

INTERACTIVECORP
Form 10-Q/A
February 11, 2004

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As filed with the Securities and Exchange Commission on February 10, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q/A
(Amendment No. 1)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2003

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 No. 0-20570**

InterActiveCorp

(Formerly USA Interactive)

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-2712887
(I.R.S. Employer
Identification No.)

152 West 57th Street, New York, New York 10019
(Address of Registrant's principal executive offices)

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

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 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of August 8, 2003, the following shares of the Registrant's common stock were outstanding:

Common Stock, including 505,037 shares of restricted stock	661,299,767
Class B Common Stock	64,629,996
	<hr/>
Total outstanding Common Stock	725,929,763
	<hr/>

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of August 8, 2003 was \$18,342,990,651. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

EXPLANATORY NOTE

The Registrant hereby amends and restates in its entirety Item 1, Consolidated Financial Statements, as described. In the second quarter of 2003, certain businesses of InterActiveCorp (formerly USA Interactive) ceased operations. Accordingly, the consolidated financial statements included in the Quarterly Report on Form 10-Q for the three months ended June 30, 2003 presented the results of operations and statement of position of these businesses as discontinued operations. The consolidated financial statements included in this Amendment to the Quarterly Report on Form 10-Q/A have been adjusted for a reclassification of income tax expense and general and administrative expense in the 2002 periods between continuing operations and discontinued operations, resulting in lower basic and diluted loss per share from continuing operations in the 2002 periods. In addition, certain December 31, 2002 balance sheet accounts have been reclassified to conform to the June 30, 2003 presentation.

Further, this Amendment is being filed to make certain changes pursuant to a recent comment letter received from the Securities and Exchange Commission and includes balance sheet reclassifications as well as additional disclosures in order to provide a more expansive and detailed presentation.

The changes made reflect (i) the reclassification of general and administrative expense and income tax expense between continuing operations and discontinued operations in the 2002 periods, (ii) balance sheet reclassification of certain assets and liabilities, including classification of auction rate securities with a reset feature within 90 days as marketable securities rather than cash and cash equivalents and (iii) additional footnote disclosure regarding the acquisition of the minority interest of Expedia, Hotels.com and Ticketmaster as well as disclosure of summarized aggregated financial information for the Company's equity investments.

This Amendment only reflects the changes discussed above. All other information included in the Original Form 10-Q has not been amended by this Form 10-Q/A to reflect any information or events subsequent to the filing of the Original Form 10-Q.

PART I FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

INTERACTIVECORP AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended June 30,		Six Months Ended June 30,	
2003	2002	2003	2002
<hr/>	<hr/>	<hr/>	<hr/>

(In Thousands)

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	Three Months Ended June 30,		Six Months Ended June 30,	
Product sales	\$ 564,022	\$ 446,672	\$ 1,095,421	\$ 909,114
Service revenue	962,489	660,396	1,817,824	1,156,615
Net revenue	1,526,511	1,107,068	2,913,245	2,065,729
Cost of sales-product sales	318,628	279,484	638,000	581,226
Cost of sales-service revenue	521,028	394,367	988,538	697,709
Gross profit	686,855	433,217	1,286,707	786,794
Selling and marketing	224,627	157,046	415,354	299,040
General and administrative	168,297	91,594	322,969	164,909
Other	34,499	17,488	58,889	36,472
Amortization of cable distribution fees	14,837	13,064	28,789	26,064
Amortization of non-cash distribution and marketing expense	12,726	10,105	23,215	17,069
Amortization of non-cash compensation expense	14,431	3,328	24,642	7,072
Amortization of intangibles	55,558	29,876	107,714	50,977
Depreciation	41,697	40,621	83,859	77,783
Restructuring charges		22,934		22,934
Goodwill impairment		22,247		22,247
Merger costs	8,429		10,525	
Operating profit	111,754	24,914	210,751	62,227
Other income (expense):				
Interest income	44,526	28,385	84,356	35,150
Interest expense	(22,340)	(9,877)	(46,618)	(21,270)
Equity in gains (losses) of VUE	4,258		(239,018)	
Equity in losses in unconsolidated subsidiaries and other expenses	(171)	(103,731)	(2,050)	(115,862)
Total other income (expense), net	26,273	(85,223)	(203,330)	(101,982)
Earnings (loss) from continuing operations before income taxes and minority interest	138,027	(60,309)	7,421	(39,755)
Income tax benefit (expense)	(51,683)	(21,611)	2,491	(39,446)
Minority interest	(28,415)	(15,289)	(54,142)	(12,070)
Earnings (loss) from continuing operations before cumulative effect of accounting change	57,929	(97,209)	(44,230)	(91,271)
Gain on contribution of USA Entertainment to VUE, net of tax		2,378,311		2,378,311
Discontinued operations, net of tax	38,265	(7,262)	33,628	12,700
Earnings (loss) before cumulative effect of accounting change	96,194	2,273,840	(10,602)	2,299,740
Cumulative effect of accounting change, net of tax				(461,389)
Earnings (loss) before preferred dividends	96,194	2,273,840	(10,602)	1,838,351
Preferred dividend	(3,264)	(3,264)	(6,528)	(5,231)
Net income (loss) available to common shareholders	\$ 92,930	\$ 2,270,576	\$ (17,130)	\$ 1,833,120
Income (loss) per share:				
Basic earnings (loss) per share from continuing operations	\$ 0.10	\$ (0.24)	\$ (0.10)	\$ (0.24)
	\$ 0.09	\$ (0.25)	\$ (0.11)	\$ (0.25)

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	Three Months Ended June 30,		Six Months Ended June 30,	
Diluted earnings (loss) per share from continuing operations				
Basic earnings (loss) per share before cumulative effect of accounting change	\$ 0.17	\$ 5.51	\$ (0.03)	\$ 5.70
Diluted earnings (loss) per share before cumulative effect of accounting change	\$ 0.16	\$ 5.51	\$ (0.04)	\$ 5.70
Basic earnings (loss) per share	\$ 0.17	\$ 5.51	\$ (0.03)	\$ 4.55
Diluted earnings (loss) per share	\$ 0.16	\$ 5.51	\$ (0.04)	\$ 4.55

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2003	December 31, 2002
	(unaudited)	(audited)
(In thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,384,645	\$ 1,998,114
Restricted cash equivalents	38,754	40,696
Marketable securities	3,581,175	1,929,058
Accounts and notes receivable, net of allowance of \$25,247 and \$29,036, respectively	375,825	308,377
Inventories, net	204,299	192,751
Deferred tax assets	120,750	2,007
Other current assets, net	145,556	145,059
Current assets of discontinued operations		8,079
Total current assets	5,851,004	4,624,141
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	596,781	542,998
Buildings and leasehold improvements	147,735	141,063
Furniture and other equipment	150,420	137,388
Land	16,071	15,802
Projects in progress	28,972	20,487
	939,979	857,738
Less accumulated depreciation and amortization	(493,521)	(427,491)
Total property, plant and equipment	446,458	430,247
OTHER ASSETS		
Goodwill	7,333,240	5,997,842
Intangible assets, net	1,747,683	1,258,070
Long-term investments	1,392,565	1,582,182
Preferred interest exchangeable for common stock	1,428,530	1,428,530
Cable distribution fees, net	146,573	167,249

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	June 30, 2003	December 31, 2002
Note receivables and advances, net of current portion (\$8,694 and \$13,365, respectively, from related parties)	13,040	19,090
Deferred charges and other, net	146,882	140,816
Non-current assets of discontinued operations	7,649	10,825
Total other assets	12,216,162	10,604,604
TOTAL ASSETS	\$ 18,513,624	\$ 15,658,992

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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**INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	June 30, 2003	December 31, 2002
	(unaudited)	(audited)
	(In Thousands, except share data)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	\$ 1,531	\$ 24,957
Accounts payable, trade	676,449	478,043
Accounts payable, client accounts	194,548	131,348
Cable distribution fees payable	35,311	39,107
Deferred revenue	176,877	128,580
Deferred merchant bookings	331,136	149,348
Income tax payable	97,312	177,019
Other accrued liabilities	460,006	401,510
Current liabilities of discontinued operations	16,838	24,713
Total current liabilities	1,990,008	1,554,625
Long-Term Obligations , net of current maturities	1,191,522	1,211,145
Other Long-Term Liabilities	117,691	77,843
Deferred Income Taxes	2,373,950	2,374,112
Minority Interest	385,892	1,081,274
Common Stock Exchangeable For Preferred Interest	1,428,530	1,428,530
Shareholders' Equity		
Preferred stock \$.01 par value; authorized 100,000,000 shares; issued and outstanding 13,118,182	131	131
Common stock \$.01 par value; authorized 1,600,000,000 shares; issued 547,768,873 and 392,334,359 shares respectively, and outstanding 538,810,667 and 385,698,610 shares, respectively, including 506,703 and 441,169 of restricted stock, respectively	5,383	3,852
Class B convertible common stock \$.01 par value; authorized 400,000,000 shares; issued and outstanding 64,629,996	646	646
Additional paid-in capital	9,105,133	5,941,141
Retained earnings	2,105,481	2,122,611

