

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934

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USA Networks, Inc.

(Name of Registrant as Specified in Its Charter)

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USA will file a proxy statement and other relevant documents concerning USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and certain related transactions with the Securities and Exchange Commission ("SEC"). INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED IN THE FUTURE WITH THE SEC BECAUSE THOSE DOCUMENTS CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE PROPOSED TRANSACTIONS. Investors will be able to obtain such documents free of charge at the SEC's website at www.sec.gov. In addition, such documents may also be obtained free of charge by contacting USA Networks, Inc., 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations.

INVESTORS SHOULD READ THE PROXY STATEMENT CAREFULLY WHEN AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISION CONCERNING THE PROPOSED TRANSACTIONS.

USA and its directors and officers may be deemed to be participants in the solicitation of proxies from USA shareholders to adopt the agreement providing for USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and the other related transactions described therein. A detailed list of the names and interests of USA's directors and executive officers is contained in the definitive proxy statement on Schedule 14A filed by USA with the SEC on April 9, 2001. Copies of USA filings may be obtained free of charge at the SEC's website at www.sec.gov < <http://www.sec.gov> >.

VIVENDI UNIVERSAL/USA NETWORKS
TRANSCRIPT
DECEMBER 17, 2001
7:30 P.M. EST

COORDINATOR Good morning, and welcome to Vivendi Universal on USA Networks conference call. All participants will be on a listen only mode until the question and answer session of the call. Our first speaker for today would be Mr. Barry Diller. Sir, you may begin.

B. DILLER I think they actually have the order of this wrong. The first speaker today is Jean Marie Messier, but it is my great pleasure to introduce him.

J. MESSIER Thanks for the kind introduction Barry, and I will give you back the floor in one minute, just a few comments on Vivendi Universal side of this transaction of acquiring USA Entertainment assets. I think that the main outline for us is that through this acquisition, Vivendi Universal US strategy is coming together. This is a perfect, natural, obvious solution to be stronger and absolutely competitive on the US market, and it's done in an efficient look at all sensitive way for the Vivendi Universal. If it is natural, both between the TV and the movie activities, the productions and distributions, US industry is going through integrations and consolidations faster than many people thought. So these transactions are going to give to Vivendi Universal Entertainment, VUE, size and scale, the right integration from movie to TV prod, the right integration from programming to distribution.

On the top of this strategic call of the transaction, the financial, yes a little bit complex and sophisticated, but I think it's end up with a very fair deal on both sides, a full value for those assets on the USAI and for VU, we can say that through \$330 million USAI shares that we were owning. As for the cash portion, which is the equivalent of what we received--what Seagram received--and the time of the initial transaction, most of the transaction is based on the initial consideration, back to the 97 operations. We can say that these significantly valued assets are faded out of our directly correlated significantly valued stock.

On top of that for VU shareholders, we are swapping non-core or non-consolidated assets against fully controlled, fully integrated, fully consolidated, full access to cash flow assets. In terms of value, it is very important, as far as cash flows growth and asset value is concerned.

On the value itself of the deal, I just want to point out that you may have seen slightly different figures going out. That's very simple. On our side, we value the deals between \$10.3 and \$10.8 billion, depending on whether you consider an average 30 days for every consideration of the deal, which is for us unaffected. Or if you take the closing price of Friday, on which we can consider that USA stock was already partially affected by these transactions. The second difference in the figures that we do take into account, what we consider being the high value of the warrant that we are receiving on USA interactive assets, \$24 million of them--being not very far from being already in the money, all of them being very long term, ten years.

So that's the main point I want to underline, in terms of the objective creation of value to VU shareholders through this transaction.

On the management side, which is critical because talent and management are the key assets in the entertainment industry, that is obviously more than my pleasure to have Barry on board for Vivendi Universal Entertainment, and for two key reasons. The first one is the industry vision that Barry has been

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developing and which is totally substantial with Vivendi Universal vision. The second point is that Barry has a very strong track record in cash flow growth and asset value growth to his shareholders. That's my job to have cash flow and asset values growing for my shareholders by introducing Barry in this very key operational position, I'm serving VU shareholders.

The additional point on management is the strong commitment of Ron Meyer and Stacey Snider. They are the team, which turned around Universal Studios group. They are committed, both of them have taken the commitment to renew and extend their contract for the five coming years. With that in mind, we will have for Vivendi Universal Entertainment, the strongest management team as possible, and I am welcoming that.

Third and final point I want to make on this transaction, which is to give you a little bit of visibility for 2002 relating to VU, reminding that starting the first quarter of next year, VU will issue full US gap earnings, quarterly results. On top of that in 2002, as in 2001, we will continue to care about the dominant positioning content. We will continue to care about getting operational control on our key assets. We will continue to care about being really global, as the split of revenues after this transaction is clearly demonstrated.

2002 with what has been achieved in 2001 in terms of integration and addressing our only relative weakness, which was integration and consolidation on the US market, 2002 is going to be a year focusing, first on growth and on internal growth result of change of perimeter.

Second, it is going to be a year where we will continue to focus on increasing of distribution reach through commercial agreements, including with MSOs.

Third, it is going to be a year to pursue the full deleveraging of the group. That's our target for 02 and even for the first half of 02, to have a debt to EBITDA ratio well below three points, and my rating target and commitment is to reach a comfortable triple B for Vivendi Universal.

These are basically the main outlines for '02. Where I can finally confirm that we are comfortable EBITDA wise with what the market consensus on Vivendi Universal before 9/11, that is to say, before this transaction obviously with 6 billion euros EBITDA for VU media assets.

That being said, I'm turning it back to you, Barry.

B. DILLER When we started to talk about this about a month ago, which seems about a hundred years ago because of the complexity of all of the things that we had to go through, what we were really trying to do was to move the timetable up from what had been originally set forth. As I think all of you know, the agreements between Vivendi Universal and USA were that after I ceased to be chief executive, that there was not only a path to control, but it would be obvious that Vivendi Universal would end up or begin with controlling and more than likely consolidating the entertainment assets of USA, if not the whole company.

What I think we've done essentially is we've given early repatriation of the critical assets. What we have done is actually by having on one side a standalone USA interactive of real early strength on one side--I'll get into that in a bit--and on the other, able to put together these entertainment assets at the most critical time. As I think all of you know and as Jean Marie referenced, the consolidation and concentration is not something that we knew about four years ago. It had not really begun to the degree that it has increased over the subsequent years.

What that has meant is that unless you are able to meet the competition of the day as strongly organized as you can in every field that you can, there is a large chance of marginalization. Rather than have the USA Entertainment assets, which were certainly doing fine and had great growth, but having those entertainment assets pounding on the door to try and get larger around the very large media concentration world in which it lived, increasingly said to me that, that was a very tough road.

I think on the other side for Vivendi Universal, it's ability to unite its television interests throughout the world together with USA's interest, together with its studio operations, together with its international television channels that came actually out of the original split between USA and then Seagram's. The ability to combine those into one unified strategic force gives them the ability to really compete and to really grow and to find the next assets. That principally is what I will do together with Jean Marie, strategically to have those assets really grow and become over time, first year, I don't think it's inappropriate for us that we kind of code named this process Tier One. I think it was very clear--it was Jean Marie's name at, I think, I don't know, in the first ten days or so of this, wasn't it?

J. MESSIER Yes.

B. DILLER Something like that.

J. MESSIER Thanksgiving.

B. DILLER Yes, Thanksgiving, in any event, I think, therefore, for Vivendi Universal, there is that ability for VUE, Vivendi Universal Entertainment, which will combine the USA Entertainment assets, the recreation parks, and the studio operations. I believe that just that piece of it is also perfectly organized. It has very strong executives. There's been a lot of comment and such about my so to speak disrupting possibly the very good work of the studio group. Which I have utterly no intention as I have said to the executives of the picture group, principally, Ron Meyer and Stacey Snider, who I've had some fairly extensive conversations with.

I am a supporter of theirs. I will more cove to what they are doing than to ask them to cove to my historical way of operating. It's not that I'm not opinionated, etc., but somebody I saw said that I will try and fix which, so to speak, isn't broken. Historically, that has not been anything like what I have done, nor will I do it here.

What I will do is try to integrate first of all, the television operations under Michael Jackson, who joined us recently as I think some of you know, from running what I think is the best channel in the world, Channel Four in Britain, and is the senior executive on the television side and who will coordinate all of the Universal television operations. He in turn will report to Ron Meyer. Ron Meyer will in turn report to me. So I think that the symmetry of that is fine.

For USA Interactive, many of you have certainly listened to me about my belief in interactivity. We start with about 9% of all interactive commerce revenue, and our goal is to double that within the next year. We start this enterprise with absolute strength and cleanliness. We have obviously, a very strong current cash flow. We believe that the cash flow in the first year will be a little over \$600 million, meaning in 2002 for the operating businesses. We will start with close to \$3 billion in cash.

We have been in this area enormously acquisitive. We have made more than 40 acquisitions on the interactive side alone and we have as I think you all know, done it very strategically. There is enormous amount of opportunity at right this moment at right that sector for us to grow, both by internally growing the businesses we have and certainly by acquiring new ones. So we are at a perfect time and at a perfect place.

I actually think that the idea of doing this, the idea that on the left side so to speak of the brain, we have a USA interactive company that has no drag on it, no conflict, no confusion, no constantly trying to relate the two sides before their time, though there is a relationship between interactivity and entertainment. The commercial agreements that we are going to do between Vivendi Universal and USA will underscore the relationship between entertainment and direct selling in all of its various forms and interactivity.

But with the USA Interactive Company formed the way it does, it is I think, actually a perfect combination of businesses of real clarity. On the other side, I think Vivendi Universal is able to together with the

announcement--I think it was the other day on Friday of the Echostar transaction. No one can I believe discount the strategy for Vivendi Universal.

I'm going to do one more thing before we turn it over to Q&A, and I'm sure it will be, if not the first question, it will be an early question. What of my

time, my time commitments, etc.? Let me talk historically.

First of all over the last five, six years, I have spent about 50% of my time on interactivity and 50% of my time on the entertainment side. In the world by the way, as I think you all know when you start dividing up time, it does not work in some percentage process. That's just not realistic. It's not life. What will happen in this case is, some days I will spend a majority of my time on USA Interactive; some days I will spend a majority of my time on the Vivendi Universal. What I am confident of, and Jean Marie and I have talked a bit about this, so we're comfortable with this. I can only say that to the shareholders of USA as well as to the shareholders of Vivendi Universal, I understand what the time commitments are. I'm completely confident that I'm going to be able to acquit both areas of responsibility and by the way, have time left over.

So I understand why people certainly look at this and say, "How is he going to 'divide' his time?" I absolutely believe and I would not have done this otherwise, that my ability to do so and to do it in a way that it is not going to scare any of the horses involved in either of the enterprises, is a completely confident one. I'll answer the question by the way in any other way anyone wishes, but I thought I would just lead with it, since I know it's certainly a topic of questioning, understandably by many people.

At this point, unless there's anything else Jean Marie would like to do, I think we turn it over to questions. We have about four minutes for questions, so please do whatever you would like to do. That's a joke, don't worry.

COORDINATOR Our first question comes from Sharon Williams.

S. WILLIAMS This travel channel, I know this is not content center here, but would your plans still be to in the future, launch a cable network around the travel business, which I thought was an exciting long-term growth potential? Would this end up now sitting at VUE instead of at USA Networks, since I think of it as contributing value over the long term?

B. DILLER Actually, I think it's a good question. Yes, we will without question develop a travel channel. We actually already have a travel channel service channel in Germany, but we will establish a US travel channel. The agreement between USA and Vivendi very carefully and clearly divides the businesses of interactivity and commerce and transaction on the USA side and the entertainment on the Vivendi Universal side. What we will also do we hope is look for various ways to partner with Vivendi Universal in a lot of these enterprises. So while in this case the Travel Channel, which will relate to our travel assets-- I can't call it the Travel Channel. I can call it USA Travel Network or else I'm going to get in trouble with my friend John Hendrix who runs the Discovery Travel Channel. But the Travel Network, whatever we're going to end up calling it, Travel, is going to relate to our Expedia assets, our hotel reservations, our Travelscape, etc. So it's on that side, in terms of the counting mechanism.

COORDINATOR Our next question comes from Mario Gabelli.

