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

FORM 8-K-A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): MARCH 1, 2002

USA NETWORKS, INC.
(Exact name of Registrant as specified in charter)

DELAWARE	0-20570	59-2712887
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

152 WEST 57TH STREET, NEW YORK, NY	10019
(Address of principal executive offices)	(Zip Code)

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

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

The following financial information for the Company for the year ended December 31, 2001 and for certain of its subsidiaries, USANi LLC and Home Shopping Network, Inc., is set forth in the exhibits to this Form 8-K and such exhibits are incorporated by reference herein. The Management's Discussion and Analysis covering the applicable periods for USA Networks, Inc. is also attached as an exhibit hereto and is incorporated herein by reference.

(1) Consolidated Financial Statements of USA Networks, Inc.

- Report of Independent Auditors--Ernst & Young LLP
- Consolidated Statement of Operations for the Years Ended December 31, 2001, 2000 and 1999
- Consolidated Balance Sheets as of December 31, 2001 and 2000
- Consolidated Statement of Stockholders' Equity for the Years Ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Cash Flows for Years Ended December 31, 2001, 2000 and 1999
- Notes to Consolidated Financial Statements

(2) Home Shopping Network, Inc. and Subsidiaries Financial Statements

- Report of Independent Auditors--Ernst & Young LLP
- Consolidated Statements of Operations for the Years Ended December 31, 2001, 2000 and 1999
- Consolidated Balance Sheets as of December 31, 2001 and 2000
- Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2001, 2000 and 1999
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999
- Notes to Consolidated Financial Statements

(3) USANi LLC and Subsidiaries Financial Statements

- Report of Independent Auditors--Ernst & Young LLP

- Consolidated Statements of Operations for the Years Ended December 31, 2001, 2000 and 1999

- Consolidated Balance Sheets as of December 31, 2001 and 2000

- Consolidated Statements of Members' Equity for the Years Ended December 31, 2001, 2000 and 1999

- Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999

- Notes to Consolidated Financial Statements

(4) USA Networks, Inc. Management's Discussion and Analysis

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits.

99.1 Consolidated Financial Statements of USA Networks, Inc. and Subsidiaries

99.2 Management's Discussion and Analysis of Financial Condition and Results of Operations of USA Networks, Inc. and Subsidiaries

99.3 Consolidated Financial Statements of Home Shopping Network, Inc. and Subsidiaries

99.4 Consolidated Financial Statements of USANi LLC and Subsidiaries

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

USA NETWORKS, INC.

By: /s/ DARA KHOSROWSHAHI

Name: Dara Khosrowshahi
Title: EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Date: March 15, 2002

EXHIBIT INDEX

EXHIBIT NO.
DESCRIPTION
- ---------

- ---------
-- 99.1
Consolidated
Financial
Statements
of USA
Networks,
Inc. and
Subsidiaries
99.2
Management's
Discussion
and
Analysis of
Financial
Condition
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of USA
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EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP

We consent to the incorporation by reference in the following registration statements of our report dated January 29, 2002, with respect to the consolidated financial statements of USA Networks, Inc., as amended, and our reports dated January 29, 2002 with respect to the consolidated financial statements of Home Shopping Network, Inc. and Subsidiaries, as amended, and USANi LLC and Subsidiaries, as amended, included in the Current Report on Form 8-K/A dated March 1, 2002 for the year ended December 31, 2001, filed with the Securities Exchange Commission.

/s/ Ernst & Young LLP

COMMISSION FILE NO.

Form S-8, No. 333-03717
Form S-8, No. 333-18763
Form S-8, No. 333-34146
Form S-8, No. 333-37284
Form S-8, No. 333-37286
Form S-8, No. 333-48863
Form S-8, No. 333-48869
Form S-8, No. 333-57667
Form S-8, No. 333-57669
Form S-8, No. 333-65335
Form S-8, No. 033-53909
Form S-3, No. 333-81576
Form S-3, No. 333-68388
Form S-4, No. 333-68120

New York, New York
March 15, 2002

EXHIBIT 99.1

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
USA Networks, Inc.

We have audited the accompanying consolidated balance sheets of USA Networks, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USA Networks, Inc. and subsidiaries at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2001, the Company adopted AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Films."

