IAC/INTERACTIVECORP
Form 10-Q
November 10, 2008

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As filed with the Securities and Exchange Commission on November 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2008

or

o **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

IAC/INTERACTIVECORP

(Exact name of registrant as specified in its charter)

Delaware	**59-2712887**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

555 West 18th Street, New York, New York 10011
(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 ý No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting	Smaller reporting company o

company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of October 31, 2008, the following shares of the Registrant's common stock were outstanding:

Common Stock	127,597,911
Class B Common Stock	12,799,999
Total outstanding Common Stock	140,397,910

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of October 31, 2008 was $1,574,345,100. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

PART I FINANCIAL STATEMENTS

Item 1. ***Consolidated Financial Statements***

IAC/INTERACTIVECORP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	September 30, 2008	December 31, 2007
	(unaudited)	(audited)
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	$ 1,342,112	$ 1,585,302
Marketable securities	121,515	326,788
Accounts receivable, net of allowance of $16,291 and $8,714, respectively	118,149	116,670
Prepaid expenses and other current assets	185,956	377,443
Current assets of discontinued operations		1,020,034
Total current assets	1,767,732	3,426,237
Property and equipment, net	335,537	334,341
Goodwill	1,910,918	1,823,779
Intangible assets, net	410,669	401,915
Long-term investments	256,839	301,023
Other non-current assets	401,445	201,764
Non-current assets of discontinued operations		6,101,743
TOTAL ASSETS	$ 5,083,140	$ 12,590,802
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable, trade	$ 60,325	$ 41,957
Deferred revenue	50,474	48,110
Current maturities of long-term obligations		12,090
Accrued expenses and other current liabilities	293,916	366,769
Current liabilities of discontinued operations		1,265,307
Total current liabilities	404,715	1,734,233
Long-term obligations, net of current maturities	95,844	834,542
Income taxes payable	382,275	264,113
Other long-term liabilities	14,637	13,893
Non-current liabilities of discontinued operations		1,127,479
Minority interest	32,063	32,880
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock $.01 par value; authorized 100,000,000 shares; 0 shares and 758 shares issued and outstanding, respectively		
Common stock $.001 par value; authorized 1,600,000,000 shares; issued 209,996,655 and 208,538,800 shares, respectively, and outstanding 127,589,273 and 129,131,418 shares, respectively, including 0 shares and 100,000 shares, respectively, of restricted stock	210	209
Class B convertible common stock $.001 par value; authorized 400,000,000 shares; issued 16,157,499 shares and outstanding 12,799,999 shares	16	16
Additional paid-in capital	11,096,473	14,744,542
Retained earnings	28	567,820

Accumulated other comprehensive (loss) income	(28,792)	39,814
Treasury stock 82,407,382 and 79,407,382 shares, respectively	(6,914,329)	(6,768,739)
Total shareholders' equity	4,153,606	8,583,662
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,083,140	$ 12,590,802