M. GABELLI Congratulations. This is interesting. By the way, I also want to commend you guys for putting a statement in there about Edgar Bronfman. I think he was just poorly maligned by everyone, but I don't want to spend any time on that. It was a terrific deal when they did the deal with you, Barry, and this is a terrific deal. I am looking forward to when you merge with the next target when Jean Marie gets his distribution in the United States. But Barry, there's an old school on Wall Street that says, "Let's follow the

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money." How many options do you have in USAI? Where do they go? How does this deal work in terms of your put option on the 1.5%?

B. DILLER I own about four million shares outright, I have options on about 46 million shares of USA, and I will continue to hold them. I'm not selling a single share.

M. CABELLI Okay, so you're going to have your money primarily in USAI, the ongoing new co.

B. DILLER Well, I have money in both places, Mario--

M. CABELLI Well, I'm delighted.

B. DILLER As you do you as well, but in any event as I said, I'm not selling any shares in USA. On the Vivendi Universal Entertainment side, I have an interest. It's a small interest, but it's certainly not insignificant in dollar terms, and I will hope and plan for that interest to grow. USA also has an

interest on the Vivendi Universal Entertainment piece. I'm going to call it from now on VUE, and you'll over time I think understand that. But USAi interest in VUE is a little over 5%, and that has real value, and that we intend to grow.

So I think actually when you think about this, it's quite nicely balanced. Yes, the majority of my equity is at USAI. I fully intend to have that equity grow. I don't want to make as you know, extreme statements--but I think that would we not be able to grow it, it would be a crime unto man. I can't conceive that USA will not have great growth in the next few years.

M. CABELLI Thank you, and to Jean Marie, I look forward to your next step in the distribution strategy.

COORDINATOR Our next question comes from Marian Buscher.

M. BUSCHER I was wondering if you could comment about the USA debt outstanding and what the plans are for the bondholders?

B. DILLER Let me introduce Victor Kaufman. Victor Kaufman is, of course, as I think all of you know, the Vice Chairman of USA. He will certainly continue in that capacity. Go ahead, Victor.

V. KAUFMAN The public debt will remain outstanding. It obviously becomes even more secure than it is today since we will as Barry said before, have around \$3 billion in cash, plus an additional probably over a billion dollars in debt capacity. We are going to operate USA Interactive in exactly the way we've operated the company in the past, which means that we will not allow our debt to EBITDA ratio to go above 2 to 1. So we see ourselves as having about \$4 billion of capacity to grow the business.

M. BUSCHER Have you spoken to the rating agencies at all at this point?

V. KAUFMAN We have spoken to the rating agencies, and I think they're extremely appreciative of our bringing them up to date, and we'll have more discussions with them today and in the coming days.

M. BUSCHER And any indication from them what direction they're headed in?

V. KAUFMAN I think you really would have to wait until they put out whatever they do, but obviously in addition to on a net basis, we really have no debt other than the public debt outstanding. We have such a strong balance sheet and such a strong basis of earnings, which we intend to grow, that we're confident that we will be able to keep our credit ratings and to grow the business.

COORDINATOR Our next question comes from Mike Nathanson.

M. NATHANSON I had a couple questions. Firstly now that VUE is going to be a much larger entity, will you be reporting it out separately from the CANAL+ assets? That would be the first question.

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The second question is more operational. Now that you're changing ownership, putting the networks closer to the studio, how does that change, Barry, as the programming at USA channel, what could you do now that you weren't doing in the past? Talk a little bit about how you bought Universal films before and how that process will be now.

And lastly, for Jean Marie, now that you just got bigger in the film business slightly with USA's films, will you be able to downsize that investment?

B. DILLER As far as programming is concerned, the relationship between film studios and television operations, you can see all over the place. You can see for instance, the vertical integration that has taken place particularly at Time Warner. It used to be that Warner films were sold to CBS, etc., and to other non-aligned networks. Now these films have their sequential distribution chain in Time Warner owned assets--channels: TBS, TNT, etc. You see the same at Fox. It's part of the reason that Disney paid the amount that it paid for the Family channel.

M. NATHANSON Yes, I wonder if before you were in USA separately, were you getting a crack at the Universal assets? I hear what you were talking about. But were you getting the same opportunity?

B. DILLER We got a crack at them, but there is an entirely different thing when you unify a library, which Universal has an extraordinary library on one side, together with the current, so to speak, preen the titles--meaning the titles that you want to run through USA networks, through USA Networks, a very

large percentage of its programming is the running of theatrical motion pictures.

The other thing is the kinds of shows that you can develop out of, not only the library on the film side--FAST AND FURIOUS is a very good example. It's one that we're currently talking about. There are all sorts of other examples, as you go through the extraordinary success of Universal over the last several years. On the library side from BATTLESTAR GALACTICA, which is an old television series of Universal's that we're desperate to develop as a television series.

Literally, it is the two sides of a circle. That when they operate together, when you get the throw weight of the films side and sensibility together with the television side and you begin to integrate those things--you begin to use those things to create new services--is where I think the beginning program synergies will exist.

J. MESSIER Was your last question relating to the downsizing of USAI Films?

M. NATHANSON Right.

B. DILLER I didn't hear that. USA Films is not "downsizing." USA Films is a special movie producer and distributor, which has had very good success, currently with THE MAN WHO WASN'T THERE and GOSSAMER PARK, which opens any time now, which is a really good film, which in the investment of USA in USA Films is small. It's a special film operation. It's going to continue. The plans that we have talked about, and I think it's important to kind of understand the nuance of this because it shows--as against what people speculate--it shows I think, the thoughtfulness of this process.

USA Films is going to continue. Universal has a division called Spotlight, and Spotlight is going to--we think, our plan is--to merge into USA Films. Interestingly, though, USA Films, which is under the direction of Michael Jackson, will continue. However in that respect, USA Films will report to Stacey Snider, because you must have a totally integrated motion picture operation worldwide. So in the television side, he will report to Ron Meyer, but on the movie side, he's going to report through Stacey Snider, because it's the right way to organize, so that there is no dissension from anybody for anything from the first hour of the first day.

What we expect, by the way, is to have a growing and thriving special film business. It's a great category, and it's one that we've already got some success going on. So that is our plan for that.

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M. NATHANSON Okay, and the last question was the first one about breaking out VUE from CANAL+

J. MESSIER Yes, I'll take this one after underlining what Barry has just explained gives you the key for most of the synergies that we can take out of this integration. So there is a lot to be done in terms of optimization, rationalization of the operations of the VUE. We intend to do that quickly in the most fashionable and efficient way with everybody's activities reporting to Stacey. It will allow us to fully continue all politic of optimizing every movie production, not only by the way on a US basis only, but including the worldwide approach with Studio CANAL. I think that Barry did underline some very first examples of common initiatives that we can take.

On your first question, Mike, that's no problem. Obviously, thanks to the size of VUE and the CANAL+, we will report separately both of them.

COORDINATOR Our next question comes from Kate Oakley.

K. OAKLEY I have a question for Jean Marie Messier. How do you plan to take advantage of this distribution platform? I remember hearing early this year you were saying, "That's a big gap in our business plan. We've got to have distribution in the US to be able to deal with Yahoo." Now you've got Echostar and now you've got this, but how are you actually going to leverage that? Are we going to start seeing you launch new channels? The stake you have in Echostar isn't that big, so what can you do to influence things there?

I also wanted to ask a second question that maybe both of you can answer. It's about the growth in interactive services. Now, Barry, you've talked about how on-line is really where you've been focusing, but in Europe, there's a lot of interactive television. We've got Mobile. Messier already had deal with a Vodafone with Vizzavi. How do you see all of that--maybe moving into that realm, because you have all this experience with ticketing and things like that?

J. MESSIER On your distribution question, Kate, my first point to remind you

that in order to distribute, you need to have the right products, and that the strength is first in your content and products capacity. By putting together USG and USAI entertainment assets, we are reaching the right size, the right simple organization to maximize the usage that we can do and the content that we can build around our TV and movie assets, and it remains the first leverage vis-a-vis distributors.

The second one is that when you are referring to EchoStar, two comments there. The first one, we do not need to buy distribution. There are objective reasons, which just defy the strategy partnership with Echostar and hopefully, with Echostar/Direct TV. The first one is that Echostar is a satellite player, and it is going to be, we hope, the largest and the most efficient US satellite and digital TV platform. We have the largest and the most efficient one in Europe, with CANAL+. It paves the way to worldwide satellite distribution and digital TV agreements.

That's the reason why EchoStar on top of commercial distribution agreements is a natural equity and strategic partner. On top of the fact that, on the pure financial basis, this is the low-risk downsized protection investment and a good swap vis-a-vis our BSKyB stakes because that's cheaper and more strategic. That's the reason why we made this strategic partnership with Echostar.

How are we going to use it? Two ways--the first one, the existing agreement, to launch and to welcome on EchoStar platform, five new channels to 152 initial channels, which are going to leverage our content capacity, action and suspense and movie on one side, music and the young generation on the other side, games on a third side, plus the availability for three years of the equivalent of one transponder now said the ability to launch on top of that up to eight or ten new interactive services with the right access to bandwidth in order to launch those services. So by definition through this strategic partnership, Echostar is going to be the right platform and the right privilege access to launch these new channels as these new interactive services.

These distribution agreements with Echostar are obviously not excluded. We will go for commercial agreements with MSOs. One of the key points on Echostar is that it does have national coverage and that all channels based on the content strengths, based on if management strengths of the VUE are successful, obviously, it will help us to break commercial deals. We have a significant number of MSOs.

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One of our goals is at least after three years of time, to have at least as many subscribers outside Echostar platform than subscribers coming from Echostar. This is--

K. OAKLEY In the US.

J. MESSIER In the US, yes. This is the strategy that we are going to implement. Basically what you can see is that USAi is, not only an obvious operational fee but that USAi plus the strategic partnership with Echostar and Direct TV is giving an additional access to distribution and that the two transactions are adding value to each other and that the two transactions combined are clearly addressing what was viewed as the relative weakness of Vivendi Universal on the US market. That's the clear beauty and the clear value of doing those two transactions at the same time.

K. OAKLEY Barry, you were going to talk about how you were going to make interactive not just on-line, but actually leveraging some of Vivendi Universal's other things including interactive television, and also, we've got a big mobile deal that we're trying to see if there's any business in, really.

B. DILLER I think that there's this natural relationship between on-line and off-line, as evidenced currently by HSN in the United States, together with HSN.com, which is kind of seamless. I don't think of it as really broadband, because broadband is, after all, rich video with a transactional pipe in real time along side. This simulates it so to speak before there is a large broadband penetration.

In Europe and throughout the rest of the world where Vivendi Universal is particularly strong, I think that what we're going to do through these commercial agreements is to begin to make those ties in different ways and start those assets being seamlessly related to each other on all of the interactive television forms that are developing--some quicker, some slower than they are in the United States. So, again, actually, the truth is I can't say it any better than Jean Marie just said it in terms of--

K. OAKLEY And HSN, do you think HSN will come to Europe?

B. DILLER HSN is in Europe. HSN currently operates--

K. OAKLEY But much bigger than it is?

B. DILLER It currently operates in Germany in a large and profitable business. It just started in Italy this year. It started in Benelux. It already has an arrangement with Canal in France. It opened in the UK last year. We are all over Europe. We are in China. We are in Japan.

J. MESSIER And if I may add two points, Kate, if you were able to combine the right way through cross-promotion and cross-marketing, our respective internet activities, do you know that thanks to on VU, the leadership that we have for music on-line reach and games on-line reach, to combine Unique Visitors reach of VU.Net and USA Interactive would rank number four on a world-wide basis right after the three traditional ISP's, AOL, MSN and Yahoo.

The second point I wanted to add is that you referred to Vizzavi. Just to give you an update on Vizzavi, over the last three months, the number of registered customers of Vizzavi have continued to increase sharply: 41% of growth of registered customers over the last three months. In terms of number of Web or WAP pages viewed on a daily basis as the number of WAP minutes generated, Vizzavi has increased by 40% to 50% over the last three months. As you know, we have reached with Vodafone a full agreement on the business model, focusing only a small part of the revenues on the distribution fee on that plan, and Vizzavi caching most of the services and SMS value revenues, 80% for Vizzavi; 20% for the mobile operators.

Vizzavi has been late as a launch because the GPRS technology being late. Now that Vizzavi has been truly launched in Europe, in eight countries in Europe, the take-off is answering in terms of growth to what were our expectations.

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K. OAKLEY What's the total number now, Mr. Messier, of the subscribers?

J. MESSIER We are over seven million registered subscribers, registered customers, and we expect to be over ten million in the course of Q2 of next year.