/s/ ERNST & YOUNG LLP

New York, New York
January 29, 2002

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Product sales	$1,935,542	$1,799,932	$1,370,790
Service revenue	3,349,265	2,796,220	2,000,955
Net revenue	5,284,807	4,596,152	3,371,745
Operating costs and expenses:			
Cost of sales-product sales	1,287,630	1,178,369	900,896
Cost of sales-service revenue	1,194,251	894,532	464,049
Program costs	726,549	684,992	630,956
Selling and marketing	625,975	530,013	392,307
General and administrative	444,039	389,274	289,374
Other operating costs	116,702	108,277	66,418
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non-cash distribution and marketing expense	26,384	11,665	--
Amortization of non-cash compensation expense	12,712	12,740	6,645
Depreciation and amortization	572,765	693,642	324,506
Total operating costs and expenses	5,050,982	4,539,826	3,101,831
Operating			

profit...
233,825 56,326 269,914 Other income (expense): Interest income..
30,199 41,024 31,048 Interest expense...
(78,637) (75,242) (79,592) Gain on sale of securities.................................. -- -- 89,721
Gain on sale of subsidiary stock........................... -- 108,343 -- Loss in unconsolidated subsidiaries and other...............
(52,223) (59,046) 5,771 ---------- ---------- ----------
(100,661) 15,079 46,948 ---------- ---------- ----------
Earnings from continuing operations before income taxes and minority interest.. 133,164
71,405 316,862 Income tax expense...
(108,877) (112,869) (103,050) Minority interest...
(149,339) (47,124) (197,297) ---------- ---------- ----------
EARNINGS (LOSS) FROM CONTINUING OPERATIONS.................. (125,052) (88,588) 16,515
Discontinued Operations, net of tax......................... -- (59,395) (44,146) Gain on disposal of Broadcasting stations, net of tax.......
517,847 -- -- ---------- ---------- ---------- Earnings (loss) before cumulative effect of accounting change, net of tax..................................... 392,795
(147,983) (27,631) Cumulative effect of accounting change, net of tax.......... (9,187) -- -- ---------- ----------
---------- NET EARNINGS (LOSS).. $ 383,608
$ (147,983) $ (27,631) ---------- ---------- ----------
Earnings (Loss) per Share from Continuing Operations:
Basic earnings (loss) per common share...................... $ (.33) $ (.25) $ .05 Diluted earnings (loss) per common share.................... $
(.33) $ (.25) $ .04 Earnings (Loss) per Share, before cumulative effect of accounting change Basic earnings (loss) per common share...................... $ 1.05 $
(.41) $ (.08) Diluted earnings (loss) per common share................... $ .61 $ (.41) $ (.08) Net Earnings (Loss) per Share: Basic earnings (loss) per common share...................... $ 1.03 $ (.41) $ (.08)
Diluted earnings (loss) per common share................... $ .60 $ (.41) $ (.08)

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

DECEMBER 31, --------------------------- 2001 2000 ------------ ----------- (IN THOUSANDS, EXCEPT SHARE DATA) CURRENT ASSETS Cash and cash equivalents.................................. $ 978,377 $
244,223 Restricted cash equivalents................................. 9,107 2,021
Marketable securities....................................... 171,464
126,352 Accounts and notes receivable, net of allowance of $57,456 and $61,141, respectively.............................. 672,935
646,196 Receivable from sale of USAB............................... 589,625 --
Inventories, net... 408,306
404,468 Investments held for sale................................. -- 750 Deferred tax assets....................................... 59,635
43,975 Other current assets, net................................. 86,783 52,631 Net current assets of discontinued operations............... --
7,788 ----------- ----------- Total current

assets...................................... 2,976,232
1,528,404 PROPERTY, PLANT AND EQUIPMENT Computer and
broadcast equipment........................... 368,475
322,140 Buildings and leasehold
improvements...................... 146,162 132,874
Furniture and other
equipment............................. 126,240 100,734
Land..
15,665 15,658 Projects in
progress....................................... 45,781
45,084 ----------- ----------- 702,323 616,490 Less
accumulated depreciation and amortization............
(268,208) (172,496) ----------- ----------- 434,115 443,994
OTHER ASSETS Intangible assets,
net...................................... 7,236,283
7,461,862 Cable distribution fees,
net............................... 158,880 159,473 Long-
term investments.......................................
65,891 49,355 Notes and accounts receivable, net of current
portion ($99,819 and $22,575, respectively, from related
parties)..
138,644 38,301 Advance to
Universal.. 39,265
95,220 Inventories,
net... 535,555
485,941 Deferred charges and other,
net............................ 118,187 83,239 Net non-
current assets of discontinued operations........... --
128,081 ----------- ----------- $11,703,052 $10,473,870 ---
-------- -----------

