

Match Group, Inc. and Subsidiaries

Notes to combined financial statements

Note 1—Organization and basis of presentation

Basis of presentation and combination

These historical combined financial statements have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of IAC/InterActiveCorp ("IAC"). The combined financial statements reflect the historical financial position, results of operations and cash flows of the Match Group, Inc. businesses since their respective dates of acquisition by IAC and the allocation to Match Group, Inc. of certain IAC corporate expenses relating to Match Group, Inc. based on the historical financial statements and accounting records of IAC. For the purpose of these financial statements, income taxes have been computed for Match Group, Inc. on an as if stand-alone, separate tax return basis.

All references to the "Company," "we," "our" or "us" in this report are to Match Group, Inc.

The Company prepares its combined financial statements in accordance with U.S. generally accepted accounting principles ("GAAP").

All intercompany transactions and balances between and among the Company, its subsidiaries and the entities comprising Match Group, Inc. have been eliminated. All intercompany transactions between Match Group, Inc. and IAC and its subsidiaries, with the exception of notes payable due to IAC subsidiaries, are considered to be effectively settled for cash at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the combined statement of cash flows as a financing activity and in the combined balance sheet as "Invested capital." The notes payable due to IAC subsidiaries are included in "Long-term debt—related party" in the accompanying combined balance sheet.

In the opinion of Match Group, Inc.'s management, the assumptions underlying the historical combined financial statements of Match Group, Inc., including the basis on which the expenses have been allocated from IAC, are reasonable. However, the allocations may not reflect the expenses that we may have incurred as an independent, stand-alone company for the periods presented.

Company overview

Match Group, Inc. consists of our North America dating business (which includes brands such as Match, OkCupid, Tinder, OurTime, BlackPeopleMeet and other dating brands operating within the United States and Canada), our International dating business (which includes Meetic, Tinder's international operations, Twoo, FriendScout24 and all other dating brands operating outside of the United States and Canada) and our non-dating business, The Princeton Review.

Through the brands within our dating business, we are a leading provider of membership-based and ad-supported dating products servicing North America, Western Europe and other select countries around the world. We provide these services through websites and applications that we own and operate.

The non-dating business consists of The Princeton Review, which provides a variety of educational test preparation, academic tutoring and college counseling services.

Note 2—Summary of significant accounting policies

Accounting for investments

Investments in the common stock or in-substance common stock of entities in which the Company does not have the ability to exercise significant influence over the operating and financial matters of the investee are accounted for using the cost method. Investments in companies that the Company does not control, which are not in the form of common stock or in-substance common stock, are also accounted for using the cost method. The Company evaluates each cost method investment for impairment on a quarterly basis and recognizes an impairment loss if a decline in value is determined to be other-than-temporary. Such impairment evaluations include, but are not limited to: the current business environment, including competition; going concern considerations such as financial condition and the rate at which the investee utilizes cash and the investee's ability to obtain additional financing to achieve its business plan; the need for changes to the investee's existing business model due to changing business and regulatory environments and its ability to successfully implement necessary changes; and comparable valuations. If the Company has not identified events or changes in circumstances that may have a significant adverse effect on the fair value of a cost method investment, then the fair value of such cost method investment is not estimated, as it is impracticable to do so.

Accounting estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its combined financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

On an ongoing basis, the Company evaluates its estimates and judgments including those related to: the recoverability of goodwill and indefinite-lived intangible assets; the useful lives and recovery of definite-lived intangible assets and property and equipment; the fair value of long-term investments; the carrying value of accounts receivable, including the determination of the allowance for doubtful accounts and revenue reserves; the fair value of acquisition-related contingent consideration; the liabilities for uncertain tax positions; the valuation allowance for deferred income tax assets; and the fair value of and forfeiture rates for stock-based awards, among others. The Company bases its estimates and judgments on historical experience, its forecasts and budgets and other factors that the Company considers relevant.