COORDINATOR Our next question comes from David Goldsmith.

D. GOLDSMITH I just want to attack this a little bit differently. Congratulations guys. Liberty Media, first will just take care of a housekeeping thing, how many shares of the new USA Interactive will Liberty Media hold, and what kind of other relationships do you at USA expect with Liberty Media and Vivendi as well?

B. DILLER Liberty will hold about 18% of USA with about 90 million shares, and John Malone and the President, Bob Bennett--but John Malone and I have been partners since I left Fox almost 10 years ago. I'm glad that Dr. Malone and Liberty are going to continue. We are discussing as we always do with Liberty, a whole series of transactions--things that we're going to do principally outside of the United States, although there are a couple of things that we could do inside the United States with Liberty, and we expect them to fully participate. John Malone and Bob Bennett are going to be on the USA board as will Jean-Marie Messier and Phillippe Germond who I believe, I don't know his exact title, but he is head of the interactive assets of Vivendi Universal. But as it relates to Liberty, they will be full participants and I would think that, that would continue in force for hopefully the rest of my business life.

J. MESSIER Perhaps on the VU side, Liberty Media will own 37 million VU shares, including five million shares swapped against its interest in Multithématique or programming entities. With 37 million shares, the agreement in terms of liquidity that we have with Liberty Media is that, they are suggested to stay at the 5% level for four years. That their liquidity is going to be 40% at the closing of the transaction, 30% lock-up of 12 months and 30% lock-up of 18 months. We very much welcome Liberty Media as a very significant shareholder of Vivendi Universal, and are pleased with the commitment of Liberty Media to be a long-term shareholder of Vivendi Universal.

We are looking at the same time to perform off our relationship in Europe. We are the leading satellite distributor in Europe. They are the leading through UPC and the recent German cable operation, they could become the leading cable distributor operator. We do not intend to have here on the distribution side capitalistic agreements between the two of us, but we have a strong area of common interest in Europe, which is programming, where we would welcome on both sides, switching together without any equity intrusion of any kind, neither on one side nor on the other side. We would very much welcome putting together all of our programming European forces achieving then leading Pan European

programming entity able to deal with every single distribution platform in Europe.

So for us, the Liberty Media agreement is not only welcoming a shareholder. That is also the occasion to make and prepare a common attractive step in the programming area on the Pan European basis.

COORDINATOR Our next question comes from Richard Simon.

R. GREENFIELD It's Rich Greenfield. I have two questions. First, can you, Jean Marie, just comment on how when this transaction is combined with the Echostar deal on Friday, how this changes your approach to US distribution going forward?

And two, could you comment on how when you combine the Echostar transaction with the USA transaction this morning, what types of opportunities it creates from a new channel standpoint?

J. MESSIER Basically the right order of presentation would have been the reverse. Before distributing, you need to be able to build the products. The combination and the creation of Vivendi Universal Entertainment allows us to leverage our fantastic library and the management teams of both sides to be much more proactive on TV production and the ability to create and to develop new channels. The expertise, the skills and the assets of USA Entertainment were needed to achieve that.

The second point is that you have to look at Echostar as the privileged platform, a privileged partner, but obviously not the exclusive distribution partner of VUE. The strategic partnership with

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Echostar allows us in very good economical conditions with subscriber fees from day one of the launch, to have directly a national reach for those new channels through a close relationship with the teams, to have a better time to market of the new launches, not only on the channels side. But also of the interactive services side, we definitely think that music and games are going to be absolutely key in those entertainment interactive services to the consumer. So we have a national platform on a privilege basis and with the best time to market that you can imagine. From that film basis, we intend to develop further distributions with MSOs and on the basis of commercial agreements with MSOs.

COORDINATOR Our next question comes from John Dean.

J. DEAN My question has already been answered. Thanks.

B. DILLER I guess that was the last question. No, we'll do one more, and then as I think most of you know, we're going to follow this with a USA Interactive analyst and investor call, which I guess we'll probably take a couple of minutes breather, and then we'll go right on with that to answer any specific questions about USA Interactive.

J. MESSIER And as you know, there has been also a conference call, just before this one with European investors and then a list that you can access to which has been recorded and which is at your disposal also.

B. DILLER Yes, you can listen to us probably all day and from now on. Next question. It doesn't exist? I would then say, thank you very much, and we'll look forward to talking to you both on and off-line.

J. MESSIER Thank you all.

COORDINATOR Thank you for participating in this conference call. You may disconnect at this time.

USA will file a proxy statement and other relevant documents concerning USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and certain related transactions with the Securities and Exchange Commission ("SEC"). INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED IN THE FUTURE WITH THE SEC BECAUSE THOSE DOCUMENTS CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE PROPOSED TRANSACTIONS. Investors will be able to obtain such documents free of charge at the SEC's website at www.sec.gov. In addition, such documents may also be obtained free of charge by contacting USA Networks, Inc., 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations.

INVESTORS SHOULD READ THE PROXY STATEMENT CAREFULLY WHEN AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISION CONCERNING THE PROPOSED TRANSACTIONS.

USA and its directors and officers may be deemed to be participants in the solicitation of proxies from USA shareholders to adopt the agreement providing for USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and the other related transactions described therein. A detailed list of the names and interests of USA's directors and executive officers is contained in the definitive proxy statement on Schedule 14A filed by USA with the SEC on April 9, 2001. Copies of USA filings may be obtained free of charge at the SEC's website at www.sec.gov < <http://www.sec.gov> >.

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Coordinator Good morning, and thank you all for holding. I would like to remind all parties that your lines have been placed in a listen-only mode until we open for questions and answers. Today's conference call is also being recorded. If you have objections, you may disconnect at this time. I would now like to turn the call over to Mr. Barry Diller. Thank you, sir. You may begin.

B. Diller Thank you. Good morning, everyone. I don't know how many of you were on the last call. I doubt any of you were on our first call this morning, which was at 6:00 a.m. New York time, which was done for European analysts, particularly, obviously, for Vivendi Universal. On this call today with me are Victor Kaufman, our Vice-Chairman; Roger Clark, who is Vice President of Investor Relations; and John Miller, who is the CEO of Information Services.

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In any event, I think you all have a general understanding of this. The only thing that I would say at the outset is, and I don't really want to repeat myself very much from before, but the central issue is that, in this transaction, and I'll in this case speak for USAI shareholders, we have been able to achieve through this a standalone and independent company with interactivities that already is a large player in Internet commerce worldwide with about 9%, which we hope over the next year that we'll be able to double. We certainly have the resources; we have the wind at our back to be able to do so.

We start off with a projection for next year of over \$600

million in cash flow, we have an extremely strong balance sheet, and we are in an area that is just a perfect time to be in the, so to speak, pure position that we will find ourselves in.

I want to address one other thing, and then I'd really like to turn it over to questions, because I think that's the way we will get the most out of this session. There have been, and it is entirely reasonable that there be, questions about how I will spend my time. I am, of course, going to remain as the Chief Executive of USA Interactive. I will also be the Chief

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Executive of Vivendi Universal Entertainment, which will comprise the studios group, the recreation group, and the USA Entertainment asset. As to how I will divide that time, there is no precision at this. Life does not work that way. I, previous to this day, have divided my time somewhat equally between the two. With that said, I would expect that, again, one side of that would be on one day I would spend a majority of my time on the Interactive side, and the other day I would spend a majority on the Entertainment side. Life works that way.

The one thing that I think is absolutely true, and I have thought about this a great deal in the last month, is that I understand what the responsibilities are. I have history in this area, in both of these areas. I have a very long, as you all know, history in the entertainment business, and I think I have a pretty long history in the, so to speak, Interactive business, which began for me almost exactly ten years ago. So, I know what needs to be done. I am perfectly confident that I can do both without diminishing either, and without in any way having either say to me, "We thought you would be here this morning," or things of that nature. I am really quite confident about that. I wouldn't have done this otherwise.

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Of course, all of my actual equity, in terms of not having sold a share of USA stock, is on the USA side. I have an interest in the Vivendi Universal Entertainment venture, and it's not an insignificant interest, but USA also has a not insignificant interest--5.4% interest in VUE, as we will start to call it. I think that balances are fine here. While I understand concern, and I understand issues, I really do think that I am the one who can tell you all that it is not to worry, and I don't say it cavalierly.

With that, I think that Victor Kaufman is going to do a very brief summary of the deal, and then we will turn it to Q&A.

V. Kaufman

The transaction that we've entered into, with all of its kind of inherent complexity, is really quite simple. USA and Vivendi are forming a joint venture, which will own both companies' domestic entertainment assets. USA Interactive, our new company, will retire in effect 377 million shares, or approximately 47% of USAI's outstanding shares on a fully diluted treasury method basis.

We'll receive \$1.6 billion in cash, as well as \$750 million in a full value preferred. We will also own, as Barry just said, 5.4% of the JV, which we value at approximately \$1 billion.

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VU, for all intents and purposes, will no longer be a USAI shareholder, except that VU will receive warrants to purchase 60 million shares of USA common stock, plus it will retain the upside on an additional 56 million shares at prices above \$41 per share.

To put this in context, if USA sells at \$40 a share, there will be approximately 3% dilution relating to VU's upside interest. At \$75 a share, the dilution is approximately 12%. This dilution, in our mind, is relatively modest, since USAI's outstanding stock base is relatively small.

In addition, USA will receive enough cash dividends relating to the preferred stocks that we're receiving to more than cover all of the deferred taxes on the transaction, which become due 15 or 20 years out with respect to the cash and securities. That's an extremely important point because in the way in which you can look at the transaction, you can view all of this cash and the preferred stock, the \$750 million preferred, as real cash.

If you assume that we have reacquired our own stock at \$22 a share, which is a relatively cheap price, and that's the price we were kind of talking

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about with Vivendi, the consideration received by us in the transaction is \$11.7 billion.

So, what does the new USA Interactive look like after the transaction? We anticipate revenues in 2002 of over \$4 billion growing to over \$5 billion in 2003. EBIT DA for our operating businesses is budgeted at over \$600 million for 2002, and over \$800 million in 2003. We'll have outstanding approximately 427 million shares on a fully diluted treasury method basis, and this low share base should prove as a real lightning rod for growth as we build our businesses at well in excess of a 20% growth rate for the foreseeable future.

We also have a lot of capacity to use for growth. We'll have about \$2.3 billion in cash, another \$750 million in preferred, which we expect to monetize and turn into cash, plus debt capacity of over \$1.2 billion. Based on our usual conservative ways of looking at leverage, we will not lever the company at more than two times EBIT DA, which we have been historically been true to.

All in all, we'll have over \$4 billion to use for internal growth and for acquisitions, but don't think we're going to use this cash for large acquisitions of "overvalued" assets. As you know, we don't overpay. We

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think there are a significant number of potential acquisitions out in the marketplace, which we will pursue to fit perfectly into our integrated interactivity strategy. Hopefully, we can buy those assets at very reasonable EBIT DA multiples, which will be worth significantly more as part of our asset base.

Of course, we believe that we are significantly undervalued at our present stock price. If we just take the considerations we are receiving, which equal \$3.3 billion dollars in cash and cash equivalents, the market value of the shares of

Ticketmaster, Expedia, and HRN, that would leave our remaining assets, HSN, PRC and ECS at being only worth \$2.5 billion dollars, which is virtually impossible in our mind since that valuation would represent a 6.9 multiple of EBIT DA. Hopefully, we are looking at a period with extremely good prospects for stock appreciation and for real growth within our enterprise. So, with those thoughts, now let's turn to questions.

Coordinator Thank you. Victor Miller, you may ask your question. Please state your company name.

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V. Miller Victor Miller from Bear Stearns, good morning. A couple of questions. First of all, could you give us a sense of the size, if possible, of the pro forma revenues and pro forma EBIT DA of the residual VUE Company, as you call it? Secondly, I imagine one of the challenges in the past of ever considering rolling up what's left of some of the public stub companies has been the fact that the entrepreneurs may not want to own certain assets or certain combinations of assets with maybe slower growth, or they may perceive them as being slower growth. Does this change this at all now that you've got all of these kind of similar natured companies under the same kind of thing in the long run?

B. Diller We've thought about this, as I think you all know, and I would think in the next year we will think upon it again. There is, of course, probably a simplicity that could be gained in putting all of the assets, so to speak, together. We're certainly going to look at it. There are reasons to do it, and there are some reasons not to. We won't do it from the first hour of the first day, but we've got a lot of process to get through.