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

DECEMBER 31, -------------------------- 2001 2000 -------
---- ------------ (IN THOUSANDS, EXCEPT SHARE DATA)
CURRENT LIABILITIES Current maturities of long-term
obligations................ $ 34,016 $ 25,457 Accounts
payable, trade...................................
329,043 262,817 Accounts payable, client
accounts......................... 102,011 97,687
Obligations for program rights and film
costs.............. 272,601 283,812 Cable distribution
fees payable............................ 32,795 33,598
Deferred
revenue...
131,627 93,125 Income tax
payable... 221,502
-- Other accrued
liabilities.................................. 471,701
376,751 ----------- ------------ Total current
liabilities................................ 1,595,296
1,173,247 LONG-TERM OBLIGATIONS (net of current
maturities)........... 544,667 552,501 OBLIGATIONS FOR
PROGRAM RIGHTS AND FILM COSTS, net of
current...
285,378 295,210 OTHER LONG-TERM
LIABILITIES................................ 51,354
97,526 DEFERRED INCOME
TAXES....................................... 312,487
98,378 MINORITY
INTEREST..
4,968,369 4,817,137 STOCKHOLDERS' EQUITY Preferred stock-
-$.01 par value; authorized 15,000,000 shares; no shares
issued and outstanding................. -- -- Common
stock--$.01 par value; authorized 1,600,000,000 shares;
issued and outstanding, 314,704,017 and 305,436,198
shares, respectively......................... 3,147
3,055 Class B convertible common stock--$.01 par value;
authorized, 400,000,000 shares; issued and outstanding,
63,033,452
shares.. 630 630

Additional paid-in
capital.................................. 3,918,401
3,793,764 Retained earnings/Accumulated
deficit...................... 181,267 (202,341)
Accumulated other comprehensive
loss....................... (11,605) (10,825) Treasury
stock...
(141,341) (139,414) Note receivable from key executive
for common stock
issuance..
(4,998) (4,998) ----------- ------------ Total
stockholders' equity.................................
3,945,501 3,439,871 ----------- ------------ $11,703,052
$ 10,473,870 ----------- ------------

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
CLASS B RETAINED ACCUM. CONVERTIBLE
ADDIT. EARNINGS OTHER COMMON COMMON
PAID-IN /(ACCUM. COMP. TREASURY TOTAL
STOCK STOCK CAPITAL DEFICIT) INCOME
STOCK ---------- -------- ----------- -
--------- --------- -------- --------
- (IN THOUSANDS) BALANCE AT DECEMBER
31, 1998.............. $2,571,405
$2,545 $630 $2,592,456 $ (26,727) $
8,852 -- Comprehensive income: Net
earnings for the year ended December
31, 1999.................... (27,631)
-- -- -- (27,631) -- -- Decrease in
unrealized gains in available for sale
securities......... (3,956) -- -- -- --
(3,956) -- Foreign currency
translation............ (123) -- -- --
-- (123) -- ---------- Comprehensive
loss..................... (31,710) ---
------- Issuance of common stock upon
exercise of stock
options..........................
47,967 111 -- 47,856 -- -- -- Income
tax benefit related to stock options
exercised...................... 42,362
-- -- 42,362 -- -- -- Issuance of stock
in connection with October Films/PFE
Transaction........... 23,558 12 --
23,546 -- -- -- Issuance of stock in
connection with other
acquisitions...........................
4,498 3 -- 4,495 -- -- -- Issuance of
stock in connection Liberty preemptive
rights...................... 120,306
73 -- 120,233 -- -- -- Purchase of
Treasury Stock in connection with stock
repurchase program........... (8,933)
(4) -- -- -- -- (8,929) Cancellation of
employee equity program... (355) -- --
(442) -- -- (635) Amortization of
unearned compensation related to stock
options and equity participation
plans.................... 631 -- -- --
-- -- -- ---------- ------ ---- -------
--- ---------- --------- ---------
BALANCE AT DECEMBER 31,
1999............. 2,769,729 2,740 630
2,830,506 (54,358) 4,773 (9,564)
Comprehensive income: Net loss for the
year ended December 31,
2000.................... (147,983) --
-- -- (147,983) -- -- Decrease in
unrealized gains in available for sale
securities......... (11,958) -- -- -- -
- (11,958) -- Foreign currency
translation............ (3,640) -- -- -
- -- (3,640) -- ----------

