controlling interests, respectively. Income taxes on partnership income accrue to the individual partners. While the income before income tax reported in our financial statements includes all of the income (loss) before tax of the partnership, our income tax provision does not include income taxes on the portion of Food Network partnership and Travel Channel income (loss) that is attributable to the noncontrolling interests.

We anticipate that our effective tax rate will be approximately 30 percent for the full−year of 2010.

Net income attributable to noncontrolling interests increased due to the increased profitability of the Food Network. We expect net income attributable to noncontrolling interests will be $135 million to $140 million for the full−year of 2010.

Business Segment Results − As discussed in Note 15—*Segment Information* to the condensed consolidated financial statements, our chief operating decision maker evaluates the operating performance of our business segments 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 business segments. 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 our business segment performance measure enables us to evaluate business segment operating performance based upon current economic conditions and decisions made by the managers of those business segments in the current period.

[Table of Contents](#)

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

(in thousands)	Three months ended September 30, 2010	2009	Change	Nine months ended September 30, 2010	2009	Change
Segment operating revenues:						
Lifestyle Media	$462,490	$325,511	42.1%	$1,366,247	$ 986,727	38.5%
Interactive Services	41,802	38,983	7.2%	116,719	124,885	(6.5)%
Corporate	4,405			11,211		
Intersegment eliminations	(10)	(33)	(69.7)%	(56)	(103)	(45.6)%
Total operating revenues	$508,687	$364,461	39.6%	$1,494,121	$1,111,509	34.4%
Segment profit (loss):						
Lifestyle Media	$232,482	$150,461	54.5%	$ 655,684	$ 468,902	39.8%
Interactive Services	7,098	6,376	11.3%	17,940	20,675	(13.2)%
Corporate	(15,763)	(12,573)	25.4%	(46,762)	(39,947)	17.1%
Total segment profit	223,817	144,264	55.1%	626,862	449,630	39.4%
Depreciation and amortization of intangible assets	(30,274)	(20,666)	46.5%	(94,888)	(58,570)	62.0%
Gains (losses) on disposal of PP&E	36	(898)		(1,284)	(967)	32.8%
Interest expense	(8,774)	(285)		(26,546)	(1,021)	
Equity in earnings of affiliates	6,940	4,873	42.4%	21,482	12,834	67.4%
Miscellaneous, net	(319)	(1,321)	(75.9)%	(1,164)	(721)	61.4%
Income from continuing operations before income taxes	$191,426	$125,967	52.0%	$ 524,462	$ 401,185	30.7%

Corporate includes the operating results of the venture we formed with Chello Zone Media in the fourth quarter of 2009, operating results from the international licensing of our national networks' programming, and the costs associated with our international expansion initiatives. The venture with Chello Zone Media, of which we own 89%, was formed to launch new lifestyle−oriented channels in Europe, the Middle East and Africa.

Our continued investment in international expansion initiatives increased the third quarter 2010 segment loss at corporate by $2.4 million and increased the 2010 year−to−date segment loss by $7.4 million. International operating losses are expected to be $10 million to $12 million for the full−year of 2010.

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, 2010	2009	Nine months ended September 30, 2010	2009
Operating income	$193,579	$122,700	$530,690	$390,093
Depreciation and amortization of intangible assets:				
Lifestyle Media	21,296	9,821	68,236	27,432
Interactive Services	8,513	10,489	25,284	30,430
Corporate	465	356	1,368	708
Losses (gains) on disposal of PP&E:				
Lifestyle Media	(31)	516	1,261	571
Interactive Services	(5)	382	23	396
Total segment profit	$223,817	$144,264	$626,862	$449,630