What I think you will see through this process is a much more simplified, so to speak, structure in terms of how we operate these. What they are technically is these are actually subsidiaries because in each one, we

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control those entities. So, whether or not we roll them up or not is something for us to contemplate, which we will do, I would say, at some point. We've been doing it as we go, but I would think we'd turn to it sometime probably after the first or second quarter.

As far as your first question, which related to Vivendi Universal Entertainment, with me here is Guillaume Hannezo, who is the Chief Financial Officer of Vivendi, and he will of course answer this, since I wouldn't even begin.

G. Hannezo The sale of Vivendi Universal Entertainment will be in the range of \$7 billion with EBIT DA between \$1.3 and \$1.4 billion. Its value for the purpose of this transaction has been computed at \$22 billion or less the debt, which is between \$18 billion and \$19 billion; enterprise value \$22 billion, which consists of the \$12 billion...by USA Network, and \$10 billion put on USG.

Coordinator Niraj Gupda, you may ask your question. Please state your company name.

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N. Gupda Good morning, and congratulations. Niraj Gupda from Salomon Smith Barney. The first thing was just, Barry, obviously you are spending your time on both companies, and you talked to that at length, but how do you see both companies being able to work together to create even more value for USA Interactive going forward just in terms of leveraging the assets of the new Vivendi partnership?

Secondly, you guys obviously have a big war chest, and I was hoping you could just speak a little bit to some of the vertical opportunities, just in general, that you're not in today that you would like to be in going forward, in terms of the commerce marketplace and how you think, generally speaking, valuations look in that sector in general.

B. Diller As to the second question, it would not probably be the best idea for us to talk about what we're going to, so to speak, go after or look to. We are in conversations right now that go across the range. You have to look also to the indication of the areas that we've already developed, and our sensibility, which is to only engage in Internet life that is on a real business basis with real margins, either at the outset, or real margins that we believe will be able to be developed over time. I would say that the active discussions that we have are certainly more than a dozen, and they do go

throughout the range of activities. I think it would be inappropriate for us to be any more specific now, except to say that there is a great deal of opportunity out there.

B. Diller For the first question, we're going to execute commercial arrangements with Vivendi Universal as part of this, and I think there is much that we can do, particularly, I think in this regard, outside the United States where the businesses that they are in complement very much the Interactive businesses that we have that have yet to develop in a substantial way outside the United States other than Home Shopping, which is already now worldwide for us in eight languages and countries from China, Japan to almost all of Europe, with one significant territory that is not developed, in Spain, which is very much developed in the United States with HSN Espanol. So, I think that there is a natural alliance here that is going to make sense, I think, for both of us.

N. Gupda Barry, if I could ask one last question. You've started a lot of networks over the years, or at least played a role in creating a couple of big assets over time. As Vivendi does cable networks that have a commerce twist to them, how that might be allocated in terms of the upside that would go to USA Interactive versus Vivendi core?

B. Diller I am glad you asked if there's confusion. The definitions are very clear here. In terms of the future ability to develop assets, everything on the commerce side, or the transaction side, is in the USAI province, and everything on the entertainment side is in the Vivendi Universal Entertainment side. In addition to that, of course, Vivendi has its own Interactive assets, which are separate

and apart from us, but the television channels or services that we develop on the commerce side, of which we plan to develop at least two in the very near term, with one already announced, travel, and in another area we are soon to announce, those will be owned and operated solely by USA Interactive, and part of the USA Interactive business.

Coordinator Gordon Hodge, you may ask your question. Please state your company name.

G. Hodge Thomas Russell Partners. Just a question on the taxes, if could you just quantify the amount that is being deferred, and you said it's all being covered by the cash payments on the preferred?

V. Kaufman Yes. I think the taxes are probably around \$1.4 billion, but they're payable between 15 and 20 years out in time, and the cash dividends that we're

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receiving start at over \$60 million a year and actually get up to over \$100 million a year towards the end, so that aggregate sum well exceeds the tax that we're going to pay on all of the instruments.

G. Hodge Terrific, and then I just had a follow up. I didn't hear perfectly the valuation, or I guess the balance sheet, of VUE--the debt number, you said \$22 billion enterprise value, I think \$1.3 billion to \$1.4 billion in EBIT DA, and then I missed what the debt number was.

V. Kaufman It was \$2 billion.

Coordinator David Lions, you may ask your question. Please state your company name.

K. Stuponious It's actually Kathy Stuponious. Victor, just a couple of housekeeping questions. Can you go over what the ownership stake will look like in the USA shareholder base, including yourself, Liberty Media, and what's going to float? When do you expect the deal to close? I don't think there are any major regulatory hurdles other than Hart-Scott-Rodino.

Finally, a question for Barry. If you look at basically your ownership stakes in Interactive, as well as in Vivendi Universal Entertainment, you

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obviously have a lot of your net worth tied up in Interactive, and it sounds like there is a minimum value to your stake in VUE. Is that a correct assumption, and isn't the Interactive portion a lot bigger?

V. Kaufman Kathy, as to the first question, we're going to have outstanding around 427 million shares. Liberty is going to own 20% of that, and other than Liberty, most of the float really stays as it is today, so I think that we have an extremely favorable float situation. I think the timing of the transaction, as there will be a shareholder vote by our shareholders, we would hope to conclude the transaction during the first quarter of the year.

B. Diller Specifically, Liberty will have 18.6, Microsoft post Expedia will have 3.3, I will have 7.4, and the public will have 59, approximately. As it relates to my own holdings, I am not selling any stock. I have, between owned and optioned stock, shy of 50 million shares of USA. I have an

interest in VUE, Vivendi Universal Entertainment, which is a little over 1%, which has a base value of \$275 million. It has puts and calls attached to it. Everybody can do their own addition. I have economic incentives in multiple places, as I said earlier, and as I think would be clear to all, I think that there are no, so to speak, conflicts in this.

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I saw one report today, which said, "What are going to be the agreements in terms of conflicts?" There really aren't any here. What we have done is we have very carefully divided the definitions in terms of the scope of the businesses in terms of how each area can compete in those businesses--that's absolutely clear. We will have commercial agreements between the two, which will tie us together in various ways, which are to the benefits of both sides. Other than that, the issue for us is to start to work and start building the assets. There is no government issue here. We will go through some of the pro forma things, and as soon as we possible can, we will get on to light and business.

- Coordinator Jeff Lawson, you may ask your question. Please state your company name.
- G. Clowery Gerard Clowery. Congratulations, Barry and Victor. When might the Expedia transaction close now? Obviously there has to be a new amendment to the proxy statement.
- B. Diller We think about two months. I think we have to re-mail, so to speak, and then the transaction proceeds.

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- G. Clowery Secondly, Barry, where is your heart? Is your heart really in the entertainment side of the business, or is it in the Interactive side? I'm just trying to get sense of where your affection really lies.
- B. Diller I have talked about this heart issue before, so I'll tell you what I've said before. This transaction absolutely follows that. I have said over the last several years that it may be odd, but it is true--I have two real hearts going, and they are fairly fullblooded. I have had an entertainment heart going since I was 20-years-old. I'm still curious, and I'm still interested in it, and it's still something that I think has enormous potential, particularly in this period of consolidation and concentration, given now the ability for Vivendi Universal strategy to really compete anywhere in the world at any level with anybody's assets. That's definitely an area that interests me.
- On the Interactive side, since the day I left FOX I have been genuinely interesting in interactivity. I was not a latecomer to the party; I came to it three years before there was an active Internet life, much less the two years after it when there was an Internet explosion. I am fascinated by interactivity. Those who know me and talk to me and hear me and who are around me almost say, "Shut up, we've heard enough about this." So, I

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really do believe, when as you say, "Where is the heart," that that's where the heart is.

As I have said before, and will probably have to keep saying, although I say it because I recognize that people say, "Well, how are you going to do both of these things," I don't think that's the issue here. As I said, I've been doing about half and half anyway, and we've built a hell of an Internet business with half, so to speak, my time. As I've also said, time doesn't run in halves or quarters or anything like that. I am absolutely sure that on the USA Interactive side, we are going to grow this business. This business is at the most interesting, wonderful, opportunistic time for a company such as ours, organized as we are, with the kind of people who are inside this company throughout all of our Interactive assets, so I have no issues, nothing that I would in any way worry about as it relates to my being the Chief Executive of USA Interactive.

On the VUE side, we have all talked about that, and I think that has got some terrific potential, too, and as I said earlier, I am going to have time left over to do the other parts of my life, which some of you who know me know I do certainly in and under the water with some vigor.

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Coordinator Sharon Williams, you may ask your question. Please state your company name.

S. Williams AG Edwards. In the past, you've had a fairly large portfolio of developing assets, some with losses expanding as you develop them and others getting near to EBIT DA positive and popping up to the developed side. Do you think now that you don't have the stability of the cable networks cash flow that that's something you will pursue less aggressively, or how do you view your developing asset portfolio?

B. Diller I would think that we certainly have the capacity and ability to increase it. We certainly won't decrease it. Developing assets either turn into real assets, or you admit your mistakes and you move on. In our case, we have had, I would certainly say, less mistakes than many others have. We have had a few, of course, and they have been very small. We very much as a company believe that you've got to in some cases, and should, start from scratch with original creation, and take your chances with things.

As you all know, we are pretty conservative, and we're fairly hawked on being careful when we actually put money on the table, much less we put equity on the table. So, we'll continue to do it, but we'll do it in the way

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we've done it in the past, which hopefully we'll have few mistakes, though there will be mistakes made--there will be business that don't come to term--but hopefully it will be balanced by an awful lot that do, as has happened in the past.

J. Miller I just want to make a point of fact. If you look at our published 2002 budget, the developing or emerging businesses, the losses in that category are almost approximately half of what they were in 2001. Just as a point of fact, these businesses are tending in the right direction in each case.

Coordinator John Dean, you may ask your question. Please state your

company name.

- J. Dean Loomis Sales. Could you talk a little about your pro forma balance sheet, including any acquisitions that you've already announced, and also give me an idea of what you think EBIT DA will be in cash as well as the value of the Vivendi shares?
- V. Kaufman In terms of the balance sheet, it's extremely strong. We have over \$600 million of net cash now, this transaction will add to that about \$2.5 billion of additional cash, and we'll have \$3 billion. We're in a very, very strong position. I'm not sure I understand the second part of the question.

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- J. Dean How are you valuing the Vivendi shares?
- V. Kaufman The shares that we repurchased?
- J. Dean No. I think that you're getting shares of Vivendi?
- V. Kaufman No, we're getting shares in the joint venture, which is VUE, and we're valuing that based on an enterprise value of \$22 billion with some debt that's attributed to it.
- J. Dean How much debt do you expect to have on your balance sheet including the effects of any acquisitions that are pending?
- V. Kaufman As I said before, we don't have net debt today--we have \$500 million of outstanding of public debt. Our debt on a net basis will not be in excess of \$1.2 billion or two times our EBIT DA now, and I think as we do acquisitions, we will use the cash that we have and not really increase the debt beyond that, and we believe that we can do acquisitions to really buy very strong EBIT DA or businesses that are about to enter the profitability stage. We think ultimately, as we use this cash, that we'll be able to do

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acquisitions with net multiples of ten and below, which when translated into our company should translate into greater value for us.

- J. Dean So, the debt outstanding roughly is around something over \$500 million?
- V. Kaufman Yes, in terms of actual debt.
- Coordinator Max Lew, you may ask your question. Please state your company name.
- A. Richards Actually, it's Amy Richards. I hate to go back to the debt issue, but I know, Victor, you mentioned on the previous call that the outstanding debt would remain obligations of USA. Can you actually split off the major assets of USA Networks and Sci-fi channel without tripping any of the covenants under the bank indenture?
- V. Kaufman Yes, we can. I would think that bondholders would be extremely happy. That debt has always been guaranteed by the parent company, and I think everyone has always looked at all of the assets, and now the assets that we have include an extremely large amount of cash, and we're not going to use that cash to buy really, really high multiple businesses. We're going to use the cash to buy EBIT DA, so I think that over the course of the next 12

to 18 months that we're going to be actually replacing the EBIT DA of the businesses we just sold.

Coordinator Jetsen Joshi, you may ask your question, and please state your company name.

J. Joshi Good morning. Jetsen Joshi from JP Morgan. Just to follow on, then, the \$500 million in debt will stay with USAI, and the numbers you gave earlier in the call were related to that entity, which was \$4 billion in revenue growing to \$5 billion, and cash flow going from \$600 million to \$800 million? Is that correct?

