

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 or 15(d) of the  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **August 9, 2005**

**IAC/INTERACTIVE CORP**

(Exact name of Registrant as specified in charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-20570**  
(Commission File  
Number)

**59-2712887**  
(IRS Employer  
Identification No.)

**152 West 57th Street, New York, NY**  
(Address of principal executive offices)

**10019**  
(Zip Code)

Registrant's telephone number, including area code:  
**(212) 314-7300**

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

### *Spin-Off Agreements*

On August 9, 2005, IAC/InterActiveCorp ("IAC") completed the spin-off (the "Spin-Off") of Expedia, Inc. ("Expedia"). In connection with the Spin-Off, IAC and Expedia entered into the following agreements (collectively, the "Spin-Off Agreements").

1. A Separation Agreement that sets forth the arrangements between IAC and Expedia with respect to the principal corporate transactions necessary to complete the Spin-Off, and a number of other principles governing the relationship between IAC and Expedia following the Spin-Off.
2. A Tax Sharing Agreement that will govern the respective rights, responsibilities and obligations of IAC and Expedia after the Spin-Off with respect to tax liabilities and benefits, tax attributes, tax contests and other matters regarding income taxes, other taxes and related tax returns.
3. An Employee Matters Agreement that will govern a wide range of compensation and benefit issues, including the allocation between IAC and Expedia of responsibility for the employment and benefit obligations and liabilities of each company's current and former employees (and their dependents and beneficiaries).
4. A Transition Services Agreement that will govern the provision of transition services from IAC to Expedia.

A summary of certain important features of the Spin-Off Agreements can be found in Amendment No. 3 to IAC's Registration Statement on Form S-4 (File No. 333-124303) (the "Registration Statement"), which was filed with the Securities and Exchange Commission on June 17, 2005. The section of the Registration Statement entitled "The Spin-Off Proposal—Relationship Between IAC and Expedia after the Spin-Off" beginning on page 50 of the Registration Statement is incorporated by reference into this Form 8-K.

### *Amended and Restated Governance Agreement*

On August 9, 2005, in connection with the Spin-Off, IAC entered into an Amended and Restated Governance Agreement (the "Governance Agreement") with Liberty Media Corporation ("Liberty") and Barry Diller, the Chief Executive Officer and Chairman of the Board of Directors of IAC.

#### *Representation of Liberty on the IAC Board of Directors*

Under the terms of the Governance Agreement:

- Liberty has the right to nominate up to two directors of IAC so long as Liberty beneficially owns at least 33,651,963 equity securities of IAC (so long as Liberty's ownership percentage is at least equal to 15% of the total equity securities of IAC);
- Liberty has the right to nominate one director of IAC so long as Liberty beneficially owns at least 22,434,642 equity securities of IAC (so long as Liberty owns at least 5% of the total equity securities of IAC); and
- IAC will use its reasonable best efforts to cause one of Liberty's designees to be a member of a committee of the board of directors of IAC and, to the extent the person designated by Liberty would qualify as a member of the compensation committee of the board of directors of IAC under applicable tax and securities laws and regulations, IAC will seek to have that person appointed to the compensation committee of IAC.

Pursuant to the terms of the Governance Agreement, IAC will cause each director that Liberty nominates to be included in the slate of nominees recommended by the Board of Directors of IAC to

the stockholders of IAC for election as directors at each annual meeting of the stockholders of IAC and will use all reasonable efforts to cause the election of each such director including soliciting proxies in favor of the election of such persons. Liberty has the right to designate a replacement director to the board of IAC in order to fill any vacancy of a director previously designated by Liberty.

#### *Contingent Matters*

The Governance Agreement lists certain actions that require the prior consent of Liberty and Mr. Diller before IAC can take any such action.

For so long as:

- in the case of Liberty, Liberty owns at least 29,912,856 equity securities and at least 5% of the total equity securities of IAC (the "Liberty Condition"); and
- in the case of Mr. Diller, he owns at least 5,000,000 common shares (including options to purchase common shares, whether or not then exercisable), continues to serve as chief executive officer at IAC and has not become disabled (the "Diller Condition," and together with the Liberty Condition, the "Consent Conditions"), IAC has agreed that, without the prior approval of Liberty and/or Mr. Diller, as applicable, it will not engage in any transaction that would result in Liberty or Mr. Diller having to divest any part of their interests in IAC or any other material assets, or that would render any such ownership illegal or would subject Mr. Diller or Liberty to any fines, penalties or material additional restrictions or limitations.

In addition, for so long as the Consent Conditions apply, if IAC's "total debt ratio" (as defined in the Governance Agreement) equals or exceeds 4:1 over a twelve-month period, IAC may not take any of the following actions without the prior approval of Liberty and/or Mr. Diller:

- acquire or dispose of any assets, issue any debt or equity securities, repurchase any debt or equity securities, or incur indebtedness, if the aggregate value of such transaction or transactions (alone or in combination) during any six month period equals 10% or more of IAC's market capitalization;
- voluntarily commence any liquidation, dissolution or winding up of IAC or any material subsidiary of IAC;
- make any material amendments to the certificate of incorporation or bylaws of IAC;
- engage in any line of business other than media, communications and entertainment products, services and programming, and electronic retailing, or other businesses engaged in by IAC as of the date of determination;
- adopt any stockholder rights plan that would adversely affect Liberty or Mr. Diller, as applicable; or
- grant additional consent rights to a stockholder of IAC.