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	June 30, 2003	December 31, 2002
Accumulated other comprehensive income	41,061	15,697
Treasury stock 8,958,206 and 6,635,749 shares, respectively	(226,806)	(147,617)
Note receivable from key executive for common stock issuance	(4,998)	(4,998)
Total shareholders' equity	11,026,031	7,931,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 18,513,624	\$ 15,658,992

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Total	Preferred Stock		Common Stock		Class B Convertible Common Stock		Addit. Paid-in Capital	Retained Earnings (Accum. Deficit)	Accum. Other Comp. Income	Treasury Stock	Note Receivable from key executive for common stock issuance
		\$	Shares	\$	Shares	\$	Shares					
Balance as of December 31, 2002	\$ 7,931,463	\$ 131	13,118	\$ 3,852	385,699	\$ 646	64,630	\$ 5,941,141	\$ 2,122,611	\$ 15,697	\$ (147,617)	\$ (4,998)
Comprehensive income:												
Net income for the six months ended June 30, 2003	(10,602)								(10,602)			
Increase in unrealized gains in available for sale securities	13,781									13,781		
Foreign currency translation	11,583									11,583		
Comprehensive income	14,762											
Issuance of securities in connection with the Ticketmaster merger	875,587			455	45,471			875,132				
Issuance of securities in connection with the Hotels.com merger	1,180,675			443	44,315			1,180,232				
Issuance of securities in connection with the uDate transaction	132,892			55	5,480			132,837				
Issuance of securities in connection with the Liberty preemptives	1,103,697			469	46,866			1,103,228				
Issuance of common stock upon exercise of	167,537			133	13,302			167,404				

(In Thousands)

	Total	Preferred Stock	Common Stock	Class B Convertible Common Stock	Addit. Paid-in Capital	Retained Earnings (Accum. Deficit)	Accum. Other Comp. Income	Treasury Stock	Note Receivable from key executive for common stock issuance			
stock option and restricted stock												
Income tax benefit related to stock options exercised	112,557				112,557							
Purchase of warrants	(407,398)				(407,398)							
Dividend on preferred stock	(6,528)					(6,528)						
Purchase of treasury stock	(79,213)		(24)	(2,322)				(79,189)				
Balance as of June 30, 2003	\$ 11,026,031	\$ 131	13,118	\$ 5,383	538,811	\$ 646	64,630	\$ 9,105,133	\$ 2,105,481	\$ 41,061	\$ (226,806)	\$(4,998)

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of \$17,236 and \$3,455 at June 30, 2003 and December 31, 2002, respectively, and foreign currency translation adjustments of \$23,825 and \$12,242 at June 30, 2003 and December 31, 2002, respectively.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

INTERACTIVECORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June,	
	2003	2002
	(In Thousands)	
Cash flows from operating activities:		
Loss from continuing operations before cumulative effect of accounting change	\$ (44,230)	\$ (91,271)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	191,573	128,760
Goodwill impairment		22,247
Amortization of non-cash distribution and marketing expense	23,215	17,069
Amortization of non-cash compensation expense	24,642	7,072
Amortization of cable distribution fees	28,789	26,064
Amortization of deferred financing costs	1,076	343
Deferred income taxes	(34,524)	19,634
Loss on retirement of bonds	2,502	1,970
Gain on sale of investment	(3,106)	
Equity in losses of unconsolidated affiliates	237,770	114,853
Non-cash interest income	(17,699)	(5,732)

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	Six Months Ended June,	
	2014	2013
Minority interest	54,142	12,070
Increase in cable distribution fees	(14,983)	(31,727)
Changes in current assets and liabilities:		
Accounts receivable	(24,639)	72,308
Inventories	7,517	3,569
Accounts payable	115,521	(15,705)
Accrued liabilities	111,989	11,619
Deferred revenue and deferred merchant bookings	278,521	110,543
Cash collected on behalf of clients, net	23,666	29,731
Other, net	(23,002)	4,751
Net Cash Provided By Operating Activities	938,740	438,168
Cash flows from investing activities:		
Acquisitions and deal costs, net of cash acquired	(394,150)	94,325
Capital expenditures	(86,978)	(73,024)
Recoupment of advance to Universal		39,422
Increase in long-term investments and notes receivable	(15,710)	26,521
Purchase of marketable securities, net of redemptions	(1,652,692)	(1,040,374)
Proceeds from VUE transaction		1,618,710
Proceeds from sale of broadcast stations		589,625
Other, net	4,456	(20,742)
Net Cash Provided By (Used in) Investing Activities	(2,145,074)	1,234,463
Cash flows from financing activities:		
Borrowings		15,639
Principal payments on long-term obligations	(26,627)	(12,104)
Purchase of treasury stock by IAC and subsidiaries	(177,665)	(5,275)
Payment of mandatory tax distribution to LLC partners		(154,083)
Repurchase of bonds	(35,809)	(39,451)
Purchase of Vivendi warrants	(407,398)	
Proceeds from sale of subsidiary stock, including stock options	44,697	51,946
Proceeds from issuance of common stock and LLC shares	1,270,409	125,685
Dividend	(6,528)	(3,658)
Other, net	(635)	(49)
Net Cash Provided By (Used In) Financing Activities	660,444	(21,350)
Net Cash Used In Discontinued Operations	(80,227)	(165,269)
Effect of exchange rate changes on cash and cash equivalents	12,648	7,880
Net Increase In Cash and Cash Equivalents	(613,469)	1,493,892
Cash and Cash Equivalents at Beginning of Period	1,998,114	392,176
Cash And Cash Equivalents at End of Period	\$ 1,384,645	\$ 1,886,068

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

INTERACTIVECORP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 ORGANIZATION

GENERAL

IAC/InterActiveCorp, formerly USA Interactive, is comprised of the following operating businesses: Expedia, Inc., which oversees Interval International and TV Travel Shop; Hotels.com; HSN; Ticketmaster, which oversees Evite and ReserveAmerica; Match.com, which oversees uDate.com; Entertainment Publications; Citysearch; and Precision Response Corporation. The goal of the Company is to be the world's largest and most profitable interactive commerce company by pursuing a multi-brand strategy.

Travel Services

Expedia is a leading online travel agency in the United States, offering travel services provided by approximately 450 airlines, approximately 43,000 lodging properties, all major car rental companies, numerous cruise lines, and multiple-destination service providers such as restaurants, attractions and tour providers. In addition to Expedia.com, Expedia also operates localized versions (either alone or through joint ventures) in the United Kingdom, France, Germany, Italy, Netherlands and Canada. Expedia entered the U.S. corporate travel market through the acquisition of Metropolitan Travel in July 2002. On August 8, 2003, the Company completed its acquisition of all of the outstanding shares of Expedia that it did not already own. See "Recent Developments."

Hotels.com is a leading provider of discount hotel accommodations worldwide, providing service through its own websites, including hotels.com, its toll-free call centers, and through third-party marketing and distribution agreements. Hotels.com provides accommodations to travelers in hundreds of cities in North America, Europe, the Caribbean and Asia. On June 23, 2003, the Company completed its acquisition of all of the outstanding shares of Hotels.com that it did not already own. See "Recent Developments."

Interval International is a leading membership-services company providing timeshare exchange and other value-added programs to its timeshare-owning members and resort developers.

TV Travel Shop is a UK company that owns and operates two UK television channels that sell packaged holidays and other travel products to viewers, TV Travel Shop and TV Travel Shop 2. TV Travel Shop also operates a related website and participates in a joint venture with Preussag's TUI Deutschland that operates TV Travel Shop Germany.