B. Diller Yes, that is correct.

J. Joshi At the same time, a little bit later in the call you did say that losses were narrowing in some of the less mature Interactive businesses. On these projections, it seems like the EBIT DA margin is staying flat essentially year over year, which doesn't necessarily indicate an ongoing improvement in some of the loss producing business or some of the less mature businesses. Could you just flesh out a little bit more of the 2003 projections? Does that include some amount of acquisitions, or is it just the base business here?

V. Kaufman It's just the base business. It doesn't include any acquisitions at all, and I think once we factor in acquisitions, the growth rate, which is incredibly strong growth on the EBIT DA line for our operating businesses, I think, will even become stronger. We are really poised to grow at a very strong rate.

B. Diller Margins on the operating business go from 13.1 in 2001, to 14.4, we believe next year, to 15.5 in 2003. That's not bad growth.

J. Joshi So, the hundred basis point improvement is going to continue into 2003? I was perhaps rounding some of the margin numbers, but that's kind of what you're expecting into 2003?

V. Kaufman Yes, and as I said, I think we will do better than those numbers as we factor in acquisitions.

Coordinator Sam Morely, you may ask your question. Please state your company name.

R. Sing It's Rick Sing at Carsh Capital. I just want to make sure I understand the remaining entity completely. Based on your current capital structure, you have 427 million shares, \$3.3 billion in cash, and about \$500 million in debt. When you talk about the \$600 million in EBIT DA, what operating assets does that include? Does that include the consolidation of Room and the Ticketmaster Online, or is that just the operating assets that you don't have public equity stakes in?

V. Kaufman No. Those are the operating assets that we consolidate, and we consolidate all of the publicly traded subsidiaries.

R. Sing What is the EBIT DA of the assets that aren't publicly traded?

B. Diller For 2002, it's \$360 million, and for 2003 it's \$460 million.

R. Sing Does that include the losses from the developing assets?

B. Diller No.

R. Sing What would the losses from the developing assets be?

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B. Diller In 2002, \$69 million, and in 2003, \$39 million.

Coordinator Victor Miller, you may ask your question. Please state your company name.

V. Miller Victor Miller, Bear Stearns. Just a follow-up on free cash flow. What's the impact of free cash flow here, because obviously you won't have the programming investments, which have been substantial? What's the impact of cap ex? Then, out of the cable fees for broadcasting cable, how much of that has been related to USA and Sci-fi side? Again, on the tax side, you've also paid taxes to Vivendi for its portion of the taxable income on the USA holding now that that's gone. What's the overall impact of free cash flow? It seems like it would be positive, yes?

V. Kaufman I think it would be extremely positive. The only real deductions from the EBIT DA are cap ex, which are significant but not huge. I would say it would probably range in the \$100 million-plus category, so we would have very significant free cash flow going forward.

Coordinator Our final question comes from Alan Katzen. You may ask your question, and please state your company name.

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A. Katzen Barry, it's Morris Mark and Alan Katzen. First of all, congratulations. Secondly, one thing I didn't quite understand is USA will now have a minority interest in Vivendi Universal. If Vivendi Universal is not a public company, how will USA benefit from that, and how will you ever be able to either personally, or from the viewpoint of USA, monetize that investment?

B. Diller On the USA side is an investment in Vivendi Universal Entertainment.

A. Katzen Exactly. That's not a public company.

B. Diller It is not a public company, but there are puts and calls that come into effect in five and eight years respectively to monetize that asset. We're certainly hopeful that over that period it will grow, and we have not done a very good job if it did not substantially grow. As it relates to my interests, there are puts and calls that begin essentially in year two.

If that answers fully that question, then I would like to thank you all. We are available on and off line as we wind our way through this day to talk with you about any and all. We only in summation say, that I think we've

just, so to speak, set free the power of USA Interactive, and I think you'll see that develop over the next period fairly quickly.

I, with my colleagues at USA Interactive, who will be the name of the company, will look forward to talking with you and both telling you what our plans are and answering any questions as we go. For now, thank you for being interested and being on the call.

Coordinator

That concludes today's conference call. You may now disconnect at this time.

USA will file a proxy statement and other relevant documents concerning USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and certain related transactions with the Securities and Exchange Commission ("SEC"). INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED IN THE FUTURE WITH THE SEC BECAUSE THOSE DOCUMENTS CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE PROPOSED TRANSACTIONS. Investors will be able to obtain such documents free of charge at the SEC's website at www.sec.gov. In addition, such documents may also be obtained free of charge by contacting USA Networks, Inc., 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations.

INVESTORS SHOULD READ THE PROXY STATEMENT CAREFULLY WHEN AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISION CONCERNING THE PROPOSED TRANSACTIONS.

USA and its directors and officers may be deemed to be participants in the solicitation of proxies from USA shareholders to adopt the agreement providing for USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and the other related transactions described therein. A detailed list of the names and interests of USA's directors and executive officers is contained in the definitive proxy statement on Schedule 14A filed by USA with the SEC on April 9, 2001. Copies of USA filings may be obtained free of charge at the SEC's website at www.sec.gov < <http://www.sec.gov> >.

VIVENDI UNIVERSAL USA NETWORK

PRESS CONFERENCE TRANSCRIPT (10:30 AM CALL)

[recording device is activated]

UM1: OK... thank you for joining us this morning...I was, this morning, as a true New Yorker, going through my New York Times newspaper when I read these headlines: Messier Hits Milestone in His Search for a Title. I found that was a little bit strange of a title of headlines for today's announcement. And then I was going through the article, who says: Messier who turns 41 next month--no, sorry, it has been 45 this months--demonstrated Saturday night. I saw that it was more on Sunday night that he can still play a young man's game--not so sure--and a team game when needed. Definitely so--the team game when needed. And after that it was saying longevity's probably the first thing that comes to mind; and also being pretty lucky and fortunate to be surrounded by good people all the way through...yes...being surrounded by good people all the way through. And that's the reason why I'm so pleased this morning to be here on this stage with Barry...but to have in the front row here my friend Edgar, Pierre [unintelligible], Ron Meyer, who is going to be the clear number two of this wonderful venture...Michael Jackson. And after reading the New York Times, I was going through Barry's statement. And Barry's statement in his press release...there was one expression I like very much: 'great Good Luck.' I can take it. I have

a great good luck...which is to be able to transform and grow a group like Vivendi Universal; and to be able to work with people like Barry, Ron, Pierre, and a few others. So, that being said, and definitely Mar Messier is a great player...[laughter] and I am not. That being said, let's go to the core of what we are doing together" creating Vivendi Universal Entertainment, VUE in English...VUE, or 'VUE' with a loud French accent. And let me start by telling you that this has been a story in our discussions between Barry and I for more than one year where we have been discussing since the very beginning of the creation of vivendi Universal...what we can

do and what we can do more together. Even if it has been in real terms and agreements the very day of Thanksgiving, which was a good sign. And it was, which is also a...looking to the future, it was a wireless handshake...you have pictures requiring live handshake...today most of the handshakes are wireless handshakes, and that's where the future lies. And in that case, it was a Thanksgiving wireless handshake. This combination that we are presenting to you this morning is the simplest you can imagine. It is simplest because this is the time in the US industry of integration and consolidation. And putting together Universal Studios Group and USA-I Entertainment assets is an obvious move for both of us...it's a natural fit. So if that's obvious and natural, let's do it. This combination, VUE Entertainment, is creating a new US major...a tier one player. And

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that's the reason why we choose as a code name for these discussions: Tier One because this code name is exactly expressing what we intend to build and to develop. And we saw that it was the right place to compete and the right time. And thanks to these transactions Vivendi Universal's strategy in the US is coming together and I'm glad of it. So very simple on the strategic basis...very simply also on the management side and on the people side. This business is about talents. Talents are the keystone...the key asset of the creative businesses. And, here, vivendi Universal Entertainment will start with the greatest talented team that you can imagine. I'm glad for that to have Barry's commitment to be on board as the chairman and CEO, both for Barry's industry vision but also for Barry's track record in terms of cash [unintelligible] gross, asset value...that's my job vis a vie VUE shareholders. By introducing Barry in this position, I'm serving my shareholders. But this team is, and all the leadership of Barry, not only about Barry. There will be a clear and fantastic number two with this team...his name, you know him, that's Ron Meyer. And Ron has achieved since Edgar has come to join Universal Studios, the most wonderful turnaround and successful paths of the histories of this industry in the States. Ron will be along Barry the number two of this venture with...along with him three outstanding top executives: Michael Jackson, who will report to Ron and who will, for the film spot,

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report to Stacy--Stacy will have under her leadership all the movies activities. Stacy will report to Ron; and Tom Williams on the recreation business will do so too. A wonderful team...with the addition of Pierre Leskur. And when I was asked over the last few days on when I heard questions about, 'How is that going to work between Barry and pierre?' I was saying to myself, 'look, it means that Pierre has made a good job with Universal Studios and in the integration between Universal Studios and Studio Canal over the last year. Because if Pierre has not made a good job over the last year this question would even not arise. So, this business is about talents. We have a wonderfully talented team around the leadership of Barry and Ron. This transaction is so simple on the personal basis. Barry and I...Barry is supposed to have--I read that also in the press this morning--a strong personality. Wow. [laughter]. I Think that it's going to be easy to work because our relationship

is based only on two things: the first one is trust and respect, trust and confidence; it's achieved by being candid, direct, and business-focused. And a second characteristic of our relationship is, in this case, mutual freedom. Because of those two characteristics, this may and this will work. On the financial side...that's a clear win-win. USAI's getting a good price and a full price for its assets. But Vivendi Universal on this side, without getting into details on the financing, we are fully taking the advantage back of the initial transaction originated by

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Edgar Broffman Jr. To have a step two you need a step one. That's basic but that's true...everywhere at any time. And, as you realized, most of the price that we are paying for USAI Entertainment assets are the shares that we received at the time of the '97-'98 transactions; and the cash, even on the nominal basis, we used it nicely over that period of time that we received at that time. Most of the transaction is based on the initial consideration received by Seagram. So to a large extent I want to sort of thank and to thank my friend Edgar Broffman for having initiated this transaction in '97. There was a few goals in this transaction. The first one, which was uncertain in terms of timing at that time, was a dream of Edgar to get the full control back of these assets one day after having them being grown and successfully grown by the best manager...[recording briefly stops then starts]...We are swapping non-co, non-consolidated assets against fully controlled--Barry, the lights will go up when you stand up. [laughter] So, it's a...it's very good because those non-co, non-consolidated assets...we are turning them in fully controlled, fully integrated, fully managed, fully consolidated, full access to cash flow, strategic assets. And, finally, we get so the relationship and the enhancements of our relationship with Liberty Media. This value and industry-driven transaction is very positive to Vivendi Universal. I want to welcome...so in this room I speak about the first row but in the last row...Doug, thank you for joining

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us because when we are speaking of leadership of Vivendi Universal, we have to realize that's a great part of this leadership is Doug's success in creating, developing, strengthening, the absolute world leader in the music side, Universal Music Group, and I can tell you that with Doug and all his team around him our intention, Doug, is to kill them all. And to have UMG even as a stronger leader on the music industry. So, ladies and gentlemen, one year after the creation of VUE, all the skills, all the assets, all the talents that we need to fully deploy...our strategy, are within Vivendi Universal or within our close partners. This transaction allows us definitely to successfully implement this global strategy in the US and abroad; it does address what was seen as our relative weakness--that is to say integration and distribution on the US market...not forgetting our clear advantage. Even more so, after this transaction, we are definitely a global group well balanced between USA--forty percent of our turnover--and non-US world, sixty percent. This is a great step. The ultimate goal is clearly to make from Vivendi Universal the global media leader of the future. This is a great step towards this goal. I am pleased to be able to announce it today

with Barry...with the support of Barry but more than with the support of Barry, also with the support of all the teams--especially those who have been gathered and, at that time, Edgar's leadership in Universal Studios

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around Ron Meyer. So, ladies and gentlemen, that's my pleasure to introduce to you a young man named Barry Diller.