#### *Preemptive Rights*

In the event that IAC issues or proposes to issue any shares of Common Stock or Class B Common Stock (with certain limited exceptions) including shares issued upon exercise, conversion or exchange of options, warrants and convertible securities, Liberty will have preemptive rights that entitle it to purchase a number of common shares so that Liberty will maintain the identical ownership interest in IAC that Liberty had immediately prior to such issuance or proposed issuance (subject to a cap). Any purchase by Liberty will be allocated between Common Stock and Class B Common Stock in the same proportion as the issuance or issuances giving rise to the preemptive right, except to the

extent that Liberty opts to acquire shares of Common Stock in lieu of shares of Class B Common Stock.

#### *Registration Rights*

Liberty and Mr. Diller are entitled to customary, transferable registration rights with respect to Common Stock owned by them. Liberty is entitled to four demand registration rights and Mr. Diller is entitled to three demand registration rights. IAC will pay the costs associated with such registrations (other than underwriting discounts, fees and commissions). IAC will not be required to register shares of its Common Stock if a stockholder could sell the shares in the quantities proposed to be sold at such time in one transaction under Rule 144 of the Securities Act or under another comparable exemption from registration.

#### *Termination*

Generally, the Governance Agreement will terminate:

- with respect to Liberty, at such time that Liberty beneficially owns equity securities representing less than 5% of the total equity securities of IAC; and
- with respect to Mr. Diller, at the later of (1) the date Mr. Diller ceases to be the chief executive officer of IAC or becomes disabled and (2) the date Mr. Diller no longer holds a proxy to vote the shares of Liberty.

#### *Relationship Between IAC, Mr. Diller and Liberty*

Mr. Diller is the Chief Executive Officer and Chairman of the Board of IAC. Mr. Diller and Liberty are parties to an Amended and Restated Stockholders Agreement, dated as of August 9, 2005 (the "Stockholders Agreement"). Among other arrangements, under the terms of the Stockholders Agreement, Liberty grants to Mr. Diller an irrevocable proxy with respect to all IAC securities beneficially owned by Liberty until such proxy terminates in accordance with the terms of the Stockholders Agreement. As a result of the arrangements contemplated by the Stockholders Agreement, Mr. Diller controls approximately 53% of the combined voting power of IAC capital stock and can effectively control the outcome of all matters submitted to a vote or for the consent of IAC's stockholders (other than with respect to the election by the holders of IAC's common stock of 25% of the members of IAC's Board of Directors and matters to which Delaware law requires a separate class vote).

#### *Amendment to Employment Agreement with Victor Kaufman*

IAC and Victor Kaufman entered into Amendment Number 1 (the "Amendment") to the Employment Agreement dated as of February 5, 2004 between Victor Kaufman and IAC which became effective upon completion of the Spin-Off. Mr. Kaufman is the Vice Chairman of IAC and is also the Vice Chairman of Expedia. The Amendment provides that so long as Mr. Kaufman is Vice Chairman of Expedia, Mr. Kaufman will devote at least 80% of his business time to IAC and Expedia, with IAC as his first priority, and that Mr. Kaufman's activities with Expedia will not violate his non-competition obligations to IAC. In the event that Mr. Kaufman ceases to be Vice Chairman of Expedia during the term of his Employment Agreement, the provisions of the Amendment will cease to apply and the Employment Agreement will continue in effect in accordance with its terms in effect prior to the Spin-Off.

**ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS**

On August 9, 2005, IAC/InterActiveCorp ("IAC") announced the successful completion of the spin-off of Expedia, Inc. to IAC shareholders. The unaudited pro forma financial statements and related notes thereto, which are attached as Exhibit 99.1, are incorporated herein by reference.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

Exhibit No.	Description
99.1	IAC/InterActiveCorp and subsidiaries unaudited pro forma condensed combined balance sheets as of June 30, 2005, December 31, 2004 and 2003 and unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2004 and related notes thereto.

**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.

IAC/INTERACTIVECORP

By: /s/ GREGORY R. BLATT

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NAME: GREGORY R. BLATT  
TITLE: EXECUTIVE VICE PRESIDENT AND  
GENERAL COUNSEL

Date: August 15, 2005

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**IAC/INTERACTIVECORP AND SUBSIDIARIES  
UNAUDITED PRO FORMA CONDENSED COMBINED  
FINANCIAL STATEMENTS**

In December 2004, the Board of Directors of IAC/InterActiveCorp ("IAC") approved a plan to separate IAC into two publicly traded companies:

- Expedia, Inc. ("Expedia"), which consists of the travel and travel-related businesses and investments that IAC operated (other than Interval and TV Travel Shop, which were not spun-off by IAC with Expedia), including Expedia.com, Hotels.com, Hotwire and TripAdvisor; and
- IAC, which consists of its remaining businesses and investments, including its Retailing sector, which includes U.S. and International; its Services sector, which includes Ticketing, Financial Services and Real Estate, Teleservices and Home Services; its Media & Advertising sector; and its Membership & Subscriptions sector, which includes Vacations, Personals and Discounts.

On July 19, 2005, IAC's shareholders approved the spin-off of Expedia. IAC successfully completed the spin-off of Expedia on August 9, 2005.