Electronic Retailing

Home Shopping Network U.S. ("HSN U.S.") consists primarily of the HSN television network, HSN.com, and the America's Store television network. HSN sells a variety of consumer goods and services by means of live, customer-interactive electronic retail sales programs. HSN operates two retail sales programs in the United States, each 24 hours a day, seven days a week: HSN and America's Store. HSN.com serves as an alternative store front that allows consumers to shop for merchandise from HSN's inventory, rather than just viewing the current product offering on HSN's television programming. HSN.com also offers additional inventory that is not available on HSN's television programming.

HSN International consists primarily of Home Shopping Europe, AG ("HSE-Germany") and EUVÍA Media AG & Co. KG ("EUVÍA"). HSE-Germany operates a German-language home shopping business that is broadcast 24 hours a day to households in Germany, Austria and Switzerland.

EUVÍA, in which IAC owns 48.6%, operates two businesses, "Neun Live," a game-show oriented television channel, and a travel-oriented shopping television channel under the brand name "Sonnenklar." HSN also includes IAC's minority interests in home shopping businesses in China and Japan.

Ticketing

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Ticketing consists primarily of Ticketmaster, ticketmaster.com and ReserveAmerica. Ticketmaster and ticketmaster.com provide automated ticketing services via the Internet, telephone and retail outlets and serve many of the foremost venues, entertainment facilities, promoters and professional sports franchises in the U.S.A. and in the U.K., Australia, Norway, Denmark, the Netherlands, Canada, Mexico and Ireland. ReserveAmerica is a leading provider of outdoor recreation reservation services and software to United States federal and state agencies for camping activities, recreation ticketing and other access privileges to public land attractions. IAC completed its acquisition of all of the outstanding shares of Ticketmaster that it did not already own on January 17, 2003. See "Recent Developments."

Personals

Personals consists primarily of Match.com and uDate.com. Match.com, uDate.com and their networks served approximately 858,000 subscribers as of June 30, 2003, and offer single adults a convenient and private environment for meeting other singles through its own websites, as well as through its affiliate network which includes the AOL and MSN internet portals. IAC acquired uDate.com on April 4, 2003. See "Recent Developments."

Local Services

Local Services currently consist of Citysearch, Entertainment Publications Inc. and Evite.com. Citysearch is a network of online local city guide sites that offer up-to-date local content for major cities in the United States and abroad. It also features a leading directory of local businesses in the United States and provides millions of listings, including local events, organizations and businesses. Entertainment Publications is a leading marketer of coupon books, discounts and merchant promotions, serving more than 160 major markets and doing business with tens of thousands of local merchants and national retailers. The Company's main membership product, the Entertainment® Book, contains discount offers from local and national restaurants and hotels, leading national retailers, and other merchants specializing in leisure activities. Entertainment Publications has also begun to market a digital alternative to the Entertainment® Book, which enables consumers to print offers directly from the entertainment.com website. IAC acquired Entertainment Publications on March 25, 2003. See "Recent Developments." In addition to providing a free online invitation service, Evite.com offers reminder services, polling, electronic payment collection, photo sharing and maps.

Precision Response Corporation

Precision Response Corporation ("PRC" or "Precision Response") provides outsourced consumer care services, managing customer relationships for both large corporations and internet-focused companies for over 20 years. PRC offers an integration of teleservices, e-commerce customer care services, information, technology and fulfillment services as part of a one-stop solution. PRC has developed proprietary Customer Relationship Management (CRM) technology for consumer care. Through its subsidiaries, Access Direct and Hancock, PRC also provides outbound business to consumer and business to business services.

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Recent Developments

On January 17, 2003, the Company completed its acquisition of all of the outstanding shares of Ticketmaster that it did not already own. The acquisition was accomplished by the merger of a wholly owned subsidiary of IAC with Ticketmaster, with Ticketmaster surviving as a wholly owned subsidiary of IAC. In the merger, each outstanding share of Ticketmaster Class A common stock and Ticketmaster Class B common stock (other than shares held by IAC, Ticketmaster and their subsidiaries) was converted into the right to receive 0.935 of a share of IAC common stock. IAC issued an aggregate of approximately 45.5 million shares of IAC common stock, and assumed approximately 8.9 million stock options and 4.2 million warrants in the merger. Shares of Ticketmaster Class B common stock, which prior to the merger traded on the Nasdaq National Market under the symbol "TMCS," ceased trading as of the close of the market on January 17, 2003. See Note 3 for further discussion. See Note 3 for further discussion.

On March 25, 2003, IAC completed its acquisition of Entertainment Publications, originator of the popular Entertainment® book. IAC purchased Entertainment Publications from a group of investors led by The Carlyle Group, the global private equity firm.

On April 4, 2003, IAC completed its acquisition of uDate.com, Inc., a global online personals group which provides dating and matchmaking services. At closing, IAC issued approximately 5.5 million shares of IAC common stock in exchange for uDate shares, options and warrants, and paid certain uDate expenses incurred in the transaction.

On June 23, 2003, the Company completed its acquisition of the outstanding shares of Hotels.com that it did not already own. The acquisition was accomplished by the merger of a wholly owned subsidiary of IAC with Hotels.com, with Hotels.com surviving as the wholly

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owned subsidiary of IAC. In the merger, each outstanding share of Hotels.com Class A common stock (other than shares held by IAC, Hotels.com and their subsidiaries) was converted into the right to receive 2.4 shares of IAC common stock. IAC issued an aggregate of approximately 44.3 million shares of IAC common stock, assumed approximately 6.4 million stock options and 5.1 million warrants and assumed 0.3 million restricted share units in the merger. Shares of Hotels.com Class A common stock, which prior to the merger traded on the Nasdaq National Market under the symbol "ROOM", ceased trading as of the close of the market on June 20, 2003. See Note 3 for further discussion.

On August 8, 2003, the Company completed its acquisition of the outstanding shares of Expedia that it did not already own. The acquisition was accomplished by the merger of a wholly owned subsidiary of IAC with Expedia, with Expedia surviving as the wholly owned subsidiary of IAC. In the merger, each outstanding share of Expedia Class A common stock (other than shares held by IAC, Expedia and their subsidiaries) was converted into the right to receive 1.93875 shares of IAC common stock. IAC issued an aggregate of approximately 100.8 million shares of IAC common stock, assumed approximately 36.9 million stock options, issued warrants to acquire 24.5 million shares of IAC common stock and assumed 1.1 million restricted share units in the merger. Shares of Expedia Class A common stock, which prior to the merger traded on the Nasdaq National Market under the symbol "EXPE", ceased trading as of the close of the market on August 8, 2003. See Note 3 for further discussion.

On August 8, 2003, the Company completed its acquisition of all of the outstanding capital stock of LendingTree, Inc. in a stock-for-stock transaction. In the acquisition, LendingTree shareholders received 0.6199 of a share of IAC common stock for each share of LendingTree common stock that they owned and LendingTree preferred stockholders received the same merger consideration, on an as-converted basis. IAC issued an aggregate of approximately 18.8 million shares of IAC common stock, and assumed approximately 3.4 million stock options in the merger. Shares of LendingTree common stock, which prior to the merger traded on the Nasdaq National Market under the symbol "TREE", ceased trading as of the close of the market on August 8, 2003.

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Discontinued Operations

In the second quarter of 2003, certain of the Company's businesses, consisting of USA Electronic Commerce Solutions ("ECS"), Styleclick, Inc. and Avaltus, Inc., a subsidiary of PRC, ceased operations. Accordingly, the results of operations and statement of position of these businesses are presented as discontinued operations. In addition, through May 7, 2002, the Company's results included the USA Entertainment Group, consisting of USA Cable, including USA Network and Sci Fi Channel and Emerging Networks TRIO, Newsworld International and Crime; Studios USA, which produces and distributes television programming; and USA Films, which produces and distributes films. The USA Entertainment Group was contributed to a joint venture with Vivendi Universal, S.A. ("Vivendi") on May 7, 2002 (the "VUE Transaction"). As a result, the results of operations and statement of position of USA Entertainment are presented as a discontinued operation. The net gain on contribution of the USA Entertainment Group to VUE for the three and six months ended June 30, 2002 was \$2.4 billion. The net income (loss) related to these discontinued businesses for the three months ended June 30, 2003 and 2002 was \$38.3 million and (\$7.3 million), respectively, net of tax, and the net income (loss) related to these discontinued businesses for the six months ended June 30, 2003 and 2002 was \$33.6 million and \$12.7 million, respectively, net of tax. The 2003 results were due primarily to a tax benefit realized for the discontinued operations in the second quarter of 2003.