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

IAC/INTERACTIVECORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(In thousands, except per share data)			
Service revenue	$341,691	$312,962	$1,010,548	$890,379
Product sales	27,589	22,399	83,552	63,323
Net revenue	369,280	335,361	1,094,100	953,702
Cost of sales service revenue (exclusive of depreciation shown separately below)	115,142	125,265	341,545	344,647
Cost of sales product sales (exclusive of depreciation shown separately below)	19,068	15,379	56,627	44,404
Gross profit	235,070	194,717	695,928	564,651
Selling and marketing expense	102,620	81,639	327,758	283,029
General and administrative expense	110,997	64,910	278,340	189,442
Other operating expense	12,329	12,029	41,922	33,177
Amortization of non-cash marketing	6,138	9,072	12,005	33,080
Amortization of intangibles	8,287	10,267	24,028	26,304
Depreciation	17,337	15,107	52,055	43,954
Operating (loss) income	(22,638)	1,693	(40,180)	(44,335)
Other income (expense):				
Interest income	6,549	13,644	20,325	47,988
Interest expense	(5,002)	(14,919)	(30,866)	(44,676)
Equity in income of unconsolidated affiliates	3,146	3,885	15,373	16,543
Other (expense) income	(68,657)	10,295	(157,581)	19,174
Total other (expense) income, net	(63,964)	12,905	(152,749)	39,029
(Loss) earnings from continuing operations before income taxes and minority interest	(86,602)	14,598	(192,929)	(5,306)
Income tax benefit (provision)	85,335	(11,132)	103,573	(3,365)
Minority interest in losses of consolidated subsidiaries	381	1,452	1,195	1,490
(Loss) earnings from continuing operations	(886)	4,918	(88,161)	(7,181)
Gain (loss) on sale of discontinued operations, net of tax	767	(1,557)	23,314	33,524
(Loss) income from discontinued operations, net of tax	(14,718)	67,110	(318,771)	199,481
Net (loss) earnings available to common shareholders	$ (14,837)	$ 70,471	$ (383,618)	$225,824
(Loss) earnings per share from continuing operations:				
Basic (loss) earnings per share	$ (0.01)	$ 0.03	$ (0.63)	$ (0.05)
Diluted (loss) earnings per share	$ (0.01)	$ 0.03	$ (0.63)	$ (0.05)
Net (loss) earnings per share available to common shareholders:				
Basic (loss) earnings per share	$ (0.11)	$ 0.49	$ (2.75)	$ 1.58
Diluted (loss) earnings per share	$ (0.11)	$ 0.47	$ (2.75)	$ 1.58

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

IAC/INTERACTIVECORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

		Preferred Stock $.01 Par Value		Common Stock $.001 Par Value		Class B Convertible Common Stock $.001 Par Value					
	Total	**$**	**Shares**	**$**	**Shares**	**$**	**Shares**	**Additional Paid-in Capital**	**Retained Earnings**	**Accum. Other Comp. Income (Loss)**	**Treasury Stock**
							(In thousands)				
Balance as of December 31, 2007	$ 8,583,662	$	1	$ 209	208,539	$ 16	16,157	$ 14,744,542	$ 567,820	$ 39,814	$ (6,768,739)
Comprehensive loss:											
Net loss for the nine months ended September 30, 2008	(383,618)								(383,618)		
Foreign currency translation	(29,377)									(29,377)	
Unrealized losses on available-for-sale securities	(47,820)									(47,820)	
Unrealized losses recognized into earnings in connection with the impairment of available-for-sale securities	46,058									46,058	
Comprehensive loss	(414,757)										
Non-cash compensation expense	123,813							123,813			
Issuance of common stock upon exercise of stock options and vesting of restricted stock units, net of withholding taxes	(23,183)			1	1,226			(23,184)			
Income tax benefit related to the exercise of stock options and vesting of restricted stock units	(9,883)							(9,883)			
Redemption of preferred shares	(21)		(1)					(21)			
Issuance of common stock upon conversion of convertible notes	10,849				232			10,849			
Purchase of treasury stock	(145,590)										(145,590)
Spin-off of HSNi, ILG, Ticketmaster and Tree.com to shareholders	(3,971,284)							(3,749,643)	(184,174)	(37,467)	
Balance as of September 30, 2008	$ 4,153,606	$		$ 210	209,997	$ 16	16,157	$ 11,096,473	$ 28	$ (28,792)	$ (6,914,329)