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 such as books and kitchenware, and from the sale of advertising on our Lifestyle Media affiliated Web sites. Employee costs and programming 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, 2010	Three months ended September 30, 2009	Change	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Change
Segment operating revenues:						
Advertising	$316,418	$236,598	33.7%	$ 935,152	$722,177	29.5%
Network affiliate fees, net	138,960	81,055	71.4%	413,417	240,174	72.1%
Other	7,112	7,858	(9.5)%	17,678	24,376	(27.5)%
Total segment operating revenues	462,490	325,511	42.1%	1,366,247	986,727	38.5%
Segment costs and expenses:						
Employee compensation and benefits	55,281	45,146	22.4%	163,819	135,219	21.2%
Programs and program licenses	98,656	79,767	23.7%	291,352	229,043	27.2%
Other segment costs and expenses	76,071	50,137	51.7%	255,392	153,563	66.3%
Total segment costs and expenses	230,008	175,050	31.4%	710,563	517,825	37.2%
Segment profit	$232,482	$150,461	54.5%	$ 655,684	$468,902	39.8%
Supplemental Information:						
Billed network affiliate fees	$147,627	$ 89,715		$ 435,425	$266,938	
Program payments	104,793	73,269		287,095	211,500	
Depreciation and amortization	21,296	9,821		68,236	27,432	
Capital expenditures	11,707	11,169		34,490	39,982	

Positive audience trends and a strong scatter advertising market in 2010 resulted in double−digit advertising growth in the respective periods of 2010 compared with the similar periods in 2009, which were negatively affected by the economic recession. Excluding the effects of the Travel Channel Acquisition, advertising revenue increased 18% in the third quarter and 15% in the year−to−date period of 2010 compared with the respective third quarter and year−to−date periods of 2009.

Distribution agreements with cable and satellite television systems require that the distributor pay SNI affiliate fees over the terms of the agreements in exchange for our programming. Excluding the effects of the Travel Channel Acquisition, network affiliate fees increased 39% in the third quarter of 2010 and 41% in the year−to−date period 2010 compared with the similar periods in 2009. The increase in network affiliate fees was primarily attributed to contractual rate increases for HGTV and Food Network. Subscriber growth at all of our networks also contributed to the increases in network affiliate fees. Total affiliate fee revenue is expected to be approximately $550 million for the full year of 2010. Travel Channel represents about $100 million of the total affiliate fee revenue.

Excluding the effects of the Travel Channel Acquisition, employee compensation and benefits increased 7.6% in the third quarter of 2010 and 6.5% for the year−to−date period of 2010 compared with the respective periods of 2009.

The increase in program and program license amortization in the third quarter and year−to−date periods of 2010 compared with the comparable periods in 2009 reflects the investment in the improved quality and variety of programming at our networks in recent periods. The Travel Channel Acquisition accounted for more than half of the increase in program expenses over the prior year. We expect full−year programming expenses in 2010 will be $380 million to $400 million. Travel Channel is expected to account for about $50 million of programming expenses for the year.

The increase in other costs and expenses in the third quarter and year−to−date periods of 2010 compared with the comparable periods of 2009 is primarily due to the inclusion of Travel Channel operating results, transition costs incurred related to the Travel Channel business, and the restoration of marketing budgets to support brand−building initiatives at all of the company's television networks. Additionally, 2010 year−to−date other costs and expenses were impacted by $11.0 million of marketing and legal expenses incurred to support the company's affiliate agreement renewal negotiations for Food Network and HGTV.

Including all transition costs related to the Travel Channel and the marketing and legal expenses incurred to support the company's affiliate renewal negotiations, Lifestyle Media's non−programming expenses for the full year of 2010 are expected to be $550 million to $560 million.

Supplemental financial information for Lifestyle Media is as follows:

(in thousands)	Three months ended September 30, 2010	Three months ended September 30, 2009	Change	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Change
Operating revenues by brand:						
HGTV	$173,584	$152,547	13.8%	$ 508,902	$459,925	10.6%
Food Network	160,421	118,591	35.3%	485,573	363,218	33.7%
Travel Channel	62,324			180,408		
DIY	22,837	17,684	29.1%	64,301	51,133	25.8%
Cooking Channel / FLN (1)	12,226	11,185	9.3%	39,625	33,888	16.9%
GAC	7,630	6,449	18.3%	22,532	19,274	16.9%
Digital Businesses	21,543	17,529	22.9%	60,993	54,012	12.9%
Other	1,781	2,132	(16.5)%	5,312	6,157	(13.7)%
Intrasegment eliminations	144	(606)		(1,399)	(880)	59.0%
Total segment operating revenue	$462,490	$325,511	42.1%	$1,366,247	$986,727	38.5%
Subscribers (2):						
HGTV				99,600	98,800	0.8%
Food Network				100,400	99,300	1.1%
Travel Channel				96,100	95,300	0.8%
DIY				54,000	52,100	3.6%
Cooking Channel / FLN (1)				58,100	55,700	4.3%
GAC				59,600	57,200	4.2%

(1) The Cooking Channel, a replacement for FLN, premiered on May 31, 2010.
(2) Subscriber counts are according to the Nielsen Homevideo Index of homes that receive cable networks.