Basis of Presentation

The interim Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2002.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto, which can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Accounting Estimates

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements include the inventory carrying adjustment, sales return and other revenue allowances, allowance for doubtful accounts, recoverability of intangibles and other long-lived assets, and various other operating allowances and accruals.

New Accounting Pronouncements

Accounting for Costs Associated with Exit or Disposal Activities

In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value only

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when the liability is incurred. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Effective January 1, 2003, we have adopted this statement and the application of SFAS 146 has not had a material effect on our consolidated financial position or results of operations.

Guarantor's Accounting and Disclosure Requirements for Guarantees

In November 2002, the FASB issued Interpretation 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 will significantly change current practice in the accounting for and disclosure of guarantees. Under FIN 45, guarantees are broadly defined to include, among others, product warranties, indemnification provisions, and standby letters of credit. Guarantees meeting the characteristics described in FIN 45, which are not included in a long list of exceptions, are required to be initially recorded at fair value, which is different from the general current practice of recording a liability only when a loss is probable and reasonably estimable, as those terms are defined in SFAS 5, Accounting for Contingencies. FIN 45 also requires a guarantor to make significant new disclosures for virtually all guarantees even when the likelihood of the guarantor's having to make payments under the guarantee is remote. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002, while the initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Effective January 1, 2003, we have adopted the disclosure and initial recognition and initial measurement provisions of FIN 45 and the application of FIN 45 has not had a material effect on our consolidated financial position or results of operations.

Accounting by Reseller for Cash Consideration Received From a Vendor

In November 2002, the EITF reached a consensus on Issue 1 of Issue No. 02-16, Accounting by a Reseller for Cash Consideration Received from a Vendor. This consensus provides guidance on the circumstances under which cash consideration received from a vendor by a reseller should be considered: (a) an adjustment of the prices of the vendor's products or services and, therefore, characterized as a reduction of cost of sales when recognized in the reseller's income statement, (b) an adjustment to a cost incurred by the reseller and, therefore, characterized as a reduction of that cost when recognized in the reseller's income statement, or (c) a payment for assets or services delivered to the vendor and, therefore, characterized as revenue when recognized in the reseller's income statement. The consensus is effective for arrangements entered into after December 31, 2002. Effective January 1, 2003, we have adopted this consensus and the application of EITF Issue No. 02-16 has not had a material effect on our consolidated financial position or results of operations.

Consolidation of Variable Interest Entities

In January 2003, the FASB issued Interpretation 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 will significantly change current practice in the accounting for and disclosure of variable interest entities. Under FIN 46, a business enterprise that has a controlling financial interest in a variable interest entity would include the variable interest entity's assets, liabilities and results of operations in their consolidated financial statements. This Interpretation is different from the general current practice of consolidating only those entities in which an enterprise has a controlling voting interest. The requirements of FIN 46 are effective for financial statements of interim or annual periods beginning after June 15, 2003 for variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003 and immediately for all variable interest entities created after January 31, 2003. We are currently assessing the impact of the provisions of FIN 46 and we believe that the application of FIN 46 will not have a material effect on our consolidated financial position or results of operations.

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Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" which amends FASB Statement No. 123. This statement provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation and amends the disclosure requirements of FASB Statement No. 123 (SFAS 123). The transition guidance and annual disclosure provisions are effective for financial reports containing financial statements for fiscal year ending after December 15, 2002. The Company will provide expense for stock based compensation on a prospective basis, and will continue to provide pro forma information in the notes to financial statements to provide the results as if SFAS 123 had been adopted in previous years. The Company intends to issue restricted stock units that will vest in future periods instead of stock options, although the Company may issue some stock options to employees of certain subsidiaries in 2003 as it completes the transition to 100% restricted stock. For restricted stock units issued, the accounting charge is measured at the grant date and amortized ratably as non-cash compensation over the vesting term.

The following table illustrates the effect on earnings (loss) and earnings (loss) per share if the fair value based method had been applied to all outstanding and unvested awards in each period:

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
	(In Thousands, except per share data)			
Net income (loss) available to common shareholders, as reported	\$ 92,930	\$ 2,270,576	\$ (17,130)	\$ 1,833,120
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	7,427	1,763	12,763	4,166
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(27,032)	(27,527)	(53,960)	(106,640)
Pro forma net income (loss)	\$ 73,325	\$ 2,244,812	\$ (58,327)	\$ 1,730,646
Income (loss) per share:				
Basic as reported	\$ 0.17	\$ 5.51	\$ (0.03)	\$ 4.55
Basic pro forma	\$ 0.14	\$ 5.44	\$ (0.11)	\$ 4.30
Diluted as reported	\$ 0.16	\$ 5.51	\$ (0.04)	\$ 4.55
Diluted pro forma	\$ 0.12	\$ 5.44	\$ (0.12)	\$ 4.29

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period and additional options may be granted in future years.

Pro forma information regarding net income and earnings per share is required by SFAS 148. The information is determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair market value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2003 and 2002: risk-free interest rates of 2.78% in 2003 and 2.78% in 2002; a dividend yield of zero; a volatility factor of 50% and 50%, respectively, based on the expected market price of IAC common stock based on historical trends; and a weighted-average expected life of the options of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair market value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair market value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Certain Risks and Concentrations

The Company's business is subject to certain risks and concentrations including dependence on relationships with travel suppliers, specifically airlines and hotels, dependence on third-party technology, exposure to risks associated with online commerce security and credit card fraud. Expedia is highly dependent on its relationships with six major airlines in the United States: United, Delta, American, Continental, Northwest and US Airways. The Company also depends on global distribution system partners and third party service providers for processing certain fulfillment services.

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents and marketable securities. Cash equivalents and marketable securities are of high-quality short to intermediate term agency securities and corporate debt securities, all of which are maintained with high credit quality financial institutions. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

Derivative Instruments

The Company recognizes all derivative instruments on the balance sheet at fair value. Changes in the fair value (i.e., gains or losses) of the derivatives are recorded each period in the statement of operations or other comprehensive income (loss). For a derivative designated as a cash flow hedge, the gain or loss on the derivative is initially reported as a component of other comprehensive income (loss) and subsequently reclassified into the statement of operations when the hedged transaction affects earnings. For derivatives recognized as a fair value hedge, the gain or loss on the derivative in the period of change and the offsetting loss or gain of the hedged item attributed to the hedged risk are recognized in the statement of operations. All of the Company's derivative instruments entered into to date have been designated as a hedge of the Company's exposure to changes in fair value of recognized assets or liabilities or as a hedge of the Company's exposure to variability in expected future cash flows of recognized assets or liabilities.

Reclassifications

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2003 presentation. The results of operations and statements of position of the USA Entertainment Group, ECS, Styleclick and Avaltus have been classified as discontinued operations for all periods presented.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 for a summary of all significant matters relating to accounting policies.

NOTE 3 BUSINESS ACQUISITIONS

Ticketmaster Merger

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On January 17, 2003, IAC completed its merger with Ticketmaster. Prior to the merger, IAC owned approximately 66% of the outstanding equity of Ticketmaster. IAC issued approximately 45.5 million shares of IAC common stock to Ticketmaster security holders based on an exchange ratio of 0.935 of a share of IAC common stock for each share of Ticketmaster common stock. IAC also assumed options to acquire approximately 8.9 million shares of IAC common stock and warrants to acquire approximately 4.2 million shares of IAC common stock, in each case based on an exchange ratio of 0.935. The price used to value the securities is \$17.918, which is the average of the closing prices of IAC common stock on the two trading days prior to, the day of, and the two trading days following the announcement of the Ticketmaster merger. The total value of securities issued was \$900.4 million. The Company has recorded \$27.2 million of unearned compensation, which is the estimated impact of unvested stock options and warrants as of the Ticketmaster merger date, at their fair value. The excess of the merger consideration over minority interest acquired, deferred taxes and deferred compensation is \$524.5 million. IAC obtained a preliminary independent valuation of the assets and liabilities acquired, including the identification of intangible assets other than goodwill, which identified \$694.5 million of intangible assets other than goodwill. IAC recorded 34% of this amount, or \$236.1 million, representing the incremental ownership acquired in the transaction. The unallocated excess of acquisition costs over net assets acquired of \$288.4 million was allocated to goodwill. Intangible assets with definite lives will be amortized over a period of 3 to 7 years, and include technology, distribution agreements, and venue and promotor contracts.