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

IAC/INTERACTIVECORP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(In thousands)	
Cash flows from operating activities attributable to continuing operations:		
Net (loss) earnings available to common shareholders	$ (383,618)	$ 225,824
Less: loss (income) from discontinued operations, net of tax	295,457	(233,005)
Loss from continuing operations	(88,161)	(7,181)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Depreciation and amortization of intangibles	76,083	70,258
Impairment of available-for-sale securities	132,587	
Non-cash compensation expense	76,174	52,360
Amortization of non-cash marketing	12,005	33,080
Deferred income taxes	(79,755)	(817)
Equity in income of unconsolidated affiliates	(15,373)	(16,543)
Loss on extinguishment of Senior Notes	63,218	
Gain on sale of long-term investment	(29,130)	
Increase in the fair value of the derivative asset created in the sale of HSE	(5,785)	(7,771)
Net increase in the fair value of the derivative assets and liabilities created in Expedia spin-off	(545)	(4,383)
Minority interest in losses of consolidated subsidiaries	(1,195)	(1,490)
Changes in current assets and liabilities:		
Accounts receivable	(6,517)	371
Prepaid expenses and other current assets	(6,167)	(9,769)
Accounts payable and other current liabilities	33,662	(13,480)
Income taxes payable	(23,355)	(109,655)
Deferred revenue	3,516	6,127
Other, net	6,099	9,025
Net cash provided by operating activities attributable to continuing operations	147,361	132
Cash flows from investing activities attributable to continuing operations:		
Acquisitions, net of cash acquired	(130,704)	(45,824)
Capital expenditures	(51,348)	(77,769)
Proceeds from sales and maturities of marketable securities	330,316	1,188,409
Purchases of marketable securities	(140,878)	(695,855)
Proceeds from sales of long-term investments	60,945	109,923
Increase in long-term investments	(59,700)	(229,455)
Proceeds from sale of discontinued operation	32,723	4,173
Net cash distribution from spun-off businesses	427,834	
Other, net	189	12,985
Net cash provided by investing activities attributable to continuing operations	469,377	266,587
Cash flows from financing activities attributable to continuing operations:		
Repurchase of Senior Notes	(514,943)	
Principal payments on long-term obligations	(8)	(7,577)
Purchase of treasury stock	(145,590)	(542,946)
Issuance of common stock, net of withholding taxes	(12,774)	21,944
Excess tax benefits from stock-based awards	726	5,813
Collection of note receivable from key executive for common stock issuance		4,998
Other, net	(1,438)	(1,108)
Net cash used in financing activities attributable to continuing operations	(674,027)	(518,876)
Total cash used in continuing operations	(57,289)	(252,157)

Net cash provided by operating activities attributable to discontinued operations	274,415	598,289
Net cash used in investing activities attributable to discontinued operations	(495,131)	(215,228)
Net cash provided by (used in) financing activities attributable to discontinued operations	50,484	(209,923)
Total cash (used in) provided by discontinued operations	(170,232)	173,138
Effect of exchange rate changes on cash and cash equivalents	(15,669)	29,472
Net decrease in cash and cash equivalents	(243,190)	(49,547)
Cash and cash equivalents at beginning of period	1,585,302	1,428,140
Cash and cash equivalents at end of period	$ 1,342,112	$ 1,378,593

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

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

On August 20, 2008, IAC completed its previously announced plan to separate into five publicly traded companies:

- IAC, which includes:
  - the businesses comprising its Media & Advertising segment;
  - the Match and ServiceMagic segments;
  - the businesses comprising its Emerging Businesses segment, including Shoebuy and ReserveAmerica, which were formerly included in the Retailing and Ticketmaster segments, respectively; and
  - certain investments in unconsolidated affiliates.
- HSN, Inc. ("HSNi"), which includes HSN TV, *HSN.com*, and the Cornerstone Brands, Inc. portfolio of catalogs, websites and retail locations;
- Interval Leisure Group, Inc. ("ILG"), which includes the businesses that comprised the Interval segment;
- Ticketmaster, which includes its primary domestic and international operations as well as certain investments in unconsolidated affiliates; and
- Tree.com, Inc. ("Tree.com"), which includes the businesses that comprised the Lending and Real Estate segments.

We refer to this transaction as the "Spin-Off". Immediately subsequent to the Spin-Off, IAC effected a one-for-two reverse stock split. All share information, unless otherwise noted, reflects the impact of the reverse stock split and is not adjusted for the relative values of the spun-off businesses.

The results of operations of HSNi, ILG, Ticketmaster and Tree.com have been classified as discontinued operations for all periods presented.

All references to "IAC," the "Company," "we," "our" or "us" in this report are to IAC/InterActiveCorp.

During the first quarter of 2008, in contemplation of the Spin-Off, IAC reorganized its then existing Retailing, Ticketmaster and Emerging Businesses reporting segments. Shoebuy and ReserveAmerica, which were previously included in the Retailing and Ticketmaster reporting segments, respectively, are now included in the Emerging Businesses segment. Information for all prior periods has been reclassified to conform with the current year segment presentation.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for a full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2007, as amended.