Interactive Services – Interactive Services includes our online comparison shopping service, Shopzilla, and its related online comparison shopping brands, BizRate and Beso.

Our product comparison shopping services help consumers find products offered for sale on the Web by online retailers. Shopzilla also operates a Web−based consumer feedback network within the BizRate brand that collects consumer reviews of stores and products.

Our Interactive Services businesses earn revenue primarily from referral fees and advertising paid by participating online retailers.

Financial information for Interactive Services is as follows:

(in thousands)	Three months ended September 30, 2010	2009	Change	Nine months ended September 30, 2010	2009	Change
Segment operating revenues	$41,802	$38,983	7.2%	$116,719	$124,885	(6.5)%
Segment costs and expenses:						
Employee compensation and benefits	10,281	9,854	4.3%	30,214	30,233	(0.1)%
Marketing and advertising	20,431	18,739	9.0%	57,685	61,429	(6.1)%
Other segment costs and expenses	3,992	4,014	(0.5)%	10,880	12,548	(13.3)%
Total segment costs and expenses	34,704	32,607	6.4%	98,779	104,210	(5.2)%
Segment profit	$ 7,098	$ 6,376	11.3%	$ 17,940	$ 20,675	(13.2)%
Supplemental Information:						
Depreciation and amortization	$ 8,513	$10,489		$ 25,284	$ 30,430	
Capital expenditures	6,148	6,164		16,365	15,261	

With the goal of engaging consumers more deeply in the online comparison shopping experience on our Web sites, we have increased the comprehensiveness of product search results and introduced consumer friendly page designs and functionality. Simultaneously, we have been working to increase the value of our consumer shopping services as search−based marketing platforms for retail merchants. While the improvements provide a better user experience for consumers and offer participating merchants a wider array of marketing solutions, we recognized that we would be foregoing near−term margin during this competitive repositioning. During the first half of 2010, operating revenues decreased 13% and segment profit decreased 24% when compared with the first half of 2009. However, certain metrics of the business have been demonstrating that we are successfully engaging consumers more deeply in product search on our Web sites. Redirects per user session were up 16% in the year−to−date period 2010 compared with 2009 and were up 17% when comparing the third quarter of 2010 with the third quarter of 2009. Similarly, we have reached that important inflection point where quarterly results have improved over the comparable prior year period. Operating revenues for the third quarter of 2010 increased 7.2% when compared with the third quarter of 2009.

Interactive Services’ remains focused on aligning costs with current business conditions. Costs and expenses decreased 5.2% for the year−to−date period of 2010 compared with 2009. Similarly, our segment profit margin in the third quarter of 2010 increased when compared with the third quarter of 2009.

We expect Interactive Services segment profit to be $33 to $35 million for the full year of 2010.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is cash flow from operating activities. Marketing services, including advertising and referral fees, provide approximately 70% of total operating revenues, so cash flow from operating activities is adversely affected during recessionary periods. Information about our use of cash flow from operating activities is presented in the following table:

(in thousands)	Nine months ended September 30, 2010	2009
Net cash provided by continuing operating activities	$ 335,474	$ 405,109
Net cash provided by (used in) discontinued operations	10,029	(5,160)
Dividends paid, including to noncontrolling interest	(134,137)	(116,488)
Stock option proceeds	23,087	22,819
Other, net	(5,676)	(2,429)
Cash flow amounts available for acquisitions, investments, and debt repayment	$ 228,777	$ 303,851
Sources and uses of available cash flow:		
Short−term net investment activity		(159,762)
Business acquisitions and net investment activity	(14,332)	(5,087)
Capital expenditures	(52,020)	(57,852)
Payments on long−term debt		(80,000)
Increase (decrease) in cash and cash equivalents	$ 162,425	$ 1,150

Our cash flow has historically been used primarily to fund acquisitions and investments, develop new businesses, and repay debt. We expect cash flow from operating activities in 2010 will provide sufficient liquidity to continue the development of our brands and to fund the capital expenditures necessary to support our businesses.