In addition, in March 2005, IAC, through its subsidiary, HSN International, announced that it had entered into an agreement to sell its 48.6% interest in EUVÍA to the German media company, ProSiebenSat. 1 Media AG. Further, during the second quarter of 2005, TV Travel Shop ceased operations. Accordingly, the results of operations of Expedia, EUVÍA and TV Travel Shop have been classified as discontinued operations in the accompanying unaudited pro forma condensed combined statements of operations for all periods presented. The assets and liabilities of Expedia and TV Travel Shop have been presented as assets and liabilities of discontinued operations for all periods presented in the accompanying unaudited pro forma condensed combined balance sheets. The assets and liabilities of EUVÍA have been classified as "Assets held for sale" and "Liabilities held for sale" in the accompanying unaudited pro forma condensed combined balance sheets until the second quarter of 2005. The sale of EUVÍA was completed on June 2, 2005. These unaudited pro forma condensed combined financial statements give effect to the operations of Expedia, EUVÍA and TV Travel Shop being discontinued effective January 1, 2002.

The following unaudited pro forma condensed combined balance sheets of IAC as of December 31, 2004 and 2003 have been derived from: the audited historical consolidated balance sheets of IAC as of December 31, 2004 and 2003; the audited historical combined balance sheets of Expedia as of December 31, 2004 and 2003; and the unaudited historical balance sheets of EUVÍA and TV Travel Shop as of December 31, 2003. The unaudited pro forma condensed combined balance sheet of IAC as of June 30, 2005 has been derived from the unaudited historical consolidated balance sheet of IAC as of June 30, 2005 and the unaudited historical combined balance sheet of Expedia as of June 30, 2005.

The following unaudited pro forma condensed combined statements of operations of IAC for each of the years in the three-year period ended December 31, 2004 have been derived from: the audited historical consolidated statements of operations of IAC for each of the years in the three-year period ended December 31, 2004; the audited historical combined statements of operations of Expedia for each of the years in the three-year period ended December 31, 2004; and the unaudited historical statements of operations of EUVÍA and TV Travel Shop for each of the years in the three-year period ended December 31, 2004. The unaudited pro forma condensed combined statements of operations of IAC for the six months ended June 30, 2005 and 2004 have been derived from the unaudited historical consolidated statements of operations of IAC for the six months ended June 30, 2005 and 2004 and the unaudited historical combined statements of operations of Expedia for the six months ended June 30, 2005 and 2004.

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The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have been achieved by IAC if the operations of Expedia, EUVÍA and TV Travel Shop had been discontinued at January 1, 2002, nor is it indicative of future operating results or financial position of IAC. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this Form 8-K. The pro forma information should be read in conjunction with the accompanying notes thereto, with IAC's historical consolidated financial statements and related notes thereto and with Expedia's historical combined financial statements and related notes thereto.

## IAC/INTERACTIVECORP AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	IAC Condensed June 30, 2005	Expedia Condensed June 30, 2005	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed June 30, 2005
(Dollars in thousands)					
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents (including restricted cash)	\$ 2,561,453	\$ 375,353	\$ 143,245	(2)	\$ 2,329,345
Marketable securities	2,143,878	—	—	(3)	2,143,878
Receivables from IAC and subsidiaries	—	2,356,525	2,356,525	(4)	—
Assets held for sale	5,149	—	—		5,149
Other current assets	1,845,448	336,686	6,167	(5)	1,514,929
Current assets of discontinued operations	7,990	—	562,627	(6)	570,617
<b>Total current assets</b>	<b>6,563,918</b>	<b>3,068,564</b>	<b>3,068,564</b>		<b>6,563,918</b>
Property, plant and equipment, net	576,826	84,497	—		492,329
Goodwill	11,741,157	5,872,589	(23,258)	(1), (5)	5,845,310
Intangible assets, net	2,540,096	1,239,930	—		1,300,166
Long-term investments and other non-current assets	353,845	37,029	—	(5)	316,816
Non-current assets of discontinued operations	7,731	—	7,257,303	(6)	7,265,034
<b>TOTAL ASSETS</b>	<b>\$ 21,783,573</b>	<b>\$ 10,302,609</b>	<b>\$ 10,302,609</b>		<b>\$ 21,783,573</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Current maturities of long-term obligations and short-term borrowings	\$ 789,862	\$ —	\$ —		\$ 789,862
Other current liabilities	4,047,187	1,515,495	—		2,531,692
Current liabilities of discontinued operations	33,641	—	1,515,495	(6)	1,549,136
<b>Total current liabilities</b>	<b>4,870,690</b>	<b>1,515,495</b>	<b>1,515,495</b>		<b>4,870,690</b>
Long-term obligations, net of current maturities	794,272	—	—		794,272
Other long-term liabilities	147,683	38,183	—		109,500
Non-current liabilities of discontinued operations	8,319	—	476,293	(6)	484,612
Deferred income taxes	1,631,339	353,907	(8,563)	(5)	1,268,869
Minority interest	86,246	75,640	—		10,606
<b>SHAREHOLDERS' EQUITY</b>					
Invested equity	—	8,319,384	8,319,384	(6)	—
Preferred stock \$.01 par value	131	—	—		131
Common stock \$.01 par value	7,021	—	—		7,021
Class B convertible common stock \$.01 par value	646	—	—		646
Additional paid-in capital	15,637,219	—	—		15,637,219
Retained earnings	3,115,828	—	—		3,115,828
Accumulated other comprehensive income	32,777	—	—		32,777
Treasury stock	(4,543,600)	—	—		(4,543,600)
Note receivable from key executive for common stock issuance	(4,998)	—	—		(4,998)
<b>Total shareholders' equity</b>	<b>14,245,024</b>	<b>8,319,384</b>	<b>8,319,384</b>		<b>14,245,024</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 21,783,573</b>	<b>\$ 10,302,609</b>	<b>\$ 10,302,609</b>		<b>\$ 21,783,573</b>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