Accounting Estimates

Management of the Company is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions impact the reported amounts 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: recovery of marketable securities; the allowance for doubtful accounts; recoverability of long-lived assets, including definite-lived intangible assets; recovery of goodwill and indefinite-lived intangible assets; recovery of derivative assets; income taxes payable and deferred income taxes, including related reserves and valuation allowances; sales return and other revenue allowances; various other allowances, reserves and accruals; and, assumptions related to the determination of stock based compensation.

Long-term Investments

On June 19, 2007, as part of the consideration for the sale of Home Shopping Europe GmbH & Co. KG, and its affiliated TV station HSE 24 ("HSE") to Arcandor AG ("ARO"), IAC received approximately 5.5 million shares of ARO stock (the "ARO Shares") valued at €141 million or $190.1 million plus additional consideration in the form of a contingent value right ("CVR"). The CVR has a value of up to €54 million within three years from the date of sale. The ultimate value of the CVR is dependent, in part, upon the average closing value of the ARO Shares for the 90 days preceding June 19, 2010 (the "Average Value"). To the extent that the Average Value is equal to or less than €141 million, IAC will receive a cash payment equal to €54 million. To the extent that the Average Value is equal to or greater than €195 million, IAC will receive no additional consideration. To the extent that the Average Value is between €141 million and €195 million, IAC will receive a pro rata portion of the €54 million. If the closing value of an ARO share equals or exceeds €35.68 per share for at least 30 consecutive trading days during the three year period from June 20, 2007 through June 19, 2010, the CVR expires without any payment being made. The CVR is accounted for as a derivative asset and maintained at fair value each reporting period with any changes in fair value recognized in current earnings as a component of other income (expense) in the consolidated statement of operations each period. During the three and nine months ended September 30, 2008, the change in the fair value of the CVR resulted in a loss of $5.1 million and a gain of $5.8 million, respectively. During the three and nine months ended September 30, 2007, the change in the fair value of the CVR resulted in gains of $5.9 million and $7.8 million, respectively. The loss of $5.1 million for the three months ended September 30, 2008 was due in part to an increase in the discount rate related to credit risk. The CVR was valued at $58.6 million at September 30, 2008 and $54.7 million at December 31, 2007. The ARO stock is an available-for-sale marketable equity security that is accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and is included in "Long-term investments" in the accompanying consolidated balance sheet, with a carrying value of $18.4 million at September 30, 2008 and $130.8 million at December 31, 2007. During the second quarter of 2008, the

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company concluded that the decline in price of the ARO Shares was other-than-temporary and thus recorded a $132.6 million impairment charge that is included in "Other (expense) income" for the nine months ended September 30, 2008 in the accompanying consolidated statement of operations. The loss was determined to be other-than-temporary due to (1) the significant, 72% decline in the ARO stock price from €25.90 at June 19, 2007 to €7.38 at June 30, 2008, and the duration of the decline in the ARO stock price and (2) the Company's assessment of the near-to-medium term prospects for a recovery to levels proximate to the initial carrying value of the ARO Shares. During the third quarter of 2008, the ARO stock price declined further from €7.38 at June 30, 2008 to €2.33 at September 30, 2008. The Company does not believe that this decline is other-than-temporary due to the duration of the stock price decline and the Company's assessment of the prospects for a recovery to a €7.38 price level during the Company's expected holding period. Accordingly, the €27.6 million or $40.4 million decline in the ARO stock price during the third quarter of 2008 has been recorded in "Accumulated other comprehensive income (loss)" in the accompanying consolidated statement of shareholders' equity.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51" ("SFAS No. 160"). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. SFAS No. 160 will be applied prospectively, except as it relates to disclosures, for which the effects will be applied retrospectively for all periods presented. Early adoption is not permitted. The Company is currently assessing the impact of SFAS No. 160 on its consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"), which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements that will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R applies prospectively to business combinations in fiscal years beginning after December 15, 2008. Early adoption is not permitted. The Company is currently assessing the impact of the adoption of SFAS No. 141R on its consolidated financial position, results of operations and cash flows.