Barry Diller:

Thank you, Jean Marie. You know, I'm not so sure that I like descriptions of age. I think, you know, leading off with it was a bit unfair though. Uh, contrary to written recent opinion, I am not sixty, I am fifty-nine...but I'm not sixty...YET. Hopefully inevitably. Um...the other thing is that, though we use this name, which we did, which was Jean Marie's idea called 'Tier One.' From the outset was our code name...our little code didn't seem to work very well since this has been out there in the world of comment and media now for a little bit. In a way, I think it's kind of good because, uh, it allowed people to get comfortable with...with what is a complicated transaction in...in its organization; but what is, in actual reality, very simple. What we've done, and I think that what we've been able to achieve is the testament to the ability for it to have some success...what we've done is to have, in a sense, early re-patriation of the assets of USA on the entertainment side that...when Edgar and I did our original transaction it was quite clear that the motivation was, of course, for the assets to grow in value and then, at a point, it was determined then that that point would be, when I ceased to be the chief executive, that Seagram's and Vivendi Universal as its successor would have a 'path' to control; that path to control would have undoubtedly been exercised and the assets would

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be put back together. What neither of us knew at that time was that while there was some consolidation and concentration, it had not reached fairly fevered pace that it has in the last several years. And what that did to really...Jean Marie and I, when we started talking about this, is we really said to each other and we...we...the real, I would say, connective tissue began right after Labor Day when we sat in a room a couple of blocks from here and we said, 'you know, if we don't solve this issue...if we don't solve this issue between us, while we have all got our reasons why because it's difficult to do, it's complex to do, it involves personalities, it involves all sorts of...of conflicts in terms of who owns the shares and all of that. But if we don't solve this, years from now, people will look and they will say, what dopes were you both that you couldn't figure out how to get these businesses to align themselves correctly for the future.' And what we've done is essentially that. Before the 'termination date' of repatriating these assets the wisdom in this transaction is what we've been able to do; and, I think, a perfectly balanced way is we will take the entertainment assets of USA and put them together with Vivendi Universal's assets so that they can operate on a real scale integrated--which they must be if, in fact, there's gonna be the kind of growth and competitive thrust that's necessary in this world. And, on the other side, the USA Interactive assets--and later we're gonna have a press conference on USA Interactive. We thought to

combine everything in one thing would drive you all crazy, much less us, but...so, immediately after this, we're gonna turn to explaining a bit more about what the USA Interactive company is. But to be able to have a USA Interactive stand-alone, independent company that has tremendous out-of-the-gate, so to speak, starting gun in the fact that it will have...six hundred and some odd million dollars of cash flow in its first year next year...uh, close to three billion dollars in cash...and in an area that's full of so much promise. The ability for that company to be on its own and the ability to consolidate these companies AND, I think, the ability of...[fumbling noise] god forbid I press this, it will eject...it says Eject Number One--that's me, so...[laughter]...that what we're gonna be able to create on V-U-E, VUE, which we think will over time the little acronym will...will...

Jean Marie Messier:

-You can see that everyone is making progresses in French.

Barry Diller:

Yeah, definitely. Let's see...[laughs] so...the ability of us, together, to strategize what is possible; and somebody asked me earlier, they said, well where does your heart really lie in this? I mean, do you have an entertainment heart or this interactive heart?' And I said, 'I've been saying long before this,' and people who have heard me bam around in conversations and presentations et cetera, I said that 'the truth is that I certainly have a long established entertainment heart. I started in the entertainment business when I was round

twenty. I haven't lost my curiosity for it. I started my interest in interactivity and developing that part...god forbid I would call it 'muscle,' whatever it is...'blood' and whatever in '92 right after I left Fox, long before there was an Internet or long before there was a functional Internet. So, I actually...I have genuine, so to speak, heart in both places and...uh...so I think that the ability to do that and to play this role in VUE...uh...gives us the ability, I think, first of all, to have a great good time in addition to the great good luck that we've had heretofore and that we have in this in competing all over the world. The other thing that I would say is that...as it relates to my time and people's questions about, well what am I gonna do with my time? And how am I gonna split it? The truth is you can't chop time in percentages...you can't...it doesn't...that's not real. I basically, up until now, spent about fifty percent of the time in interactive and about fifty percent of the time on the entertainment side. The interactive business has grown, the entertainment business has grown. ON some days I'll spend ninety percent on interactive or ninety percent on VUE. But I believe, and we've talked a good deal about this, that I'll be able to do both areas of my responsibility without it being a burden on either. I actually think it will help either. So, that's the thing on time. You may want to ask additional questions; to the extent I can answer them I'll try but that's my thought on that. As far as the people I get to work with...on the side

of this new venture. First of all, I've known Ronny Meyer, he's been my friend for, I don't know, too long a time...not too long but a long time only in terms of judging the width of the tree. But we've been friends for a very long time. And Pierre Leskuer, who I've known for several years now and I would say that...actually pre-dating this transaction we began to be friends...we have some French in our lives commonly although my wife is Belgian though the language is...that side of the language is French...uh, and she has a flat in Paris and, so, I have...I certainly believe that Pierre is my friend and I'm...in the process of what we've put together I think I'm gonna enjoy that association. Michael Jackson, who is sitting here, recently came to USA to run its entertainment businesses, to be in charge of them, because I felt they absolutely had to have the full time attention of a single leader and Michael Jackson is that leader; previously he ran what I think is the best channel in the world, Channel Four. I thin we have organized this in such a way, in the conversations I've had with Ron and some conversations I've had with Stacy, and some conversations that Michael and I have had...I think we have an original organization for this; it is going to be tension-free. It is certainly hopefully going to be lively and opinionated and full of the passion of argument, which is where I think the best stuff comes out of almost anything creative. But I think it's organized at the outset correctly. And, as far as the

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interactive side, I'll deal with that later in terms of its executives here in this part. With me this morning is John Miller, who is the CEO of information and services on the interactive side of USA. So I think, I mean, although I've probably forgotten something, I'm happy...I'm happy to shake your hand actually although I don't want them to take any pictures because they'll be THAT picture, you know? That kind of bromidic picture and whatever--we'll avoid that. But we will be happy to answer any questions that you have...

Jean Marie Messier:

Yes? ON the left side?

UM2:

[question in French]? [now speaking English] Last question if I may ask to Mr. Diller. It was in the communique this morning about the French producers basically about, I quote, 'an Americanization of French cinema.' I just wanted to have your views on that, I mean, after Mr. Messier, if I may. Thank you.

Jean Marie Messier:

Not only...don't apologize to ask the question in front of Pierre Leskur, that's...that's no problem there. Uh, as I was saying, the fact that this question is raised just shows that Pierre Leskur presents and work in L.A. with all the USG team over the last year...has ben very successful. But what we have achieved, which was not obvious at the beginning, the French guy, even knowing the business, coming to L.A. has been totally overcome...and that several very positive outcomes have been reached through Pierre's action in L.A. one of the most important for me being the integration between the US and

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European side, between Universal Studios and

Studio Canal. That job needs to go ahead, needs to be pursued, and no one here has better skills than Pierre Leskuer to continue this job. And, on a more personal basis and that's something that we discussed with Barry and which is very substantial with not only Barry's views but with our own internal management's views and with what has happened, for example, during our discussions with Ecco Star, as an entertainment group we need to be able vis a vie distributors to deal as one single entity. And I've discussed so many times this point with Edgar Broffman, who's smiling right in front of me. And we had been successful in breaking the deal with Ecco Star only because at the end of the day we had been able to make the arbitrage between our technology interest, our TV and film interest...Doug, our music interest, our games interest. We need to act as one single worldwide content group. So we will create a worldwide entertainment committee, which is going to be gathered, let's say, half a day every month and whose main goal is going to gather all the strengths, all the entertainment CEOs of the group...starting by Barry and Ron...Doug, obviously, and [unintelligible name] Turen on the publishing side, to make those positive arbitrage, to extract the synergies between our content businesses, and to have one single voice in our relationships with the key distributors. And I've asked Pierre, who has been very successful in integrating the movie

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business on the two sides of the Atlantic, to be along with me in managing and sharing this committee. This is very important to us and this is very important to the group. On your Franco French movie industry question, may I just say that, as we all know and as we all understand, the Franco French exception culturelle is dead. We are today in a time of cultural diversity. What does that mean? It means that you need to be both global and local. The wonderful success of Doug Murray's team is the UMG is not only the world leader, UMG is a local leader in six out of the seven main markets around the world. WE need to understand that this is true on the movie side too. The interests of Vivendi Universal is, on one hand, a rather wonderful US major...very successful, very dynamic. Vivendi Universal Entertainment in the US...and, at the same time, to keep Canal presence, Studio Canal being the first support of the French movies industry. But as Canal proceeds as sole and first support of the Polish movie industry in Poland...of the Italian movie industry in Italy. And, for me, let me put it in perhaps a too aggressive way: that kind of statement sounds a little bit archaic in the times that we are living and in those times of cultural diversity. And the anxiety underlined there is totally artificial and has no basis. Yes?

UM3:

Mr. Messier, Nicola Bai from Lezico. I have another Franco French question if I may. You remember a few years ago your good friend Rupert Murdoch had to take the US citizenship. Do you--because of

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his investments in this country--do you think that you will need to do the same?

Jean Marie Messier:

No, I don't think so. I'm pleased that Rupert is a US citizen. I'm proud of my French passport and, uh, I think that obviously in this case we do not

need that. May I underline very...very narrow difference between Rupert and I. I think that he is basically the owner of this group. I think that I'm the chairman and CEO of Vivendi Universal on the behalf of my shareholders and vis a vis any question relating to nationality and passport...it has...it makes a difference. Part of Rupert's US citizenship was, was linked with regulatory issues. So, let me be clear, I'm proud of being a new Yorker--even more so after nine, the eleventh and I'm proud to have my family living here. We are a global group. I'm the French chairman and CEO of the global group.

Barry Diller:

I would only add that my wife is a Belgian and in Belgian law if you are married, you can have a dual citizenship. So...I'm going there. Yes? Oh, more in the front.

Justin Opelar:

Justin Opelar of Variety. Just a question--with the backdrop of tremendous success in the film division over the past year...any concerns about continuity? You know, given that this is a, you know, substantial management change and kind of, you know, a new structure. And then, one more question, just now that you guys are getting into, you know, the television business to some extent,

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there's gonna be some ad exposure there, that had long kind of not been a very significant part of your revenue model. Any kind of concerns about, you know, exposure to that very cyclical market?

Barry Diller:

On the first part, um, as I read someplace that...what I'll do is fix something--try to fix something that ain't broke--one the contrary, as I've talked with both Ron and Stacy, I'm gonna cove to their culture in this area and, in fact, I'm just a complete supporter of what they have done. I can't imagine that there will be any disruption of any kind in any area on any level or in any particular. It just simply seems to me actually impossible. As it relates to ad exposure I think, Jean Marie, you can answer it as far s the percentage of advertising exposure. I would only say one thing about the, the nature of cable television networks is that they have, of course, two streams of revenue; one comes from advertising and the other comes from subscribers. And it is the strength of those revenue streams that are guaranteed, so to speak, that makes what is, of course, a terrible advertising climate which is gonna continue for a bit. It isn't gonna continue forever, obviously, but it certainly allows the level of program commitments that Mr. Jackson has been engaged in, in juicing together in just such a short period of time from being made to create the assets that when there is an advertising economy with some robustness inside of it that, in fact, the advertising revenues

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will shoot back in; but it's protected to a degree by subscription revenues.

Jean Marie Messier:

And just to give you some orders of magnitude, Vivendi Universal Media activities will represent, '02, basically, 32 billion Euros of turnover. The turnover of USAI Entertainment assets are two billion Euros. One set of that is advertising driven, that's six hundred or so, that's in order...just to fix order of magnitudes...two percent of Vivendi Universal media turnover. So, our exposure to advertising as a group is going to

jump to double from two to four percent. I'm very fine with that and I'm very fine that it keeps to Vivendi Universal its very strong defensive qualities in the current environment.

Barry Diller: In the back?

UM4: At four percent maybe it can go higher. What is your opinion of the broadcast network business? Would you like to own one? Do you see any value in those businesses right now?

Jean Marie Messier: Can we just stop asking when we are presenting to you what we think is a decisive step, to ask about...yeah, but please, don't you have another one in mind? No? WE do not have another one in mind. Two thousand one has been a year for Vivendi Universal of integration in addressing what was one relative weakness on the US market...the lack of integration in the TV and movies filed, and a

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lack of access to distribution. So the combination of the acquisition of USAI Entertainment assets and the strategic partnership with Ecco Star...we are fully addressing this relative weakness. Let's work primarily for 2002 to the internal growth of our group. And I can tell you we have a goal in 2002 in terms of revenues gross, which is to continue to reach and to reach in 2002 a double-digit organic growth. I think that at the end of the day such a step as of today is critical for our strategy. But the key strengths of the group? That's to make double-digit organic growth every year. In 2002, we are going to focus on that one.