Expedia Merger

On August 8, 2003, IAC completed its merger with Expedia. Prior to the merger, IAC owned approximately 60% of the outstanding equity of Expedia. IAC issued approximately 100.8 million shares of common stock to Expedia security holders based on an exchange ratio of 1.93875 of a share of IAC common stock for each security in Expedia common stock. IAC also assumed options to acquire 36.9 million shares of IAC common stock, issued warrants to acquire 24.5 million shares of IAC common stock and assumed 1.1 million restricted share units. The price used to value the securities is \$26.47, which is the average of the closing prices of IAC common stock on the two trading days prior to, the day of, and the two trading days following the announcement of the Expedia merger. The total value of securities issued was \$3.9 billion. The Company has estimated \$475.3 million of unearned compensation, which is the estimated impact of unvested stock options and warrants as of the Expedia merger date, at their fair value. The excess of the merger consideration over minority interest acquired, deferred taxes and deferred compensation is \$3.4 billion. IAC obtained an independent valuation of the assets and liabilities acquired, including the identification of intangible assets other than goodwill, in conjunction with the acquisition of Expedia in 2002. The Company is currently in the process of updating this valuation, which identified \$545.0 million of intangible assets other than goodwill, and will record such intangibles based upon the percentage of Expedia acquired in the merger.

Hotels.com Merger

On June 23, 2003 IAC completed its merger with Hotels.com. Prior to the merger, IAC owned approximately 68% of the outstanding equity of Hotels.com. IAC issued 44.3 million shares of IAC common stock to Hotels.com security holders based on an exchange ratio of 2.4 of a share of IAC

common stock for each security in Hotels.com common stock. IAC also assumed options to acquire 6.4 million shares of IAC common stock, issued warrants to acquire 5.1 million shares of IAC common stock and assumed 0.3 million restricted share units in the merger. The price used to value the securities is \$26.174, which is the average of the closing prices of IAC common stock on the two trading days prior to, the day of, and the two trading days following the announcement of the Hotels.com merger. The total value of securities issued was \$1.3 billion. The Company has estimated \$95.7 million of unearned compensation, which is the estimated impact of unvested stock options and warrants as of the Hotels.com merger date, at their fair value. The excess of the merger consideration over minority interest acquired, and deferred compensation is \$911.5 million. IAC obtained a preliminary independent valuation of the assets and liabilities acquired, including the identification of intangible assets other than goodwill, which identified \$672.8 million of intangible assets other than goodwill. IAC recorded approximately 32% of this amount, or \$219.6 million, representing the incremental ownership acquired in the transaction. The unallocated excess of acquisition costs over net assets acquired of \$691.9 million was allocated to goodwill. Intangible assets with definite lives will be amortized over a period of 2.5 to 10 years, and primarily include supply relationships and affiliate agreements.

The following unaudited pro forma condensed consolidated financial information for the three and six months ended June 30, 2003 and 2002, is presented to show the results of the Company to give effect to IAC's acquisition of a controlling interest in Expedia completed on February 4, 2002, IAC's contribution of the USA Entertainment Group to VUE completed on May 7, 2002, including the exchange by Liberty of its USANi LLC shares for 7.1 million IAC common shares, the exchange by Liberty of its shares of Home Shopping Network, Inc. for 31.6 million shares of IAC common stock and 1.6 million shares of IAC Class B common stock completed on June 27, 2002, the merger of Ticketmaster with a wholly-owned subsidiary of IAC completed on January 17, 2003, the merger of Hotels.com with a wholly-owned subsidiary of IAC completed on June 23, 2003 and the merger of Expedia with a wholly owned subsidiary of IAC completed on August 8, 2003. The pro forma results include certain preliminary adjustments, including increased amortization related to intangible assets and unearned compensation,

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and are not necessarily indicative of what the results would have been had the transactions actually occurred on the aforementioned dates.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In Thousands, except per share data)			
Net revenue	\$ 1,526,511	\$ 1,107,068	\$ 2,913,245	\$ 2,101,216
Earnings (loss) from continuing operations before cumulative effect of accounting change and preferred dividend	\$ 37,806	\$ (141,127)	\$ (91,301)	\$ (185,009)
Basic and diluted loss from continuing operations before cumulative effect of accounting change and preferred dividend per common share	\$ 0.05	\$ (0.23)	\$ (0.14)	\$ (0.30)

The Company acquired the remaining interests in Ticketmaster, Expedia and Hotels.com because (1) the acquisition would significantly simplify its corporate structure (which at the time was very complex with significant minority interests), (2) the acquisition would remove any conflict of interests between the Company's shareholders and the minority public shareholders of Ticketmaster, Expedia and Hotels.com, and allow the companies to work together more closely to achieve operating efficiencies, (3) the Company would have total access to the acquirees' cash flow, and (4) the Company believed that all the companies had great growth prospects in their respective fields. While Expedia and Hotels.com operate in the very competitive online travel space, management believes that the significant growth prospects in the online travel space outweigh any competitive pressures that the Company expects to face going forward.

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NOTE 4 STATEMENTS OF CASH FLOWS

Supplemental Disclosure of Non-Cash Transactions for the Six Months Ended June 30, 2003:

On January 17, 2003, IAC completed its merger with Ticketmaster. IAC issued an aggregate of 45.5 million shares of IAC common stock.

On April 4, 2003, IAC completed the acquisition of uDate. IAC issued an aggregate of 5.5 million shares of IAC common stock.

On June 23, 2003, IAC completed its merger with Hotels.com. IAC issued an aggregate of 44.3 million shares of IAC common stock.

On August 8, 2003, IAC completed its mergers with Expedia and LendingTree. IAC issued an aggregate of 100.8 and 18.8 million shares, respectively, of IAC common stock.

For the six months ended June 30, 2003, the Company incurred non-cash distribution and marketing expense of \$23.2 million and non-cash compensation expense of \$24.6 million.

For the six months ended June 30, 2003, IAC recognized \$18.3 million of PIK interest income on the Series A Preferred received in connection with the VUE transaction.

For the six months ended June 30, 2003, the Company recognized pre-tax losses of \$237.8 million on equity losses in unconsolidated subsidiaries, resulting almost entirely from its 5.44% proportionate share of a \$4.5 billion impairment charge for goodwill and intangible assets and other long-lived assets recognized by Vivendi Universal Entertainment LLP ("VUE"), a joint venture between the Company and Vivendi. See Note 8 for further information.

Supplemental Disclosure of Non-Cash Transactions for the Six Months Ended June 30, 2002:

On February 4, 2002, IAC completed the acquisition of a controlling interest in Expedia. IAC issued an aggregate of 20.6 million shares of IAC common stock, 13.1 million shares of \$50 face value 1.99% cumulative convertible preferred stock of IAC and warrants to acquire 14.6 million shares of IAC common stock at an exercise price of \$35.10.

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In May 2002, IAC acquired TVTS for a combination of cash and common stock. IAC issued 1.6 million shares valued at approximately \$48.1 million.

In April 2002, Ticketmaster acquired Soulmates Technology Pty. Ltd ("Soulmates"), a global online personals company. Ticketmaster issued 0.8 million shares valued at approximately \$23.6 million.

For the six months ended June 30, 2002, the Company incurred non-cash distribution and marketing expense of \$17.1 million and non-cash compensation expense of \$7.1 million.

For the six months ended June 30, 2002, IAC recognized \$5.6 million of PIK interest income on the Series A Preferred received in connection with the VUE transaction.

On May 31, 2002, the Company redeemed in full the Savoy Debentures. The Company recorded a loss of \$2.0 million, of which \$1.4 million was related to the write-off of deferred finance costs.

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NOTE 5 INDUSTRY SEGMENTS

IAC reports Operating Income before Amortization that is a supplemental measure to GAAP. This measure, among other things, is one of the primary metrics by which we evaluate the performance of our businesses, on which our internal budgets are based and by which management is compensated. Management believes that investors should have access to, and we are obligated to provide, the same set of tools that we use in analyzing our results. Operating Income before Amortization is defined as operating income plus (1) amortization of non-cash distribution, marketing and compensation expense, (2) amortization of other intangibles, (3) pro forma adjustments for significant acquisitions and (4) one-time items. Operating Income before Amortization is presented here as a management tool and as a valuation methodology. Operating Income before Amortization does not purport to represent cash provided by operating activities. Operating Income before Amortization should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Operating Income before Amortization may not be comparable to calculations of similarly titled measures presented by other companies.