Reclassifications

The accompanying consolidated balance sheet at December 31, 2007 has been reclassified to present HSNi, ILG, Ticketmaster and Tree.com as discontinued operations. The consolidated statements of operations for the three and nine months ended September 30, 2007 and cash flows for the nine months ended September 30, 2007 have been reclassified to present HSNi, ILG, Ticketmaster,

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tree.com and Entertainment Publications, Inc. ("EPI"), which previously comprised IAC's Entertainment segment, as discontinued operations.

In addition, certain other prior period amounts have been reclassified to conform with the current year presentation.

Other

Effective April 1, 2007, the Company began to capitalize and amortize the costs associated with certain arrangements that require it to pay a fee per access point delivered. These access points are generally in the form of downloadable search toolbars associated with the Company's Media & Advertising businesses. These fees are amortized over the estimated useful lives of the access points to the extent the Company can reasonably estimate a probable future economic benefit and the period over which such benefit will be realized (generally 18 months). Otherwise, the fees are charged to expense as incurred. For fees paid prior to April 1, 2007, such benefit or period could not be reasonably estimated and the fees were charged to expense as incurred. The effect of capitalizing and amortizing these costs was to reduce expense by $5.1 million and $12.8 million in the nine months ended September 30, 2008 and 2007, respectively.

NOTE 3 GOODWILL AND INTANGIBLE ASSETS

The balance of goodwill and intangible assets, net is as follows (in thousands):

	September 30, 2008	December 31, 2007
Goodwill	$ 1,910,918	$ 1,823,779
Intangible assets with indefinite lives	351,551	329,013
Intangible assets with definite lives, net	59,118	72,902
Total goodwill and intangible assets, net	$ 2,321,587	$ 2,225,694

Intangible assets with indefinite lives relate to trade names and trademarks acquired in various acquisitions. At September 30, 2008, intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Technology	$113,856	$ (73,336)	$40,520	4.9
Customer lists	19,773	(19,587)	186	1.1
Supplier agreements	24,670	(9,523)	15,147	5.7
Distribution agreements	4,600	(3,682)	918	4.0
Other	22,188	(19,841)	2,347	2.9
Total	$185,087	$ (125,969)	$59,118	

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 GOODWILL AND INTANGIBLE ASSETS (Continued)

At December 31, 2007, intangible assets with definite lives relate to the following (in thousands):

	Cost	Accumulated Amortization	Net	Weighted Average Amortization Life (Years)
Technology	$113,915	$ (55,907)	$58,008	4.9
Customer lists	20,586	(19,768)	818	1.1
Supplier agreements	15,770	(7,060)	8,710	6.0
Distribution agreements	4,600	(2,819)	1,781	4.0
Other	20,471	(16,886)	3,585	2.9
Total	$175,342	$ (102,440)	$72,902	

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on December 31, 2007 balances, such amortization for the next five years and thereafter is estimated to be as follows (in thousands):

Years Ending December 31,	
2008	$30,421
2009	26,398
2010	13,449
2011	1,204
2012	1,167
2013 and thereafter	263
	$72,902

The following table presents the balance of goodwill by segment, including changes in the carrying amount of goodwill, for the nine months ended September 30, 2008 (in thousands):

	Balance as of January 1, 2008	Additions	(Deductions)	Foreign Exchange Translation	Balance as of September 30, 2008
Media & Advertising	$1,361,914	$ 88,698	$ (3,697)	$ (5)	$ 1,446,910
Match	233,397			(1,108)	232,289
ServiceMagic	99,641				99,641
Emerging Businesses	128,827	4,703	(414)	(1,038)	132,078
Total	$1,823,779	$ 93,401	$ (4,111)	$ (2,151)	$ 1,910,918

Additions principally relate to acquisitions. Deductions principally relate to the establishment of deferred tax assets related to acquired tax attributes and the income tax benefit realized pursuant to the exercise of stock options assumed in business acquisitions that were vested at the transaction date and are treated as a reduction in goodwill when the income tax deductions are realized.