Barry Diller: On this side...

Jean Marie Messier: And you tell us in the back of the room if you have any question coming from the outside?

UF: [inaudible]

Barry Diller: OK, another couple of questions here and then we'll go outside.

George Stallag: hi, gentlemen, George Stallag with the Hollywood Reporter. Quick question. Can you talk a little bit about specific projects that you guys might have been discussing already that leverage the strength of the now-combined operations? I remember you guys have kind of indicated that we might see a Fast and Furious TV series, something like that. What's the latest there? What else might you guys have in mind?

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Barry Diller: I mean, I think that there's a...there are a series of things that we've already started to discuss that we actually have been discussing for a little bit before...uh, there is a vast library at Universal in terms of the past both in terms of films and television. There's this wonderful cream that has risen to the top in the last few years, of those titles, that can play their role in terms of potential television series et cetera--I mean, rather than give you specific titles and such. But the work has already begun on that. We think that the prospects are rich and we would think that over the next period you'll begin to see them develop.

Jean Marie Messier: ON the left side? Yeah, we will go back to you right after. Don't worry.

UM5: Why the reluctance, Mr. Messier, to discuss the financing? Can you give us some details on how you're going to make this...

Jean Marie Messier: -The financing is very easy. You have, basically, three parts in this deal: the first one which represents two-thirds of the global compensation of the acquisition is by bringing back to USAI those 330 million shares of USAI that we are owning. And Barry is going to reduce the capital of USAI with that. That's basically giving back the shares that we received at the time of the initial transaction. The second part of it, in rough terms, of the 32-million Vivendi Universal shares that we are swapping with John Malone...to get more USAI shares that we also bring into the transactions. It's a 1.6 billion

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dollars consideration in treasury stock. And, finally, you have a cash portion of 1.6 billion dollars, which is an amount equivalent to the one was given to Seagram in 1998. Uh, the 1.6 billion dollars of cash has been pre-financed by the sale of our 'B Sky B' stake last week. And using our treasury stock to gain Liberty Media as a core shareholder of Vivendi Universal and helping this transaction to happen, [unintelligible] for our shareholders a very good use that we can do with our treasury stock. At the end of the day, this transaction is not putting pressure on Vivendi Universal. On the reverse, what it allows us to do is to increase our EBITDA target for 2002 by more than ten percent. It's to increase our net income in 2002 by roughly 200 million dollars. It's to increase the net free cash flow of the group in 2002 by, let's say three hundred and fifty million dollars. At every level of the PNL and of the cash flow that you may look at, this transaction is very positive to VUE shareholders year one.

Barry Diller: Why don't we go to the question behind that we didn't do and then, as Larry King says, we'll go to the phones. Yes?

UM7: Thanks, Thierry Arnot with Le Tribune and the French Business Daily. Uh, I was wondering whether you could both elaborate on the reasons why you decided against integrating the whole of USA networks into Vivendi Universal. And the second question related to that is do you look at it in the same way, in a sense, you are looking

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at TV back in '97...in other words, let's grow the assets separately with a view to later repatriating them into Vivendi Universal?

Barry Diller: Well, I would say, as to the first question, that one of the foundations of this--and I think the art of the transaction--was the ability to have these USA Interactive assets stand on their own separately as a pure business line. And this area of interactivity, while it has certainly gone off like a rocket over the last several years in oft spoken bubble terms is nevertheless the real deal. Interactivity and the...the convergence in all of these, so to speak, media of information and entertainment and direct selling. I mean, interactivity as an organizing principal, standing on its own, is a wonderful business proposition and we've been able to build real companies. It's very important in this transaction and in the art of it I believe that we were able, in a sense, to

carve this exactly correctly. And, so, there is this USA Interactive company that I hope and I believe will go one for a very, very long time...growing and building in that...truly important sector of world business; and each year, I believe more so. It has...it does not have, as it relates to the second part of your question, some of you will want to add to that...it does not have the...the foundation principal that the other transaction had. I think much of the misunderstanding and...and, as I've said in a quote that I gave about this, totally unfair criticism of that transaction. The original transaction was it was ALWAYS

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understood that in that transaction these assets would return. It was understood, by the way, and implied that the best of all possible worlds would be if they increased in value because if they decreased in value. in fact, that would have been a tragedy. In fact, they did increase in value. As Jean Marie has said, there had to be a step one before step two and those shares that were part of that transaction are what, to a very large degree, paid for its repatriozation. So, uh, I think that...as it relates to the same thing happening all over again, while there's nothing in the world that I would preclude, because there certainly is the ability for anything to happen, USA's course is clear and independent. USA Interactive is clear and...independent and there are no such agreements or discussions or et cetera or anything that is a foundation principal with regard to that.

Jean Marie Messier:

Just two quick points, the first one to underline. Those assets have grown in value and we are paying them with the USAI stock, which as grown in value at the same time; that's the reason why from a VUE shareholder's point-of-view this transaction makes a lot of sense. And on the interactive side, just to make you sensitive to one point, we are very much looking with Barry to build between vivendi Universal net and USA Interactive the right commercial long term agreement between our respective interactive and Internet-based businesses. If we were able to play it right, through the right cross-marketing agreement, do you realize that together those assets in

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terms of unique visitors reach will rank on the worldwide basis, number four? Right after the three ISPs: AOL, MSN, and Yahoo! If we play as a ring to a large extent VUE Net content online Internet sites and the wonderful transactional businesses of USA Interactive, we will be together number one of the non-ISP in terms of Internet reach. I think that it gives you an idea of the potential which does exist here through commercial agreements between us and it does explain to you the reason why I've been discussing with Barry and requesting through the transaction to get for the benefits of my shareholders--of VUE shareholders--a very significant amount of warrants on USAI Interactive to get Barry my share, my stake or my shareholders' stake, of the value that you are going to create also on the interactive side.

Barry Diller:

And we're hopeful that it comes.

Jean Marie Messier:

Outside?

Barry Diller:

Yes, let's take it. Okay?

Operator: [through phone connection] We have a question coming from Richard Berrier, you may ask your question. Please state your company name.

Richard Berrier: Um, yes, Richard Berrier, Los Angeles Times. Just a couple of questions. I was a little unclear on Mr. Armstrong's role in the structure? Can you clarify that? I also wanted to ask what the value of this venture will be. And the third question is, um, if you could

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perhaps elaborate on some of the most fundamental changes we can expect to see at Universal Studios including in the recreation group?

[recording abruptly ends]

[end of tape, side A]

[start of tape, side B]

[recording device is activated]

Barry Diller: Well, first of all, I think as it relates to Mr. Armstrong I would direct you to AT&T.

Jean Marie Messier: It was Jackson perhaps?

Barry Diller: Did you say Jackson?

Richard Berrier: I'm sorry, Mr. Jackson.

Barry Diller: Sorry, then...the role of...I thought I...

Jean Marie Messier: Michael, you're not leaving for AT&T are you?
[laughter]

Barry Diller: No-no-no. Michael Jackson is not Michael Armstrong. Uh...I think I spoke about it earlier. Michael Jackson is going to be the senior executive on the television side of the combined Vivendi Universal Entertainment and, as it relates to changes at Universal Studios, we've talked about that. I think that, in fact, I certainly anticipate none. I would direct you later, after this press conference you can all gather around Ron Meyer and Michael Jackson and they'll tell you what they think because they're the responsible parties.

Jean Marie Messier: And with Ron as number two to Barry you can imagine that it's going to be a strong team. Value, which was your in the

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middle...uh...in between question? Uh, let's be over simplistic that's the only way because this financial transaction is a little bit complex. Barry has a lot of very nice people around him who love sophistication in the financial deals.

Barry Diller: let me just say we're evenly matched. [laughter]

Jean Marie Messier: That's quite simple. You may have seen different figures in terms of value of the deal. Let me take the three key figures: 10.3 billion dollars is our value of the deal based on the thirty days average for any stock transaction within the global agreement. We took a thirty days average because that's usual and because it can be an unaffected price after the leak of last week--that's 10.3. Ten point eight billion dollars would be the value of this transaction if you take Friday close stock

prices. The problem for us with that is that Friday close do include part of affected stock price on the USAI level. Basically, it gives a 10.3 to 10.8 billion dollars range. The only other difference between USAI approach and our approach is that obviously we are taking into account the value of the warrants that we are receiving on USA Interactive. Twenty four million of those warrants, the first trench of twenty four million is not so far, even closer, since the opening of today from being in M&A. They have an objective market value, very significant value to our shareholders that we are taking into account. USAI, looking at the sales of the entertainment assets on a stand-alone basis is not taking into account

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this value of the warrants; it's a discrepancy of basically eight hundred million dollars, which may leave you to the 11.6 or 11.7 billion dollars, which has been the other figure mentioned for the value of this deal. Obviously, between the...on the warrants, the two approaches are correct. USAI shareholders can look at the value they are selling the entertainment assets; and we are looking, as VUE shareholders, at the total amount of what we get, what we pay for, and what we receive. And, so, we do integrate those warrants with, as I was just mentioning...have a true and very impressive value. I think that those warrants are long term, ten years, let's you...Barry? Time to grow and grow and grow again the value of USA Interactive businesses.

Barry Diller:

The way we look at the warrants, obviously, from USA's point-of-view--the only issue for the warrants is dilution and the dilution clicks in...first of all, a very long time from now and also at prices that...that are certainly higher than our current share price. So, for us, the effect of the dilution, given our share base, is fairly small and, therefore...and its timing is distant. And, so, consequently, for us in valuing the transaction we feel we legitimately value it at a different basis. This is...well, people would say how could you value the same transaction two different ways? Well, the truth of it is of course you can; there are two different securities, they have different characteristics, the considerations are different in terms of valuing

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them on either side; and it's, of course, open to interpretation. It's what keeps analysts happily at work and alive. Uh...were not concerned at all by this and we think the simplistic explanation of this is the one that will carry.

Jean Marie Messier:

This range is basically sixteen to eighteen times eBDA pre-synergies and twelve to fourteen times EBDA post-synergies. And, one more time, we are paying mostly...with a stock that will receive initial...and I think that whatever you look at this transaction, all of this makes a lot of sense. But speaking about financing and structure fo the transactions, that's also the...the occasion to thank all of our internal teams who have worked on these transactions but also the outsiders and I'm thanking on our side...to our financial advisor, Goldman Sachs, as the global advisor and Morgan Stanley as the equity advisor to our legal advisor, Kravas and my favorite lawyer and partner, Fiza Assad who is in the back of the room...our audit team of Arthur Andersen

hereto such a transaction is a teamwork inside and outside. And I want to thank all of them; they made a tremendous job in such a minimal period of time...that's impressive.

Barry Diller:

I would...I would certainly add to that the one thing that I can say on both of our behalf is that we have improved employment in New York City profoundly over the last month. [laughter] And, on our side, we could not have done this without Allen & Company as our financial advisor and our special committees advisor...Bear Stearns.

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With particular respect to this, because of this transaction...because of USA's board membership, which leave literally four directors who are, so to speak, unconflicted--meaning that they don't have interests on any side of this because between the Vivendi board members and the Liberty board members and me and...uh...other USA associates. There were four people but we were very lucky, there were four great people...uh...led in this case by Bill Savoy...and...and his leader, Paul Allen, who were one part of the special committee and, on the other side, was General Swarzkopff, who is a member of our board and Ann Busquet. And they...when you're on a board and someone calls you up and says, 'you know, we need a special committee so you're actually...you really have to go to work.' And they really did in the last ten days...had to put in an enormous amount of work--they were the group that actually, on the USA side, voted this transaction into being. So a special thanks to them as well as Wachtel Lipton without whom I might be standing here but I'd be far thinner in many different respects. Um...but...and one addition that I would add in this case. Here in this room is Guillaume Aniso, who's the CFO of Vivendi Universal and, in Californian, is Victor Kaufman, who is the vice chairman of USA and, in respects, in the same way...and without their creative abilities and without there...

Jean Marie Messier:

-Their endless discussions...night discussions...

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Barry Diller:

-Their endless discussions for sure...there would have been, of course, no transaction. It would not have been possible without both of them and I'm glad I'm going to be associated with both in the future. So, just one more question maybe we should do or...?

Jean Marie Messier:

There was one...

Barry Diller:

Sorry...

UF1:

[inaudible in background]

Barry Diller:

Okay, then we'll let you all go to life.

Operator:

Thank you, our next question comes from Frank Arienz. You may ask your question. Please state your company name.