The following is a reconciliation of Operating Income to the non-gaap measure of Operating Income before Amortization for the three and six months ended June 30, 2003 and 2002. Furthermore, the Company has provided a reconciliation of Operating Income to Operating Income before Amortization by segment in management's discussion and analysis.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In Thousands)			
Operating income	\$ 111,754	\$ 24,914	\$ 210,751	\$ 62,227
Non-cash distribution and marketing	12,726	10,105	23,215	17,069
Non-cash compensation expense	14,431	3,328	24,642	7,072
Amortization of intangibles	55,558	29,876	107,714	50,977
Merger costs(a)	8,429		10,525	
Goodwill impairment		22,247		22,247
Impact of pro forma adjustments(b)				7,713
	\$ 202,898	\$ 90,470	\$ 376,847	\$ 167,305
Revenue:				
Travel Services	\$ 653,437	\$ 379,100	\$ 1,198,542	\$ 625,331
Electronic Retailing				
HSN-US	404,376	375,325	819,349	770,769
HSN-International	122,767	70,948	238,010	135,820

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	Three Months Ended June 30,		Six Months Ended June 30,	
Total Electronic Retailing	527,143	446,273	1,057,359	906,589
Ticketing	187,496	175,420	382,582	328,811
Personals	48,182	29,657	89,077	55,073
Local Services	45,201	7,594	53,587	14,894
PRC	69,477	71,787	140,256	140,971
Intersegment elimination	(4,425)	(2,763)	(8,158)	(5,940)
Total	\$ 1,526,511	\$ 1,107,068	\$ 2,913,245	\$ 2,065,729

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
(In Thousands)				
Operating income (loss):				
Travel Services	\$ 88,686	\$ 44,227	\$ 158,610	\$ 75,869
Electronic Retailing				
HSN U.S.	32,568	35,672	55,512	68,051
HSN International	6,452	(23,827)	21,078	(29,345)
Total Electronic Retailing	39,020	11,845	76,590	38,706
Ticketing	28,240	31,731	62,551	53,269
Personals	7,638	6,698	8,245	9,603
Local Services	(19,247)	(19,512)	(38,643)	(42,028)
PRC	1,672	(29,271)	3,572	(31,316)
Interactive Development	(2,245)	(1,228)	(4,374)	(1,551)
Disengagement	(4,914)	(6,228)	(9,377)	(17,766)
Corporate	(26,625)	(12,819)	(45,668)	(25,153)
Intersegment elimination(c)	(471)	(529)	(755)	2,594
Total	\$ 111,754	\$ 24,914	\$ 210,751	\$ 62,227

Operating Income before Amortization (pro forma):

Travel Services	\$ 132,453	\$ 69,153	\$ 236,175	\$ 124,828
Electronic Retailing				
HSN U.S.	44,731	35,816	79,837	68,340
HSN International	6,776	(23,827)	21,768	(29,345)
Total Electronic Retailing	51,507	11,989	101,605	38,995
Ticketing	36,133	34,653	77,569	58,700
Personals	10,209	7,709	12,902	13,335
Local Services	(4,311)	(7,429)	(11,100)	(17,861)
PRC	1,672	(7,024)	3,572	(9,069)

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	Three Months Ended June 30,		Six Months Ended June 30,	
Interactive Development	(1,173)	(514)	(2,231)	(837)
Disengagement	(4,914)	(6,228)	(9,377)	(17,766)
Corporate	(18,207)	(11,310)	(31,513)	(21,555)
Intersegment elimination	(471)	(529)	(755)	(1,465)
Total	\$ 202,898	\$ 90,470	\$ 376,847	\$ 167,305

(a)

The Company has incurred costs at Expedia, Hotels.com and Ticketmaster for investment banking, legal and accounting fees related directly to the mergers which are considered as one-time. These costs were incurred solely in relation to the mergers, but may not be capitalized since Expedia, Hotels.com and Ticketmaster were considered the targets in the transaction for accounting purposes. These costs do not directly benefit operations in any manner, would not normally be recorded by IAC if not for the fact it already consolidated these entities, and are all related to the same transaction, as IAC simultaneously announced its intention to commence its exchange offer for the companies in 2002. The majority of costs are for advisory services provided by investments bankers, and the amounts incurred in 2003 were pursuant to the same fee letters entered into by each company in 2002. Given these factors, IAC believes it is appropriate to consider these costs as one-time.

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(b)

Pro forma adjustments give effect to the Expedia transaction that closed on February 4, 2002 as if the transaction closed as of January 1, 2002.

(c)

Intersegment eliminations relate to services provided between segments, including teleservicing. Certain services have been provided between continuing operations and discontinued operations, including \$4.1 million of non-cash marketing provided by USA Cable in 2002 to other segments.

NOTE 6 GOODWILL AND OTHER INTANGIBLE ASSETS

The balance of goodwill and intangible assets is as follows:

	June 30, 2003	December 31, 2002
Goodwill	\$ 7,333,240	\$ 5,997,842
Intangible assets with indefinite lives	795,154	544,446
Intangible assets with definite lives	952,529	713,624
	\$ 9,080,923	\$ 7,255,912

The following table presents the balance of goodwill by segment including the changes in carrying amount of goodwill for the six months ended June 30, 2003 (in thousands):

	Balance as of January 1, 2003	Additions	Foreign Exchange Translation	Balance as of June 30, 2003
Travel Services	\$ 2,163,843	\$ 692,604	\$ 1,289	\$ 2,857,736
Electronic Retailing				
HSN-US	2,442,739	73		2,442,812
HSN-International	270,233	624	24,394	295,251

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	Balance as of January 1, 2003	Additions	Foreign Exchange Translation	Balance as of June 30, 2003
Total Electronic Retailing	2,712,972	697	24,394	2,738,063
Ticketing	743,831	255,758	5,224	1,004,813
Personals	65,195	150,640	3,449	219,284
Local Services		199,343		199,343
PRC	312,001	2,000		314,001
Goodwill	\$ 5,997,842	\$ 1,301,042	\$ 34,356	\$ 7,333,240

NOTE 7 RESTRUCTURING CHARGES

As of December 31, 2002, the Company had a balance of \$7.7 million restructuring reserve accrued.

As of June 30, 2003, the Company has a balance of \$5.2 million accrued, as \$0.3 million of the charge related to assets had been written off, \$1.2 million of costs were paid, and \$1.0 million of expense was reversed during the six months ended June 30, 2003.

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NOTE 8 EQUITY INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

IAC beneficially owns 5.44% of the partnership common equity of VUE, plus certain preferred interests. This common interest is accounted for using the equity method. Due to the significance of the results of VUE in relation to IAC's results, summary financial information for VUE is presented below. The investment was acquired on May 7, 2002.

During the first quarter of 2003, IAC received the audited financial statements of VUE for the year ended December 31, 2002, which disclosed that VUE recorded an impairment charge for goodwill and intangible assets and other long-lived assets of \$4.5 billion in the period May 7, 2002 to December 31, 2002 based upon VUE management's review of the estimated fair value of VUE as of December 31, 2002. Because of delays in VUE's financial reporting, IAC records its 5.44% proportionate share of the results of VUE on a one-quarter lag. The charge taken by IAC was approximately \$245 million, before a tax benefit of \$96 million. In the three months ended June 30, 2003, the Company recorded pre-tax income of \$4.3 million related to its equity in the income of VUE for the period from January 1, 2003 to March 31, 2003.

Summarized balances of the partnership are as follows:

	As of March 31, 2003 and for the Period October 1, 2002 to March 31, 2003
(In Thousands)	
Current assets	\$ 1,709,045
Non-current assets	14,910,143
Current liabilities	3,934,412
Non-current liabilities	1,236,391
Net sales	3,276,268
Gross profit	1,107,385
Net income	(4,330,843)

Summarized aggregated financial information for the Company's remaining equity investments, including Jupiter Shop Channel, TVSN (China), TM Mexico, TM Australia, GL Expedia (France), as of and for the six months ended June 30, 2003 is summarized below:

As of and for the six
months ended
June 30, 2003

(In Thousands)

Current assets	\$	94,595
Non-current assets		46,265
Current liabilities		56,583
Non-current liabilities		40,118
Net sales		174,829
Gross profit		69,934
Net income		2,534

NOTE 9 DERIVATIVE INSTRUMENTS

On April 7, 2003 the Company entered into an interest rate swap agreement with a notional amount of \$250 million related to a portion of its fixed rate 7% Senior Notes due in 2013 (the "Notes"). The interest rate swap allows IAC to receive fixed rate receipts in exchange for making floating rate payments based on London Interbank Offered Rate, or LIBOR, which effectively changes our interest rate exposure on a portion of the Notes. The fair value of the interest rate swap at June 30, 2003 was a gain of \$12.3 million which is recorded as an other long term asset on the balance sheet with an equivalent amount reflected as a change in the carrying value of the Notes.