In December 2009, we acquired a 65% controlling interest in Travel Channel through a transaction structured as a leveraged joint venture between SNI and Cox TMI, Inc., a wholly owned subsidiary of Cox Communications, Inc. (“Cox”). Pursuant to the terms of the transaction, Cox contributed the Travel Channel business, valued at $975 million, and SNI contributed $181 million in cash to the joint venture. The joint venture also issued $885 million aggregate principal amount of 3.55% Senior Notes due 2015 at a price equal to 99.914% of the principal amount. The Notes were guaranteed by SNI. Cox has agreed to indemnify SNI for all payments made in respect of SNI’s guarantee. Net proceeds from the issuance of the Notes totaling $877.5 million were distributed to Cox in connection with the Travel Channel Acquisition.

On June 30, 2008, we entered into a Competitive Advance and Revolving Credit Facility that permits $550 million in aggregate borrowings and expires in June 2013. There were no outstanding borrowings under the Revolving Credit Facility at September 30, 2010.

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 $96.7 million in the year−to−date period of 2010 and $79.5 million for the same period of 2009. We expect the cash distributions to the noncontrolling interest will approximate $15.0 million for the balance of 2010.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Earnings and cash flow can be affected by, among other things, economic conditions, interest rate changes, and foreign currency fluctuations.

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 because borrowings are available on a committed revolving credit basis at our choice of three short−term rates or through an auction procedure at the time of our financing needs. 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. A 100 basis point increase or decrease in the level of interest rates, respectively, would decrease or increase the fair value of the Senior Notes by approximately $36.0 million and $37.7 million, respectively.

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

	As of September 30, 2010		As of December 31, 2009	
(in thousands)	Cost Basis	Fair Value	Cost Basis	Fair Value
Financial instruments subject to interest rate risk: 3.55% notes due in 2015	$884,357	$928,095	$884,239	$875,600

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. We held no foreign currency derivative financial instruments at September 30, 2010.

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 period covered by this report that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting at December 31, 2009 did not include an assessment of certain elements of internal controls over financial reporting of the Travel Channel acquired on December 15, 2009, which are included in the consolidated financial statements of the Company for the year ended December 31, 2009 and included in the condensed consolidated financial statements of the Company for the period ended September 30, 2010. In accordance with the Sarbanes Oxley rules and regulations, which allow for a one−year integration period, the Company is including the Travel Channel in its testing program of internal controls in 2010.

Table of Contents

SCRIPPS NETWORKS INTERACTIVE, INC.

Index to Exhibits

Exhibit No.	Item
31(a)	Section 302 Certifications (filed herewith)
31(b)	Section 302 Certifications (filed herewith)
32(a)	Section 906 Certifications *
32(b)	Section 906 Certifications *
101	The following financial information from the Company's Quarterly Report on Form 10−Q for the quarter ended September 30, 2010, filed with the Securities and Exchange Commission on November 4, 2010, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Accumulated Other Comprehensive Income (Loss) and Shareholders' Equity, (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text. *

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

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)) 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 4, 2010

BY: /s/ Kenneth W. Lowe
Kenneth W. Lowe
Chairman of the Board of Directors,
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)) 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 4, 2010

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

Exhibit 32(a)
Section 906 Certifications

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

I, Kenneth W. Lowe, Chairman of the Board of Directors, President and Chief Executive Officer of Scripps Networks Interactive, Inc. (the "Company"), hereby certify, 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, 2010 (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.

/s/ Kenneth W. Lowe
Kenneth W. Lowe
Chairman of the Board of Directors,
President and Chief Executive Officer

November 4, 2010

Exhibit 32(b)
Section 906 Certifications

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

I, Joseph G. NeCastro, Chief Administrative Officer and Chief Financial Officer of Scripps Networks Interactive, Inc. (the "Company"), hereby certify, 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, 2010 (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.

/s/ Joseph G. NeCastro
Joseph G. NeCastro
Chief Administrative Officer and Chief Financial Officer

November 4, 2010