## IAC/INTERACTIVECORP AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	IAC Condensed December 31, 2004	Expedia Condensed December 31, 2004	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed December 31, 2004
(Dollars in thousands)					
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents (including restricted cash)	\$ 1,141,075	\$ 155,557	\$ 55,557	(2)	\$ 1,041,075
Marketable securities	2,409,745	1,000	1,000	(3)	2,409,745
Receivables from IAC and subsidiaries	—	1,874,745	1,874,745	(4)	—
Assets held for sale	339,880	—	—		339,880
Other current assets	1,216,511	214,555	6,164	(5)	1,008,120
Current assets of discontinued operations	8,556	—	308,391	(6)	316,947
<b>Total current assets</b>	<b>5,115,767</b>	<b>2,245,857</b>	<b>2,245,857</b>		<b>5,115,767</b>
Property, plant and equipment, net	508,683	81,426	—		427,257
Goodwill	11,210,964	5,790,111	(59,028)	(1), (5)	5,361,825
Intangible assets, net	2,333,663	1,279,361	—		1,054,302
Long-term investments and other non-current assets	1,792,509	140,432	(10,361)	(5)	1,641,716
Preferred interest exchangeable for common stock	1,428,530	—	—		1,428,530
Non-current assets of discontinued operations	8,749	—	7,360,719	(6)	7,369,468
<b>TOTAL ASSETS</b>	<b>\$ 22,398,865</b>	<b>\$ 9,537,187</b>	<b>\$ 9,537,187</b>		<b>\$ 22,398,865</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Current maturities of long-term obligations and short-term borrowings	\$ 562,966	\$ 13	\$ —		\$ 562,953
Liabilities held for sale	295,773	—	—		295,773
Other current liabilities	2,000,795	982,166	—		1,018,629
Current liabilities of discontinued operations	32,904	—	982,179	(6)	1,015,083
<b>Total current liabilities</b>	<b>2,892,438</b>	<b>982,179</b>	<b>982,179</b>		<b>2,892,438</b>
Long-term obligations, net of current maturities	796,715	—	—		796,715
Other long-term liabilities	151,580	50,248	—		101,332
Non-current liabilities of discontinued operations	5,546	—	417,975	(6)	423,521
Deferred income taxes	2,479,678	333,696	(15,596)	(5)	2,130,386
Common stock exchangeable for preferred interest	1,428,530	—	—		1,428,530
Minority interest	39,074	18,435	—		20,639
<b>SHAREHOLDERS' EQUITY</b>					
Invested equity	—	8,152,629	8,152,629	(6)	—
Preferred stock \$.01 par value	131	—	—		131
Common stock \$.01 par value	6,970	—	—		6,970
Class B convertible common stock \$.01 par value	646	—	—		646
Additional paid-in capital	14,058,797	—	—		14,058,797
Retained earnings	2,428,760	—	—		2,428,760
Accumulated other comprehensive income	81,051	—	—		81,051
Treasury stock	(1,966,053)	—	—		(1,966,053)
Note receivable from key executive for common stock issuance	(4,998)	—	—		(4,998)
<b>Total shareholders' equity</b>	<b>14,605,304</b>	<b>8,152,629</b>	<b>8,152,629</b>		<b>14,605,304</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 22,398,865</b>	<b>\$ 9,537,187</b>	<b>\$ 9,537,187</b>		<b>\$ 22,398,865</b>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.