Comprehensive
loss...................... (163,581) --
-------- Issuance of common stock upon
exercise of stock
options..........................
37,341 46 -- 37,295 -- -- -- Income tax
benefit related to stock options
exercised...................... 26,968
-- -- 26,968 -- -- -- Issuance of stock
in connection with PRC
acquisition............................
887,371 322 -- 887,049 -- -- --
Issuance of stock in connection with
other
transactions...........................
11,950 4 -- 11,946 -- -- -- Purchase of
Treasury Stock................
(129,907) (57) -- -- -- -- (129,850) --
-------- ------ ---- --------- -------
--- --------- --------- BALANCE AT
DECEMBER 31, 2000..............
3,439,871 3,055 630 3,793,764 (202,341)
(10,825) (139,414) Comprehensive
income: Net Income for the year ended
December 31, 2001....................
383,608 -- -- -- 383,608 -- -- Decrease
in unrealized losses in available for
sale securities......... 5,600 -- -- --
-- 5,600 -- Foreign currency
translation............ (6,380) -- -- -
- -- (6,380) -- ----------
Comprehensive
Income.................... 382,828 ----
------ Issuance of common stock upon
exercise of stock
options..........................
80,931 90 -- 80,841 -- -- -- Income tax
benefit related to stock options
exercised...................... 38,439
-- -- 38,439 -- -- -- Issuance of stock
in connection with other
transactions...........................
5,360 3 -- 5,357 -- -- -- Purchase of
Treasury Stock................ (1,928)
(1) -- -- -- -- (1,927) ---------- ----
-- ---- --------- --------- ---------
--------- BALANCE AT DECEMBER 31,
2001.............. $3,945,501 $3,147
$630 $3,918,401 $ 181,267 $ (11,605)
$(141,341) ---------- ------ ---- -----
----- ---------- --------- ---------
NOTE RECEIVABLE FROM KEY EXECUTIVE FOR
COMMON UNEARNED STOCK COMPENSATION
ISSUANCE ----------- --------- (IN
THOUSANDS) BALANCE AT DECEMBER 31,
1998.............. $ (1,353) $ (4,998)
Comprehensive income: Net earnings for
the year ended December 31,
1999.................... -- --
Decrease in unrealized gains in
available for sale securities.........
-- -- Foreign currency
translation............ -- --
Comprehensive
loss...................... Issuance of
common stock upon exercise of stock
options.......................... -- -
- Income tax benefit related to stock
options
exercised...................... -- --
Issuance of stock in connection with
October Films/PFE
Transaction........... -- -- Issuance
of stock in connection with other
acquisitions...........................
-- -- Issuance of stock in connection
Liberty preemptive
rights....................... -- --
Purchase of Treasury Stock in
connection with stock repurchase
program........... -- -- Cancellation