Frank Arienz:

Frank Arienz, Washington Post. I have two questions for Mr. Diller: one, what changes will we see on USA networks and when to tell us this deal has happened? And, second, as former head of Paramount, Fox, this seems to put you back up at the power level of folks like Michael Eisner and Dick Parsons. How does that feel to be back?

Barry Diller:

I didn't thin I went very far away to be honest with you but you can all have your own little ideas about that. I've been reading about all of that it, like, makes me laugh every time I see that. Um...it...uh...I can only say the truth, it really does make me kind of smile. That's about my only thought about it. As far as USA networks, I mean, I really think that you should, after this, ask Michael Jackson. I mean, he's...he has been at work at USA networks...how long Michael?

Michael Jackson:

Six weeks.

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Barry Diller:

Six weeks. And it's all done and he has a new program schedule for you and he'd be happy to tell you all about it. No...he...he's got this network at a very interesting time. We, last year, I think with some hindsight wisdom, we lost wrestling and that hurt our ratings; but I thin the ideas for USA network and the discussions that he has been having recently and in every discussion that I've been around and heard, I think you would expect real growth for USA networks. It will begin at some point next year; it isn't gonna come fast because it doesn't happen that way. Solid growth in terms of networking comes over a period of time; but, from the early work ai have enormous confidence in their prospects. So, we have, what? Paris?

Jean Marie Messier:

One other question in Paris? That's right?

UM*:

[asks question in French]

Jean Marie Messier:

[answers question in French] [returns to English]...so, on this one, the basic answer was what about the depth and credit rating relating to this transaction? I just emphasized the fact that there is 1.6 in cash and 0.75 in preferred stock...twenty Euros below the market interest rate, which is basically 2.5 billion dollars, out of which the cash part has been pre-financed by the sales of Partifal the [unintelligible] sale of Partifal [unintelligible] AB stake. AS far as the global depth ratio of the group is concerned, our target is to have in '02 a depth to EBD ratio well below three times and especially we are focusing to reach that target ahead of the end of the first half of 2002, which means

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that Vivendi Universal will end up its program of selling its non core asset in the first half of '02; it will give us very comfortable triple B credit rating targets that we are very comfortable with. [Short question to questioner in French]? Ah...doing in French and English if you don't mind for our Paris people? Uh...[continues to caller in French] [returning to English] So, no cleaning of balance sheet because the balance sheet is clean. That was the first part of my answer and the second one is we are committed to issue full US gap earnings starting Q1 of '02. We already, in fact, worked on the basis of US gap accounting methods in '01 in order to build our track record at the time of this year, at the time of the release of our first full quarterly US gap in '02. So we are already applying all US gap methodologies, including those relating to amortization. Another question in paris? That's all? Is there perhaps a final question here? None? There was...

UF*:

[asking question in French]

Jean Marie Messier: Oui...I'm just going to give in French about the Pierre Leskuer role...[answers in French]
[returning to English] So now we go back to English for one final question?

UM8: Maybe I missed this earlier but what is the reporting relationship, Mr. Diller? Who do you report to?

Barry Diller: Who does who...me?

UM8: Him.

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UM8: Directly. Okay.

Barry Diller: That's it. Um...thank you all very much. We have...[laughter] What? Did I do that wrong?

Jean Marie Messier: Excellent!

Barry Diller: It was a simple...simple answer. Simplicity is best. We're gonna have a five minute break and then we'll do a USA Interactive...hopefully a brief press conference but thank you all very much.

Jean Marie Messier: thank you...thank you everyone.

Barry Diller: What's that? No, this is nice, this is very nice us together. You don't want that handshake. We'll do that.

[recording device is deactivated]

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USA will file a proxy statement and other relevant documents concerning USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and certain related transactions with the Securities and Exchange Commission ("SEC"). INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED IN THE FUTURE WITH THE SEC BECAUSE THOSE DOCUMENTS CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION RELATING TO THE PROPOSED TRANSACTIONS. Investors will be able to obtain such documents free of charge at the SEC's website at www.sec.gov. In addition, such documents may also be obtained free of charge by contacting USA Networks, Inc., 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations.

INVESTORS SHOULD READ THE PROXY STATEMENT CAREFULLY WHEN AVAILABLE BEFORE MAKING ANY VOTING OR INVESTMENT DECISION CONCERNING THE PROPOSED TRANSACTIONS.

USA and its directors and officers may be deemed to be participants in the solicitation of proxies from USA shareholders to adopt the agreement providing for USA's contribution of its Entertainment Group to a joint venture with Vivendi Universal and the other related transactions described therein. A detailed list of the names and interests of USA's directors and executive officers is contained in the definitive proxy statement on Schedule 14A filed by USA with the SEC on April 9, 2001. Copies of USA filings may be obtained free of charge at the SEC's website at www.sec.gov < <http://www.sec.gov> >.

VIVENDI UNIVERSAL USA NETWORK

PRESS CONFERENCE TRANSCRIPT (11:30 AM CALL)

[recording device is activated]

Barry Diller:

We're gonna get this USA Interactive thing going for those of you who have an interest in USA Interactive. So if we could...kind of take the A/V out of here that doesn't relate to it, I'll answer questions about...talk a little bit about USA Interactive. So...um...is there anything here numerically I want to cover for you? If you look--a couple things about USA Interactive...um...we've made fifty-five investments or acquisitions since 1997; they're all focused on areas that have natural relationships to each other. There's a natural migration therein to interactivity. We have transactions that scale. What we believe is that merchandizing creates margins, it's why we've spent our time on things where there is margin. We've had an annual growth rate that's been very high, twenty percent over the years--sorry, twenty percent from 2000 and which we will think will continue into 2003. In terms of online migration, travel is at fifteen percent, ticketing is at forty percent of migration...the margins are growing even faster, twenty-nine percent over the next few years. We have low inventory risk. At HRN we have thirty percent gross margins. I'm really not...I don't think I need to go through these various little metrics. The one thing that I probably would do is something that we think is really interesting...that in

1995, if you looked at revenue through the screen it was really advertising and subscriptions. In 2000, transactions are...uh...thirty-nine percent; growing, I guess, eleven percent in '95. And in 2005, transactions are estimated to be about sixty percent of what will happen over a television screen. And the interesting thing for USA is we are already, in terms of a percentage of mix in the company, at where it is going to be in 2005--so we think that the areas that we're in, the areas that USA Interactive is in, are the enormous growth futures of the world. And, given our start, the fact that we start this enterprise with strong cash flow, with an awful lot of cash--close to three billion dollars--and...and an integrated interactive universe that...I said earlier, it would be a crime if we were not able to capitalize on that.

We're already nine percent of interactive commerce. We think we'll be twenty percent in 2002. WE think we're going to be the dominant player. As against our nearest competitor, which is EBAY, in terms of profitability, they are slightly more profitable than us at the moment. They have essentially one line of business. We have twenty different lines of business inside USA Interactive. So we have a fantastic opportunity inside this interactive company and we intend to be about it with as much moment as we can bring to bear. So, with that, I'll answer any questions that you have. So...questions? Yes sir...

UM9: [unintelligible]

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Barry Diller: I don't think there's a need to...uh...we've talked a bit about it in the past and we're gonna talk about it, obviously, in the future. There is the potential and we control those companies, obviously, they're subsidiaries, technically, of USA. Uh, I would think that in the future we would look to consolidate them, we will look to--we may not do it. In fact, they are a find stand-alone. They have a nice basis. They're perfectly okay in their configuration. But a rationalization is possible over time. Yes? I think we've...

UM10: [unintelligible]

Barry Diller: Okay...we've been at this, by the way, since six this morning so I think every possible question from any possible country, other than Transylvania, has already been answered. What would it be?

Operator: Excuse me, Simon Applebaum, please state your company?

Simon Applebaum: Yes, Simon Applebaum from Multichannel news and, Barry, I will try to have something a little bit different. Uh, how will this...what role will your ne company, will USA Interactive, play in the effort with Vivendi to develop interactive TV channels with Ecco Star? Channels, by the way, which will not be exclusive to Ecco Star, they will be sold to cable operators here in the US and overseas?

Barry Diller: Yes, well, first of all, we're gonna have commercial agreements between us and between USAI and VUE and vivendi in lots of different areas. AS far as the commerce channels...we are going to launch a travel service at some point in the next six to nine months;

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we have existing arrangements for that. We actually have existing carriage arrangements with Direct TV, which, if Ecco Star acquires Direct TV, we'll become for the whole. UH, and we're gonna...we have one more category that were going to probably announce within the next three months or so, which will be a commerce and transaction service. The deal that we have made divides commerce and transactions on the left side with USAI and entertainment on the right. We will service each other; we will combine in certain areas because there is a relationship between entertainment and interactive commerce in terms of commercial arrangements. But, as far as the ownership of the assets, all transaction and interactive assets are owned wholly by USA and vivendi has its own interactive assets. Yes, Victor Miller?

Victor Miller: -interactive question but I didn't get this in during the regular call. What impact will the deal have on the individual USA networks and who runs them? Usa and Doug Herzog, Bonnie Hammer in Sci-Fi, Patrick Ven and Trio Newsworld and prime...will there be a change in

focus? Will everyone stay in place? What's happening there?

Barry Diller:

Um...I think...Michael's not here anymore...Jackson...but all of the executives of USA Entertainment, the ones that you just named, will remain in place; they will be combined with other activities of...Universal Television worldwide, which will all be under the responsibility of Michael Jackson who, in turn, will report to Ron

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Meyer. But we don't anticipate any changes. We have very good teams on Sci Fi Channel, on USA Network, and Patrick Vien is a first-rate executive in charge of our emerging networks so we don't anticipate a change. Yes, Victor?

Victor Miller:

Thanks, Barry. You've talked about the migration. Could you give us a sense of metrics for everyone on how much you've seen the ticketing business go online? The airline ticket business going online? The home shopping business going online? How quickly has that happened and how far could it go?

Barry Diller:

Well, Ticketmaster Online is now up to about forty percent; we think it will go higher than that next year, it's in our plan. What's the amount it's gonna go to, John? Forty-five percent. Uh...so we see it continuing, and that's remarkable when you think FORTY percent of EVERY transaction and for Ticketmaster, this big company that five years ago didn't know what an Internet was; they thought it was a toaster. Uh...and that's not disrespectful, I, quickly add to Fred Rosen, who built that company, who did a fantastic job doing it...I'm just saying that, in fact, it didn't exist. On the travel side, fifteen percent of all travel is online; that's remarkable that...travel is...I mean, ticketing is a relatively small category. Travel is in the trillions. So...fifteen percent online migration. My feeling about travel is that travel migration online is going to go fairly quickly. I can't imagine that people will really want to get the

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information...actually get questions answered, asked, et cetera in all different parts of the kinds of things that interactive travel can do online. I think everybody's gonna go online in terms of their travel products. I think it's gonna be true for all businesses. I think that the idea of businesses outsourcing their travel to other people when there is--are these interactive systems that allow you to do it much more efficiently and without anybody, so to speak, in the middle in bricks and mortar, kind of, situation. I think that there's enormous opportunity as to our colleagues at Expedia on the business side for online migration. Home shopping, from the first hour fo the first day, I mean...in the first year it's up to ten percent of HSN's business. It was profitable since its inception. It is the big, I think, growth engine of HSN. So I see the naturalistic movement to online for accessing goods and services. I also think that as you get the on anytime computer...which is quickly coming. I mean, I think it's a couple of years out probably, but those of us that have them--certainly in offices--and some, certainly, people have them in homes. If you have a cable modem, it's on all the time and you see cable modem adoptions. The more that it's there; the more that there are multiple appliances for accessing information and services and interacting online. The more there's that ubiquity, I think the faster that all goes. And, also, the other thing is it's

still...it's so much at the very beginning because it is still run a bit too much by a technical side.

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The intuitive interactivity...it is needed for normal people to feel comfortable inside these systems is just beginning. In the next few years I think it will adopt more and more and more.

Victor Miller: Bridging media and your USA Interactive...you've talked about launching a travel channel and Mr. Messier's got five channels, I think, he's done through his Ecco Star deal.

Barry Diller: Yes.

Victor Miler: Is that anything that, um...

Barry Diller: -yes, we've talked about that and we would probably undertake it jointly although, as I say, we already have, already set aside, a pure...Tier One...what is it? It's in the basic tier of DTV where we already have a channel set aside in that basic tier on DTV for travel. So I would think it would be fairly naturalistic. If there's nothing else...thank you all...

[recording device is deactivated]