IAC/INTERACTIVECORP AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	IAC Condensed December 31, 2003	Euvia and TV Travel Shop December 31, 2003(7)	Subtotal	Expedia Condensed December 31, 2003	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed December 31, 2003
(Dollars in thousands)							
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents (including restricted cash)	\$ 930,418	\$ (39,445)	\$ 890,973	\$ 211,584	\$ 111,584	(2)	\$ 790,973
Marketable securities	2,419,735	—	2,419,735	693,320	693,320	(3)	2,419,735
Receivables from IAC and subsidiaries	—	—	—	591,583	591,583	(4)	—
Assets held for sale	—	61,577	61,577	—	—	—	61,577
Other current assets	864,823	(31,147)	833,676	183,675	(701)	(5)	649,300
Current assets of discontinued operations	—	9,015	9,015	—	284,376	(6)	293,391
<b>Total current assets</b>	<b>4,214,976</b>	<b>—</b>	<b>4,214,976</b>	<b>1,680,162</b>	<b>1,680,162</b>		<b>4,214,976</b>
Property, plant and equipment, net	473,177	(5,399)	467,778	75,618	—	—	392,160
Goodwill	11,273,635	(205,033)	11,068,602	5,650,322	(93,522)	(1),(5)	5,324,758
Intangible assets, net	2,513,889	(41,230)	2,472,659	1,323,026	—	—	1,149,633
Non-current assets held for sale	—	211,379	211,379	—	—	—	211,379
Long-term investments and other non-current assets	1,663,908	(3,379)	1,660,529	26,142	—	(5)	1,634,387
Preferred interest exchangeable for common stock	1,428,530	—	1,428,530	—	—	—	1,428,530
Non-current assets of discontinued operations	340	43,662	44,002	—	7,168,630	(6)	7,212,632
<b>TOTAL ASSETS</b>	<b>\$ 21,568,455</b>	<b>\$ —</b>	<b>\$ 21,568,455</b>	<b>\$ 8,755,270</b>	<b>\$ 8,755,270</b>		<b>\$ 21,568,455</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>CURRENT LIABILITIES</b>							
Current maturities of long-term obligations and short-term borrowings	\$ 2,850	\$ (567)	\$ 2,283	\$ —	\$ —	—	\$ 2,283
Liabilities held for sale	—	16,930	16,930	—	—	—	16,930
Other current liabilities	1,859,269	(45,963)	1,813,306	825,324	—	—	987,982
Current liabilities of discontinued operations	16,062	29,600	45,662	—	825,324	(6)	870,986
<b>Total current liabilities</b>	<b>1,878,181</b>	<b>—</b>	<b>1,878,181</b>	<b>825,324</b>	<b>825,324</b>		<b>1,878,181</b>
Long-term obligations, net of current maturities	1,120,097	(2,271)	1,117,826	—	—	—	1,117,826
Non-current liabilities held for sale	—	218,463	218,463	—	—	—	218,463
Other long-term liabilities	67,981	—	67,981	3,321	—	—	64,660
Non-current liabilities of discontinued operations	—	11,458	11,458	—	379,822	(6)	391,280
Deferred income taxes	2,446,394	(11,458)	2,434,936	372,324	(4,177)	(5)	2,058,435
Common stock exchangeable for preferred interest	1,428,530	—	1,428,530	—	—	—	1,428,530
Minority interest	211,687	(216,192)	(4,505)	—	—	—	(4,505)
<b>SHAREHOLDERS' EQUITY</b>							
Invested equity	—	—	—	7,554,301	7,554,301	(6)	—
Preferred stock \$.01 par value	131	—	131	—	—	—	131
Common stock \$.01 par value	6,790	—	6,790	—	—	—	6,790
Class B convertible common stock \$.01 par value	646	—	646	—	—	—	646
Additional paid-in capital	13,634,926	—	13,634,926	—	—	—	13,634,926
Retained earnings	2,276,952	—	2,276,952	—	—	—	2,276,952
Accumulated other comprehensive income	36,896	—	36,896	—	—	—	36,896
Treasury stock	(1,535,758)	—	(1,535,758)	—	—	—	(1,535,758)
Note receivable from key executive for common stock issuance	(4,998)	—	(4,998)	—	—	—	(4,998)
<b>Total shareholders' equity</b>	<b>14,415,585</b>	<b>—</b>	<b>14,415,585</b>	<b>7,554,301</b>	<b>7,554,301</b>		<b>14,415,585</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 21,568,455</b>	<b>\$ —</b>	<b>\$ 21,568,455</b>	<b>\$ 8,755,270</b>	<b>\$ 8,755,270</b>		<b>\$ 21,568,455</b>

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

## IAC/INTERACTIVECORP AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	IAC Condensed Six months ended June 30, 2005	Expedia Condensed Six months ended June 30, 2005	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed Six months ended June 30, 2005
(In thousands, except per share amounts)					
Service revenue	\$ 2,177,151	\$ 1,040,053	\$ 165	(8)	\$ 1,137,263
Product sales	1,426,269	—	—	—	1,426,269
Net revenue	3,603,420	1,040,053	165	—	2,563,532
Cost of sales—service revenue	783,638	229,040	11,315	(8)	565,913
Cost of sales—product sales	869,817	—	—	—	869,817
Gross profit	1,949,965	811,013	(11,150)	—	1,127,802
Selling and marketing expense	760,674	347,474	2,104	(8)	415,304
General and administrative expense	447,842	132,503	4,920	(8), (9)	320,259
Other operating expense	54,931	2,479	—	—	52,452
Amortization of cable distribution fees	33,781	—	—	—	33,781
Amortization of non-cash distribution and marketing expense	3,917	3,917	—	—	—
Amortization of non-cash compensation expense	109,910	80,908	—	—	29,002
Amortization of intangibles	147,204	63,448	—	—	83,756
Depreciation expense	87,991	17,580	—	—	70,411
Operating income	303,715	162,704	(18,174)	—	122,837
Other income (expense):					
Interest income	99,750	29,511	24,773	(8)	95,012
Interest expense	(40,609)	—	—	(8)	(40,609)
Gain on sale of VUE	523,487	—	—	—	523,487
Equity in income of VUE	21,960	—	—	—	21,960
Equity in the income of unconsolidated affiliates and other	24,000	4,510	—	—	19,490
Total other income, net	628,588	34,021	24,773	—	619,340
Earnings from continuing operations before income taxes and minority interest	932,303	196,725	6,599	—	742,177
Income tax expense	(376,039)	(74,869)	(2,846)	(10)	(304,016)
Minority interest in income of consolidated subsidiaries	(1,820)	(395)	—	—	(1,425)
<b>Earnings from continuing operations</b>	<b>\$ 554,444</b>	<b>\$ 121,461</b>	<b>\$ 3,753</b>		<b>\$ 436,736</b>
<b>Earnings per share from continuing operations:(11)</b>					
Basic earnings per share	\$ 1.63	—	—	—	\$ 1.28
Diluted earnings per share	\$ 1.52	—	—	—	\$ 1.20