On April 29, 2003, one of the Company's foreign subsidiaries entered into a foreign exchange forward contract with a notional amount of \$38.6 million which was used to hedge against the change in value of a liability denominated in a currency other than their functional currency. Transaction gains and losses related to the contract and liability are recognized each period in our statement of operations and are offsetting. The fair value of this foreign exchange forward contract at June 30, 2003 was an unrealized loss of \$1.5 million and is recorded in accumulated other comprehensive loss on the balance sheet.

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NOTE 10 EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of Basic and Diluted GAAP earnings per share from continuing operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
(In Thousands Except Per Share Data)				
Earnings (loss) from continuing operations:				
<i>Numerator:</i>				
Earnings (loss) from continuing operations	\$ 57,929	\$ (97,209)	\$ (44,230)	\$ (91,271)
Preferred stock dividends	(3,264)	(3,264)	(6,528)	(5,231)
Net earnings (loss) available to common shareholders	54,665	(100,473)	(50,758)	(96,502)
Effect of dilutive securities	(3,146)	(1,960)	(5,147)	(3,055)
Net income (loss) available to common shareholders after assumed conversions	\$ 51,519	\$ (102,433)	\$ (55,905)	\$ (99,557)
<i>Denominator:</i>				
Basic shares outstanding	535,263	412,415	516,330	402,545
Other dilutive securities including stock options, warrants and restricted stock and share units	32,206			
Diluted shares outstanding	567,469	412,415	516,330	402,545

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	Three Months Ended June 30,		Six Months Ended June 30,	
Income (loss) per share:				
Basic earnings (loss) per share from continuing operations	\$ 0.10	\$ (0.24)	\$ (0.10)	\$ (0.24)
Diluted earnings (loss) per share from continuing operations	\$ 0.09	\$ (0.25)	\$ (0.11)	\$ (0.25)

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NOTE 11 NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

In December 2002, the Company issued \$750 million of 7.0% Senior Notes. The notes, by their terms, are fully and unconditionally guaranteed by USANi LLC (the "Guarantor"). USANi LLC is wholly owned by the Company.

The following tables present condensed consolidating financial information for the six months ended June 30, 2003 and 2002 for: (1) the Company on a stand-alone basis, (2) the Guarantor, USANi LLC, on a stand-alone basis, (3) the combined non-guarantor subsidiaries of the Company (including the subsidiaries of USANi LLC (collectively, the "Non-Guarantor Subsidiaries")) and (4) the Company on a consolidated basis.

As of and for the three months ended June 30, 2003

	IAC	USANi LLC	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
			(In Thousands)		
Balance Sheet as of June 30, 2003:					
Current assets	\$ 109,231	\$ 3,208,864	\$ 2,532,909	\$ 0	\$ 5,851,004
Property and equipment, net	0	5,451	441,007	0	446,458
Goodwill and other intangible assets, net	0	0	9,080,923	0	9,080,923
Investment in subsidiaries	11,374,527	4,318,070	(3)	(15,692,594)	
Other assets	165,225	2,651,425	310,940	0	3,127,590
Net non-current assets of discontinued operations	0	0	7,649	0	7,649
Total assets	\$ 11,648,983	\$ 10,183,810	\$ 12,373,425	\$ (15,692,594)	\$ 18,513,624
Current liabilities of continuing operations	77,708	63,009	1,832,943	(489)	1,973,171
Long-term debt, less current portion	0	1,181,373	10,149	0	1,191,522
Other liabilities	1,986,018	0	505,622	0	2,491,640
Intercompany liabilities	(2,747,223)	1,477,707	1,269,516	0	0
Minority interest	(122,081)	0	210,613	297,360	385,892
Common stock exchangeable for preferred interest	1,428,530	0	0	0	1,428,530
Interdivisional equity	0	0	9,273,626	(9,273,626)	0
Shareholders' equity	11,026,031	7,461,721	(745,882)	(6,715,839)	11,026,031
Net current liabilities of discontinued operations	0	0	16,838	0	16,838
	\$ 11,648,983	\$ 10,183,810	\$ 12,373,425	\$ (15,692,594)	\$ 18,513,624

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	IAC	USANi LLC	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
Total liabilities and shareholders' equity					
Statement of operations for the three months ended June 30, 2003:					
Revenue	\$ 0	\$ 0	\$ 1,526,511	\$ 0	\$ 1,526,511
Operating expenses	0	(26,271)	(1,388,486)	0	(1,414,757)
Interest expenses, net	(3,806)	14,508	11,484	0	22,186
Other income, expense	61,735	24,875	(560)	(81,963)	4,087
Provision for income taxes	0	0	(51,683)	0	(51,683)
Minority interest	0	0	(6,287)	(22,128)	(28,415)
Net income (loss) from continuing operations	57,929	13,112	90,979	(104,091)	57,929
Discontinued operations, net of tax	38,265	0	38,265	(38,265)	38,265
Net income (loss)	96,194	13,112	129,244	(142,356)	96,194
Preferred dividend	(3,264)	0	0	0	(3,264)
Net income (loss) available to common	\$ 92,930	\$ 13,112	\$ 129,244	\$ (142,356)	\$ 92,930

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As of and for the six months ended June 30, 2003:

	IAC	USANi LLC	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
(In Thousands)					
Statement of operations for the six months ended June 30, 2003:					
Revenue	\$ 0	\$ 0	\$ 2,913,245	\$ 0	\$ 2,913,245
Operating expenses	(2,837)	(41,762)	(2,657,895)	0	(2,702,494)
Interest expenses, net	(7,535)	23,348	21,925	0	37,738
Other income, expense	(33,858)	(167,903)	(15,706)	(23,601)	(241,068)
Provision for income taxes	0	0	2,491	0	2,491
Minority interest	0	0	(13,534)	(40,608)	(54,142)
Net income (loss) from continuing operations	(44,230)	(186,317)	250,526	(64,209)	(44,230)
Discontinued operations, net of tax	33,628	0	33,628	(33,628)	33,628
Net income (loss)	(10,602)	(186,317)	284,154	(97,837)	(10,602)
Preferred dividend	(6,528)	0	0	0	(6,528)
Net income (loss) available to common	\$ (17,130)	\$ (186,317)	\$ 284,154	\$ (97,837)	\$ (17,130)

Cash flow for the six months ended June 30, 2003:

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	<u>IAC</u>	<u>USANi LLC</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Total Eliminations</u>	<u>IAC Consolidated</u>
Cash flow provided by (used in) operations	\$ (21,874)	\$ 572	\$ 960,042	\$ 0	\$ 938,740
Cash flow provided by (used in) investing activities	(30,616)	(1,901,756)	(212,702)	0	(2,145,074)
Cash flow provided by (used in) financing activities	124,951	913,207	(377,714)	0	660,444
Net Cash provided by (used in) Discontinued Operations	(72,461)	0	(7,766)	0	(80,227)
Effect of exchange rate changes on cash and cash equivalents	0	0	12,648	0	12,648
Cash at beginning of period	0	1,733,817	264,297	0	1,998,114
Cash at end of period	\$ 0	\$ 745,840	\$ 638,805	\$ 0	\$ 1,384,645

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As of and for the three months ended June 30, 2002

	<u>IAC</u>	<u>USANi LLC</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Total Eliminations</u>	<u>IAC Consolidated</u>
(In Thousands)					
Statement of operations for the three months ended June 30, 2002:					
Revenue	\$ 0	\$ 0	\$ 1,107,068	\$ 0	\$ 1,107,068
Operating expenses	(2,861)	(8,608)	(1,070,685)	0	(1,082,154)
Interest expenses, net	(3,695)	10,361	11,842	0	18,508
Other income, expense	(90,653)	(128,555)	(103,731)	219,208	(103,731)
Provision for income taxes	0	0	(21,611)	0	(21,611)
Minority interest	0	2,611	215	(18,115)	(15,289)
Net income (loss) from continuing operations	(97,209)	(124,191)	(76,902)	201,093	(97,209)
Discontinued operations, net of tax	(7,262)	0	(7,262)	7,262	(7,262)
Gain on contribution of USA Entertainment to VUE	2,378,311	0	0	0	2,378,311
Net income (loss)	2,273,840	(124,191)	(84,164)	208,355	2,273,840
Preferred dividend	(3,264)	0	0	0	(3,264)
Net income (loss) available to common	\$ 2,270,576	\$ (124,191)	\$ (84,164)	\$ 208,355	\$ 2,270,576