of employee equity program... 722 --
Amortization of unearned compensation
related to stock options and equity
participation
plans..................... 631 -- -----
--- -------- BALANCE AT DECEMBER 31,
1999.............. -- (4,998)
Comprehensive income: Net loss for the
year ended December 31,
2000..................... -- --
Decrease in unrealized gains in
available for sale securities.........
-- -- Foreign currency
translation............ -- --
Comprehensive
loss...................... Issuance of
common stock upon exercise of stock
options.......................... -- -
- Income tax benefit related to stock
options
exercised...................... -- --
Issuance of stock in connection with
PRC
acquisition............................
-- -- Issuance of stock in connection
with other
transactions...........................
-- -- Purchase of Treasury
Stock................ -- -- -------- --
------ BALANCE AT DECEMBER 31,
2000.............. -- (4,998)
Comprehensive income: Net Income for
the year ended December 31,
2001..................... -- --
Decrease in unrealized losses in
available for sale securities.........
-- -- Foreign currency
translation............ -- --
Comprehensive
Income................... Issuance of
common stock upon exercise of stock
options.......................... -- -
- Income tax benefit related to stock
options
exercised...................... -- --
Issuance of stock in connection with
other
transactions...........................
-- -- Purchase of Treasury
Stock................ -- -- -------- --
------ BALANCE AT DECEMBER 31,
2001.............. $ -- $ (4,998) -----
--- --------

Accumulated other comprehensive income is comprised of unrealized (losses) gains on available for sale securities of $39, $(5,561) and $6,397 at December 31, 2001, 2000 and 1999, respectively and foreign currency translation adjustments of $(11,644), $(5,264) and $(1,624) at December 31, 2001, 2000 and 1999, respectively.

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, -------------------------------
--- 2001 2000 1999 ---------- ---------- --------- (IN
THOUSANDS) Cash flows from operating activities: Earnings
(loss) from continuing operations:.............. $
(125,052) $ (88,588) $ 16,515 Adjustments to reconcile
net earnings (loss) from continuing operations to net
cash provided by operating activities: Depreciation and
amortization.......................... 572,765 693,642
324,506 Amortization of cable distribution
fees................. 43,975 36,322 26,680 Amortization
of program rights and film costs........... 719,010

651,145 569,089 Amortization of deferred financing
costs............... 1,491 3,778 5,035 Non-cash
distribution and marketing.................... 26,384
11,665 -- Deferred income
taxes................................. 22,840 50,606
9,458 Equity in (earnings) losses of unconsolidated
affiliates and
other.. 48,977
58,333 (1,356) Gain on sale of subsidiary
stock....................... -- (108,343) -- Gain on
sale of securities............................ -- --
(89,721) Non-cash interest
income.............................. (3,729) (8,735)
(298) Non-cash stock
compensation............................ 12,712 12,740
6,645 Minority
interest....................................... 149,339
47,124 197,297 Changes in current assets and liabilities:
Accounts receivable...................................
(18,081) (58,429) (44,519)
Inventories...
31,128 (45,767) (24,939) Accounts
payable....................................... 27,981
(464) 12,782 Accrued liabilities and deferred
revenue................ 78,025 42,408 61,648 Payment for
program rights and film costs.............. (835,541)
(847,148) (611,702) Increase in cable distribution
fees.................... (47,393) (64,876) (42,887)
Other, net..
(34,899) (12,906) (12,656) ---------- ---------- --------
- NET CASH PROVIDED BY OPERATING
ACTIVITIES................ 669,932 372,507 401,577 Cash
flows from investing activities: Acquisitions, net of
cash acquired....................... (201,024) (227,768)
(195,504) Capital
expenditures......................................
(143,511) (176,884) (108,916) Advance to
Universal...................................... -- --
(200,000) Recoupment of advance to
Universal...................... 59,821 77,330 42,951
Increase in long-term investments and notes
receivable.... (123,573) (34,969) (69,646) Purchase of
marketable securities....................... (51,977)
(132,845) -- Proceeds from sale of
securities........................ -- -- 107,231
Proceeds from sale of broadcast
stations................. 510,374 -- -- Payment of
merger and financing costs.................... --
(18,758) (4,765) Other,
net... 1,825
(10,662) 14,681 ---------- ---------- --------- NET CASH
PROVIDED BY (USED IN) INVESTING ACTIVITIES....... 51,935
(524,556) (413,968) Cash flows from financing activities:
Borrowings...
23,086 65,022 -- Principal payments on long-term
obligations.............. (22,331) (99,684) (339,349)
Purchase of treasury
stock............................... (1,928) (129,907)
(8,933) Payment of mandatory tax distribution to LLC
partners..... (17,369) (68,065) (28,830) Proceeds from
sale of subsidiary stock.................. 12,234
93,189 4,268 Proceeds from issuance of common stock and
LLC shares..... 80,932 210,642 422,544 Other,
net...
(10,616) (12,851) 6,248 ---------- ---------- ---------
NET CASH PROVIDED BY FINANCING
ACTIVITIES................ 64,008 58,346 55,948 NET CASH
USED BY DISCONTINUED OPERATIONS...................
(48,058) (82,563) (66,260) Effect of exchange rate
changes on cash and cash
equivalents..
(3,663) (2,687) (123) ---------- ---------- --------- NET
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS........
734,154 (178,953) (22,826) Cash and cash equivalents at
beginning of period............ 244,223 423,176 446,002 -
--------- ---------- --------- CASH AND CASH EQUIVALENTS
AT END OF PERIOD................. $ 978,377 $ 244,223 $
423,176 ---------- ---------- ---------