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

## IAC/INTERACTIVECORP AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	IAC Condensed Six months ended June 30, 2004	Expedia Condensed Six months ended June 30, 2004	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed Six months ended June 30, 2004
(In thousands, except per share amounts)					
Service revenue	\$ 1,764,470	\$ 900,221	\$ 230	(8)	\$ 864,479
Product sales	1,131,320	—	—		1,131,320
Net revenue	2,895,790	900,221	230		1,995,799
Cost of sales—service revenue	656,388	201,177	3,613	(8)	458,824
Cost of sales—product sales	701,506	—	—		701,506
Gross profit	1,537,896	699,044	(3,383)		835,469
Selling and marketing expense	599,415	323,735	184	(8)	275,864
General and administrative expense	336,250	109,020	8,876	(8), (9)	236,106
Other operating expense	41,141	721	—		40,420
Amortization of cable distribution fees	35,033	—	—		35,033
Amortization of non-cash distribution and marketing expense	11,072	9,771	—		1,301
Amortization of non-cash compensation expense	124,310	90,044	—		34,266
Amortization of intangibles	156,808	60,777	—		96,031
Depreciation expense	83,914	14,777	—		69,137
Operating income	149,953	90,199	(12,443)		47,311
Other income (expense):					
Interest income	93,334	16,002	11,258	(8)	88,590
Interest expense	(38,850)	(1,728)	(1,505)	(8)	(38,627)
Equity in income of VUE	10,686	—	—		10,686
Equity in the income (losses) of unconsolidated affiliates and other	12,370	(2,458)	—		14,828
Total other income, net	77,540	11,816	9,753		75,477
Earnings from continuing operations before income taxes and minority interest	227,493	102,015	(2,690)		122,788
Income tax expense	(88,241)	(40,282)	565	(10)	(47,394)
Minority interest in income of consolidated subsidiaries	(1,485)	(472)	—		(1,013)
<b>Earnings from continuing operations</b>	<b>\$ 137,767</b>	<b>\$ 61,261</b>	<b>\$ (2,125)</b>		<b>\$ 74,381</b>
<b>Earnings per share from continuing operations:</b>					
(11)					
Basic earnings per share	\$ 0.38				\$ 0.19
Diluted earnings per share	\$ 0.35				\$ 0.18

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

## IAC/INTERACTIVECORP AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	IAC Condensed Year ended December 31, 2004	Euvia and TV Travel Shop Year ended December 31, 2004(12)	Subtotal	Expedia Condensed Year ended December 31, 2004	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed Year ended December 31, 2004
(In thousands, except per share amounts)							
Service revenue	\$ 3,595,898	\$ (33,878)	\$ 3,562,020	\$ 1,843,013	\$ 121	(8)	\$ 1,719,128
Product sales	2,596,782	(127,631)	2,469,151	—	—		2,469,151
Net revenue	6,192,680	(161,509)	6,031,171	1,843,013	121		4,188,279
Cost of sales-service revenue	1,331,173	(17,564)	1,313,609	412,701	7,722	(8)	908,630
Cost of sales-product sales	1,492,779	(5,161)	1,487,618	—	—		1,487,618
Gross profit	3,368,728	(138,784)	3,229,944	1,430,312	(7,601)		1,792,031
Selling and marketing expense	1,203,370	(22,968)	1,180,402	608,618	3,970	(8)	575,754
General and administrative expense	746,853	(36,559)	710,294	233,740	15,567	(8), (9)	492,121
Other operating expense	142,360	(52,407)	89,953	2,699	—		87,254
Amortization of cable distribution fees	70,590	(1,358)	69,232	—	—		69,232
Amortization of non-cash distribution and marketing expense	18,030	—	18,030	16,728	—		1,302
Amortization of non-cash compensation expense	241,726	—	241,726	171,400	—		70,326
Amortization of intangibles	347,457	(36,978)	310,479	125,091	—		185,388
Depreciation expense	179,514	(3,375)	176,139	31,563	—		144,576
Restructuring	1,542	—	1,542	—	—		1,542
Goodwill impairment	184,780	—	184,780	—	—		184,780
Operating income (loss)	232,506	14,861	247,367	240,473	(27,138)		(20,244)
Other income (expense):							
Interest income	191,679	(946)	190,733	38,775	31,148	(8)	183,106
Interest expense	(87,388)	5,643	(81,745)	(453)	—	(8)	(81,292)
Equity in income of VUE	16,188	—	16,188	—	—		16,188
Equity in the income (losses) of unconsolidated affiliates and other	25,691	(409)	25,282	(9,252)	—		34,534
Total other income, net	146,170	4,288	150,458	29,070	31,148		152,536
Earnings from continuing operations before income taxes and minority interest	378,676	19,149	397,825	269,543	4,010		132,292
Income tax expense	(179,186)	2,095	(177,091)	(106,371)	(3,546)	(10)	(74,266)
Minority interest in (income) losses of consolidated subsidiaries	(13,729)	10,871	(2,858)	301	—		(3,159)
<b>Earnings from continuing operations</b>	<b>\$ 185,761</b>	<b>\$ 32,115</b>	<b>\$ 217,876</b>	<b>\$ 163,473</b>	<b>\$ 464</b>		<b>\$ 54,867</b>
<b>Earnings per share from continuing operations:(11)</b>							
Basic earnings per share	\$ 0.50						\$ 0.12
Diluted earnings per share	\$ 0.47						\$ 0.11

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.