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As of and for the six months ended June 30, 2002

	<u>IAC</u>	<u>USANi LLC</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Total Eliminations</u>	<u>IAC Consolidated</u>
Statement of operations for the six months ended June 30, 2002					

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	IAC	USANi LLC	Non-Guarantor Subsidiaries	Total Eliminations	IAC Consolidated
Revenue	\$ 0	\$ 0	\$ 2,065,729	\$ 0	\$ 2,065,729
Operating expenses	(5,319)	(13,870)	(1,984,313)	0	(2,003,502)
Interest expenses, net	(7,249)	1,792	19,337	0	13,880
Other income, expense	(78,703)	(131,946)	(114,140)	208,927	(115,862)
Provision for income taxes	0	0	(39,446)	0	(39,446)
Minority interest	0	11,955	135	(24,160)	(12,070)
Net income (loss) from continuing operations	(91,271)	(132,069)	(52,698)	184,767	(91,271)
Discontinued operations, net of tax	12,700	0	12,700	(12,700)	12,700
Gain on contribution of USA Entertainment to VUE	2,378,311	0	0	0	2,378,311
Cumulative effect of accounting change	(461,389)	0	(461,389)	461,389	(461,389)
Net income (loss)	1,838,351	(132,069)	(501,387)	633,456	1,838,351
Preferred dividend	(5,231)	0	0	0	(5,231)
Net income (loss) available to common	\$ 1,833,120	\$ (132,069)	\$ (501,387)	\$ 633,456	\$ 1,833,120
Cash flow for the six months ended June 30, 2002					
Cash flow provided by (used in) operations	\$ (176,538)	\$ (607,803)	\$ 1,222,509	\$ 0	\$ 438,168
Cash flow provided by (used in) investing activities	2,406	863,396	321,661	47,000	1,234,463
Cash flow provided by (used in) financing activities	174,132	311,036	(459,518)	(47,000)	(21,350)
Net Cash provided by (used in) Discontinued Operations	0	0	(165,269)	0	(165,269)
Effect of exchange rate changes on cash and cash equivalents	0	0	7,880	0	7,880
Cash at beginning of period	0	207,463	184,713	0	392,176
Cash at end of period	\$ 0	\$ 774,092	\$ 1,111,976	\$ 0	\$ 1,886,068

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PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits.

Exhibit Number	Description	Location
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2.1	Agreement and Plan of Merger, dated as of March 18, 2003, by and among IAC (then USA Interactive), Expedia, Inc. and Equinox Merger Corp.	Exhibit 2.1 to Amendment No. 1 to IAC's Registration Statement on Form S-4 (SEC File No. 333-104973), filed on July 9, 2003 (included as Appendix A to the proxy and information statement/prospectus included in this Registration Statement) (the "Expedia S-4").
2.2	Agreement and Plan of Merger, dated as of April 9, 2003, by and among IAC (then USA Interactive), Hotels.com and Hermitage Merger Corp.	Exhibit 2.1 to Amendment No. 1 to IAC's Registration Statement on Form S-4 (SEC File No. 333-105014), filed on May 21, 2003 (incorporated by reference to Appendix A to the information statement/prospectus included in this Registration Statement).
2.3	Agreement and Plan of Merger, dated as of May 5, 2003, by and among IAC (then USA Interactive), Forest Merger Corp. and LendingTree, Inc.	Exhibit 2.1 to Amendment No. 1 to IAC's Registration Statement on Form S-4 (SEC File No. 333-105876), filed on July 10, 2003 (included as Appendix B to the proxy and information statement/prospectus included in this Registration Statement).
3.1	Restated Certificate of Incorporation of USA.	Exhibit 3.1 to IAC's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000.
3.2	Amendment to Restated Certificate of Incorporation of USA.	Exhibit A the IAC's Definitive Information Statement, filed on November 19, 2001.
3.3	Certificate of Ownership and Merger merging Taiwan Travel, Inc. into USA Networks, Inc.	Exhibit 3.3 to IAC's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002.
3.4	Certificate of Ownership and Merger merging WLS Holdings, Inc. into USA Interactive and Amendment thereto.	Exhibit 4.4 to Post-Effective Amendment No. 1 on Form S-8 to IAC's Registration Statement on Form S-4 (SEC File No. 333-105014), filed on July 2, 2003.
3.5	Amended and Restated ByLaws of IAC.	Exhibit 99.1 to IAC's Current Report on Form 8-K, filed on September 20, 2002.
10.1	Employment Agreement between Shana Fisher and IAC, dated June 30, 2003.	Previously Filed.

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31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	Previously Filed.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	Previously Filed.
31.3	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	
31.4	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act.	

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32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.	Previously Filed.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.	Previously Filed.
32.3	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.	
32.4	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.	
99.1	Consent of Stockholders of IAC in Lieu of Stockholders' Meeting dated March 18, 2003.	Exhibit 99.1 to the Expedia S-4.

Filed herewith.

- b)
Reports on Form 8-K filed during the quarter ended June 30, 2003.

On April 8, 2003, IAC filed a report on Form 8-K reporting under Item 5, "Other Events and Regulation FD Disclosure," to disclose that it would record its proportionate share of a French GAAP

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impairment charge for goodwill and intangible assets and other long-lived assets, which charge was recorded by VUE in the year ended December 31, 2002, in the quarter ended March 31, 2003.

On April 10, 2003, IAC filed a report on Form 8-K reporting under Item 5, "Other Events and Regulation FD Disclosure," relating to IAC's announcement that it had entered into an Agreement and Plan of Merger with Hotels.com and attaching the related press release and Agreement and Plan of Merger.

On April 15, 2003, IAC filed a report on Form 8-K reporting under Item 5, "Other Events and Regulation FD Disclosure," attaching questions and answers regarding its rights with respect to VUE, as well as a letter agreement between IAC and VUE, dated as of May 7, 2003, relating to the clarification of certain matters in the Amended and Restated Partnership Agreement of VUE.

On May 1, 2003, IAC filed a report on Form 8-K reporting under Item 5, "Other Events and Regulation FD Disclosure," attaching a press release announcing its results for the quarter ended March 31, 2003 and forward-looking financial information under Item 9, "Regulation FD Disclosure," attaching supplemental information.

On May 5, 2003, IAC filed a report on Form 8-K reporting under Item 5, "Other Events and Regulation FD Disclosure," relating to IAC's announcement that it had entered into an Agreement and Plan of Merger with LendingTree, Inc. and attaching the related press release.

On June 4, 2003, IAC furnished a report on Form 8-K reporting under Item 9, "Regulation FD Disclosure," attaching investor presentation materials.

On June 16, 2003, IAC filed a report on Form 8-K reporting under Item 5, "Other Events and Regulation FD Disclosure," attaching a statement by its Chairman and CEO to senior leaders of the Company and its operating businesses, as well as a press release, announcing the change in the Company's name from USA Interactive to InterActiveCorp and the adoption of a new operating and organizational structure.

On June 23, 2003, IAC filed a report on Form 8-K reporting under Item 2, "Acquisition or Disposition of Assets," relating to IAC's announcement that it had completed its acquisition of the outstanding shares of Hotels.com that it did not already own through the merger of

Hotels.com with and into a wholly-owned subsidiary of IAC.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 on Form 10-Q/A to be signed on its behalf by the undersigned, thereunto duly authorized.

February 10, 2004

INTERACTIVECORP

By: /s/ WILLIAM J. SEVERANCE

William J. Severance
Vice President and Controller (Chief Accounting Officer)

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QuickLinks

EXPLANATORY NOTE

PART I FINANCIAL INFORMATION

INTERACTIVECORP AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

INTERACTIVECORP AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

INTERACTIVECORP AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

INTERACTIVECORP AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

INTERACTIVECORP AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

INTERACTIVECORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

PART II OTHER INFORMATION

SIGNATURES