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 PROPERTY AND EQUIPMENT

The balance of property and equipment, net is as follows (in thousands):

	September 30, 2008	December 31, 2007
Computer equipment and capitalized software	$ 234,256	$ 207,035
Buildings and leasehold improvements	230,994	206,340
Furniture and other equipment	44,301	43,731
Projects in progress	24,894	40,836
Land	5,117	5,117
	539,562	503,059
Less: accumulated depreciation and amortization	(204,025)	(168,718)
Total property and equipment, net	$ 335,537	$ 334,341

NOTE 5 SEGMENT INFORMATION

The overall concept that IAC employs in determining its operating segments is to present the financial information in a manner consistent with how the chief operating decision maker and executive management view the businesses, how the businesses are organized as to segment management, and the focus of the businesses with regards to the types of products or services offered or the target market. Entities included in discontinued operations, as described in Note 6, are excluded from the schedules below except for the schedule of assets, in which they are included in corporate and other. Operating segments are combined for reporting purposes if they have similar economic characteristics and meet the aggregation criteria of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Revenue:				
Media & Advertising	$ 193,273	$ 189,824	$ 595,136	$ 531,901
Match	93,540	89,109	277,358	258,111
ServiceMagic	33,799	24,591	98,618	71,453
Emerging Businesses	49,644	36,319	141,945	99,341
Inter-segment elimination	(976)	(4,482)	(18,957)	(7,104)
Total	$ 369,280	$ 335,361	$ 1,094,100	$ 953,702

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 SEGMENT INFORMATION (Continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Operating (Loss) Income:				
Media & Advertising	$ 32,106	$ 15,675	$ 93,166	$ 15,484
Match	23,978	29,272	50,740	49,603
ServiceMagic	8,111	4,626	22,627	16,103
Emerging Businesses	(7,390)	(9,912)	(25,829)	(8,990)
Corporate	(79,443)	(37,968)	(180,884)	(116,535)
Total	$(22,638)	$ 1,693	$ (40,180)	$ (44,335)

The Company's primary metric is Operating Income Before Amortization, which is defined as operating income excluding, if applicable: (1) non-cash compensation expense, (2) amortization of non-cash marketing, (3) amortization and impairment of intangibles, (4) goodwill impairment, (5) pro forma adjustments for significant acquisitions, and (6) one-time items. The Company believes this measure is useful to investors because it represents the consolidated operating results from IAC's segments, taking into account depreciation, which it believes is an ongoing cost of doing business, but excluding the effects of any other non-cash expenses. Operating Income Before Amortization has certain limitations in that it does not take into account the impact to IAC's statement of operations of certain expenses, including non-cash compensation, non-cash marketing, and acquisition related accounting. IAC endeavors to compensate for the limitations of the non-GAAP measure presented by providing the comparable GAAP measure with equal or greater prominence, financial statements prepared in accordance with generally accepted accounting principles, and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measure.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Operating Income Before Amortization:				
Media & Advertising	$ 38,810	$ 27,898	$ 112,189	$ 56,835
Match	30,274	29,530	63,278	57,508
ServiceMagic	8,651	5,420	24,245	18,744
Emerging Businesses	(6,070)	(3,457)	(21,705)	35
Corporate	(41,201)	(21,724)	(105,980)	(65,713)
Total	$ 30,464	$ 37,667	$ 72,027	$ 67,409

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 SEGMENT INFORMATION (Continued)

The following tables reconcile Operating Income Before Amortization to operating (loss) income for the Company's reporting segments and to net (loss) earnings available to common shareholders in total (in thousands):

	For the Three Months Ended September 30, 2008				
	Operating Income Before Amortization	Non-Cash Compensation Expense(A)	Amortization of Non-Cash Marketing	Amortization of Intangibles	Operating Income (Loss)
Media & Advertising	$ 38,810	$	$	$ (6,704)	$ 32,106
Match	30,274		(6,138)	(158)	23,978
ServiceMagic	8,651	(155)		(385)	8,111
Emerging Businesses	(6,070)	(280)		(1,040)	(7,390)
Corporate	(41,201)	(38,242)			(79,443)
Total	$ 30,464	$ (38,677)	$ (6,138)	$ (8,287)	(22,638)
Other expense, net					(63,964)
Loss from continuing operations before income taxes and minority interest					(86,602)
Income tax benefit					85,335
Minority interest in losses of consolidated subsidiaries					381
Loss from continuing operations					(886)
Gain on sale of discontinued operations					767
Loss from discontinued operations, net of tax					(14,718)
Net loss available to common shareholders					$ (14,837)

(A) Non-cash compensation expense includes $3.0 million, $3.3 million, $32.3 million and $0.1 million which are included in cost of sales, selling and marketing expense, general and administrative expense and other operating expense, respectively, in the accompanying consolidated statement of operations.