## IAC/INTERACTIVECORP AND SUBSIDIARIES

## UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	IAC Condensed Year ended December 31, 2003	Euvia and TV Travel Shop Year ended December 31, 2003(12)	Subtotal	Expedia Condensed Year ended December 31, 2003	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed Year ended December 31, 2003
(In thousands, except per share amounts)							
Service revenue	\$ 3,896,148	\$ (46,920)	\$ 3,849,228	\$ 2,339,813	\$ 394	(8)	\$ 1,509,809
Product sales	2,431,970	(118,290)	2,313,680	—	—	—	2,313,680
Net revenue	6,328,118	(165,210)	6,162,908	2,339,813	394	—	3,823,489
Cost of sales-service revenue	2,068,286	(16,580)	2,051,706	1,199,414	—	(8)	852,292
Cost of sales-product sales	1,400,753	(4,676)	1,396,077	—	—	—	1,396,077
Gross profit	2,859,079	(143,954)	2,715,125	1,140,399	394	—	1,575,120
Selling and marketing expense	929,445	(21,506)	907,939	416,492	—	(8)	491,447
General and administrative expense	711,781	(52,564)	659,217	227,315	11,083	(8), (9)	442,985
Other operating expense	116,413	(50,677)	65,736	—	—	—	65,736
Amortization of cable distribution fees	68,902	(1,449)	67,453	—	—	—	67,453
Amortization of non-cash distribution and marketing expense	51,432	—	51,432	41,974	—	—	9,458
Amortization of non-cash compensation expense	128,185	—	128,185	95,781	—	—	32,404
Amortization of intangibles	268,504	(5,754)	262,750	76,073	—	—	186,677
Depreciation expense	172,453	(4,289)	168,164	27,582	—	—	140,582
Restructuring	21	—	21	—	—	—	21
Merger costs	11,760	—	11,760	11,664	—	—	96
Operating income	400,183	(7,715)	392,468	243,518	(10,689)	—	138,261
Other income (expense):							
Interest income	175,822	(821)	175,001	22,614	—	(8)	152,387
Interest expense	(92,913)	5,248	(87,665)	(2,905)	(207)	(8)	(84,967)
Equity in losses of VUE	(224,468)	—	(224,468)	—	—	—	(224,468)
Equity in the income (losses) of unconsolidated affiliates and other	3,767	(281)	3,486	(7,729)	—	—	11,215
Total other income (expense), net	(137,792)	4,146	(133,646)	11,980	(207)	—	(145,833)
Earnings from continuing operations before income taxes and minority interest	262,391	(3,569)	258,822	255,498	(10,896)	—	(7,572)
Income tax (expense) benefit	(70,691)	(1,855)	(72,546)	(97,202)	(442)	(10)	24,214
Minority interest in income of consolidated subsidiaries	(65,043)	12,221	(52,822)	(46,889)	—	—	(5,933)
<b>Earnings from continuing operations</b>	<b>\$ 126,657</b>	<b>\$ 6,797</b>	<b>\$ 133,454</b>	<b>\$ 111,407</b>	<b>\$ (11,338)</b>		<b>\$ 10,709</b>
<b>Earnings per share from continuing operations:(11)</b>							
Basic earnings per share	\$0.38						\$(0.01)
Diluted earnings per share	\$0.33						\$(0.01)

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

IAC/INTERACTIVECORP AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	IAC Condensed Year ended December 31, 2002	Euvia and TV Travel Shop Year ended December 31, 2002 (12)	Subtotal	Expedia Condensed Year ended December 31, 2002	Expedia Pro Forma Adjustments	Notes	Total Pro Forma Condensed Year ended December 31, 2002
(In thousands, except per share amounts)							
Service revenue	\$ 2,656,043	\$ (26,064)	\$ 2,629,979	\$ 1,499,075	\$ —	(8)	\$ 1,130,904
Product sales	1,924,882	(26,411)	1,898,471	—	—		1,898,471
Net revenue	4,580,925	(52,475)	4,528,450	1,499,075	—		3,029,375
Cost of sales—service revenue	1,573,491	(11,131)	1,562,360	836,320	367	(8)	726,407
Cost of sales—product sales	1,202,519	—	1,202,519	—	—		1,202,519
Gross profit	1,804,915	(41,344)	1,763,571	662,755	(367)		1,100,449
Selling and marketing expense	559,741	(9,061)	550,680	230,713	—	(8)	319,967
General and administrative expense	495,386	(19,073)	476,313	136,330	2,322	(8), (9)	342,305
Other operating expense	84,510	(14,398)	70,112	—	—		70,112
Amortization of cable distribution fees	58,926	—	58,926	—	—		58,926
Amortization of non-cash distribution and marketing expense	37,344	—	37,344	32,680	—		4,664
Amortization of non-cash compensation expense	15,637	—	15,637	5,632	—		10,005
Amortization of intangibles	145,667	(3,870)	141,797	42,909	—		98,888
Depreciation expense	170,819	(2,250)	168,569	18,439	—		150,130
Restructuring	54,130	—	54,130	—	—		54,130
Goodwill impairment	22,247	—	22,247	—	—		22,247
Merger costs	7,910	—	7,910	2,282	—		5,628
Operating income (loss)	152,598	7,308	159,906	193,770	(2,689)		(36,553)
Other income (expense):							
Interest income	114,599	(155)	114,444	15,075	—	(8)	99,369
Interest expense	(44,467)	1,644	(42,823)	—	—	(8)	(42,823)
Equity in income of VUE	6,107	—	6,107	—	—		6,107
Equity in the income (losses) of unconsolidated affiliates and other	(115,640)	4,424	(111,216)	571	—		(111,787)
Total other income (expense), net	(39,401)	5,913	(33,488)	15,646	—		(49,134)
Earnings from continuing operations before income taxes and minority interest	113,197	13,221	126,418	209,416	(2,689)		(85,687)
Income tax (expense) benefit	(65,127)	297	(64,830)	(82,579)	5,796	(10)	23,545
Minority interest in income of consolidated subsidiaries	(46,073)	1,186	(44,887)	(50,124)	—		5,237
<b>Earnings (loss) from continuing operations</b>	<b>\$ 1,997</b>	<b>\$ 14,704</b>	<b>\$ 16,701</b>	<b>\$ 76,713</b>	<b>\$ 3,107</b>		<b>\$ (56,905)</b>
<b>Earnings per share from continuing operations:</b>							
(11)							
Basic earnings per share	\$ (0.05)						\$ (0.32)
Diluted earnings per share	\$ (0.07)						\$ (0.32)



## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(In thousands)

	As of June 30, 2005	As of December 31, 2004	As of December 31, 2003
(1) To adjust the recorded value of goodwill to reflect the removal of TV Travel Shop and Interval International from the IAC Travel reporting unit pursuant to SFAS 142.	\$ —	\$ (47,229)	\$ (50,265)
(2) To record the decrease to Expedia's cash and cash equivalents (including restricted cash) pursuant to the terms of the Spin-Off.	\$ 143,245	\$ 55,557	\$ 111,584
(3) To record the decrease to Expedia's marketable securities pursuant to the terms of the Spin-Off. According to the terms of the Spin-Off, IAC is to retain all of Expedia's marketable securities.	\$ —	\$ 1,000	\$ 693,320
(4) To classify Expedia's receivables from IAC and subsidiaries as invested equity.	\$ 2,356,525	\$ 1,874,745	\$ 591,583
(5) To reflect Expedia's historical income tax assets and liabilities and related impact to the carrying value of Expedia's goodwill as if it had been a member of IAC's consolidated group for all periods presented.			
Current deferred tax asset	\$ 6,167	\$ 6,164	\$ (701)
Goodwill	(23,258)	(11,799)	(43,257)
Non-current deferred tax asset	—	(10,361)	—
Non-current deferred tax liability	(8,563)	(15,596)	(4,177)
(6) To reclassify Expedia's historical assets, liabilities and invested equity, including pro forma adjustments above, from continuing operations to discontinued operations pursuant to SFAS 144.			
Current assets of discontinued operations	\$ 562,627	\$ 308,391	\$ 284,376
Non-current assets of discontinued operations	7,257,303	7,360,719	7,168,630
Current liabilities of discontinued operations	1,515,495	982,179	825,324
Non-current liabilities of discontinued operations	476,293	417,975	379,822
Invested equity	8,319,384	8,152,629	7,554,301
(7) To reclassify the assets and liabilities of Euvía as "Assets held for sale" and "Liabilities held for sale" and to reclassify the assets and liabilities of TV Travel Shop as discontinued operations as of December 31, 2003.			

	For the Six Months Ended		For the Year Ended			
	June 30, 2005	June 30, 2004	December 31, 2004	December 31, 2003	December 31, 2002	
(8)	To reclassify the previously recorded elimination of intercompany transactions between Expedia and IAC's other subsidiaries from continuing operations to discontinued operations as follows:					
	Service revenue	\$ 165	\$ 230	\$ 121	\$ 394	\$ —
	Cost of sales-service revenue	11,315	3,613	7,722	—	367
	Selling and marketing expense	2,104	184	3,970	—	—
	General and administrative expense	578	3,643	5,100	8,319	2,322
	Interest income	24,773	11,258	31,148	—	—
	Interest (expense)	—	(1,505)	—	(207)	—
(9)	To reverse allocations previously made to Expedia by IAC in the preparation of Expedia's historical carve-out financial statements	\$ 4,342	\$ 5,233	\$ 10,467	\$ 2,764	\$ —
(10)	To reflect Expedia's historical income tax provision as if it had been a member of IAC's consolidated group for all periods presented.	\$ (2,846)	\$ 565	\$ (3,546)	\$ (442)	\$ 5,796
(11)	Historical earnings per share have been restated to give effect to the one-for-two reverse stock split.					
(12)	To classify the results of operations of Euvía and TV Travel Shop as discontinued operations for each of the years in the three-year period ended December 31, 2004.					

## QuickLinks

### [EXHIBIT 99.1](#)

[IAC/INTERACTIVECORP AND SUBSIDIARIES UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS](#)  
[IAC/INTERACTIVECORP AND SUBSIDIARIES UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET](#)  
[IAC/INTERACTIVECORP AND SUBSIDIARIES UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET](#)  
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[IAC/INTERACTIVECORP NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS \(In thousands\)](#)