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 SEGMENT INFORMATION (Continued)

	For the Three Months Ended September 30, 2007				
	Operating Income Before Amortization	Non-Cash Compensation Expense(B)	Amortization of Non-Cash Marketing	Amortization of Intangibles	Operating Income (Loss)
Media & Advertising	$ 27,898	$	$ (6,062)	$ (6,161)	$ 15,675
Match	29,530		(23)	(235)	29,272
ServiceMagic	5,420	(155)		(639)	4,626
Emerging Businesses	(3,457)	(236)	(2,987)	(3,232)	(9,912)
Corporate	(21,724)	(16,244)			(37,968)
Total	$ 37,667	$ (16,635)	$ (9,072)	$ (10,267)	1,693
Other income, net					12,905
Earnings from continuing operations before income taxes and minority interest					14,598
Income tax provision					(11,132)
Minority interest in losses of consolidated subsidiaries					1,452
Earnings from continuing operations					4,918
Loss on sale of discontinued operations					(1,557)
Income from discontinued operations, net of tax					67,110
Net earnings available to common shareholders					$ 70,471

(B) Non-cash compensation expense includes $1.3 million, $1.4 million and $13.9 million which are included in cost of sales, selling and marketing expense and general and administrative expense, respectively, in the accompanying consolidated statement of operations.

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 SEGMENT INFORMATION (Continued)

	For The Nine Months Ended September 30, 2008				
	Operating Income Before Amortization	Non-Cash Compensation Expense(C)	Amortization of Non-Cash Marketing	Amortization of Intangibles	Operating Income (Loss)
Media & Advertising	$ 112,189	$	$	$ (19,023)	$ 93,166
Match	63,278		(12,005)	(533)	50,740
ServiceMagic	24,245	(467)		(1,151)	22,627
Emerging Businesses	(21,705)	(803)		(3,321)	(25,829)
Corporate	(105,980)	(74,904)			(180,884)
Total	$ 72,027	$ (76,174)	$ (12,005)	$ (24,028)	(40,180)
Other expense, net					(152,749)
Loss from continuing operations before income taxes and minority interest					(192,929)
Income tax benefit					103,573
Minority interest in losses of consolidated subsidiaries					1,195
Loss from continuing operations					(88,161)
Gain on sale of discontinued operations					23,314
Loss from discontinued operations, net of tax					(318,771)
Net loss available to common shareholders					$ (383,618)

(C) Non-cash compensation expense includes $5.9 million, $6.5 million, $63.6 million and $0.2 million which are included in cost of sales, selling and marketing expense, general and administrative expense and other operating expense, respectively, in the accompanying consolidated statement of operations.

IAC/INTERACTIVECORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 SEGMENT INFORMATION (Continued)

	For The Nine Months Ended September 30, 2007				
	Operating Income Before Amortization	Non-Cash Compensation Expense(D)	Amortization of Non-Cash Marketing	Amortization of Intangibles	Operating Income (Loss)
Media & Advertising	$ 56,835	$	$ (22,849)	$ (18,502)	$ 15,484
Match	57,508		(7,244)	(661)	49,603
ServiceMagic	18,744	(467)		(2,174)	16,103
Emerging Businesses	35	(1,071)	(2,987)	(4,967)	(8,990)
Corporate	(65,713)	(50,822)			(116,535)
Total	$ 67,409	$ (52,360)	$ (33,080)	$ (26,304)	(44,335)
Other income, net					39,029
Loss from continuing operations before income taxes and minority interest					(5,306)
Income tax provision					(3,365)
Minority interest in losses of consolidated subsidiaries					1,490
Loss from continuing operations					(7,181)
Gain on sale of discontinued operations					33,524
Income from discontinued operations, net of tax					199,481
Net earnings available to common shareholders					$ 225,824

(D) Non-cash compensation expense includes $4.0 million, $4.4 million, $43.8 million and $0.1 million which are included in cost of sales, selling and marketing expense, general and admin