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

NOTE 1--ORGANIZATION

GENERAL

USA Networks, Inc. ("USA" or the "Company") (Nasdaq: USAI) is organized into two groups, the USA Interactive Group and the USA Entertainment Group. The USA Interactive Group consists of Home Shopping Network (including HSN International and HSN.com); Ticketmaster (Nasdaq: TMCS), which operates Ticketmaster, Ticketmaster.com, Citysearch and Match.com; Hotel Reservations Network (Nasdaq: ROOM); Electronic Commerce Solutions; Styleclick (OTC: IBUY); Precision Response Corporation; and Expedia, Inc. (as of February 4, 2002) (Nasdaq: EXPE). The USA Entertainment Group consists of USA Cable, including USA Network and Sci Fi Channel and Emerging Networks TRIO, Newsworld International and Crime; Studios USA, which produces and distributes television programming; and USA Films, which produces and distributes films.

On February 4, 2002, USA completed its acquisition of a controlling interest in Expedia, Inc. ("Expedia") through a merger of one of its subsidiaries with and into Expedia. See below for further discussion under "Subsequent Events".

On December 17, 2001, USA and Vivendi Universal, S.A. ("Vivendi") announced a transaction (the "Vivendi Transaction") in which USA's Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, would be contributed to Vivendi Universal Entertainment, a new joint venture controlled by Vivendi. See below for further discussion under "Subsequent Events".

On January 31, 2001, Ticketmaster Online-Citysearch, Inc. and Ticketmaster Corporation, both of which are subsidiaries of USA, completed a transaction which combined the two companies. The combined company has been renamed "Ticketmaster." Under the terms of the transaction, USA contributed Ticketmaster Corporation to Ticketmaster Online-Citysearch and received 52 million Ticketmaster Online-Citysearch Class B Shares. The Ticketmaster Class B common stock is quoted on the Nasdaq Stock Market.

In August 2001, the Company completed its previously announced sale of all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc. ("Univision"). Total cash proceeds were $1.1 billion, of which $510.4 million was collected in fiscal year 2001 and $589.6 million in January 2002. The gain on the sale of the stations was $517.8 million, net of tax of $377.4 million. The majority of the stations sold are located in the largest markets in the country and aired HSN on a 24-hour basis.

A number of USA's businesses are currently held by two non-wholly owned subsidiaries, Home Shopping Network, Inc. ("Holdco") and USANi LLC. USA maintains control and management of Holdco and USANi LLC, and manages the businesses held by USANi LLC, in substantially the same manner as they would be if USA held them directly through wholly owned subsidiaries. The other principal owners of these subsidiaries are Liberty Media Corporation ("Liberty") and Vivendi, through Universal Studios, Inc ("Universal") and other subsidiaries. USA has the contractual right to require the exchange of the Holdco shares held by Liberty for shares of USA. Following such exchange and after giving effect to the Vivendi Transaction, Holdco and USANi LLC will become wholly owned, thereby simplifying USA's corporate and capital structure.

NOTE 1--ORGANIZATION (CONTINUED)
SUBSEQUENT EVENTS (UNAUDITED)

EXPEDIA TRANSACTION

On February 4, 2002, USA completed its acquisition of a controlling interest in Expedia through a merger of one of its subsidiaries with and into Expedia. Immediately following the merger, USA owned all of the outstanding shares of Expedia Class B common stock, representing approximately 64.2% of Expedia's then outstanding shares, and 94.9% of the voting interest in Expedia. On February 20, 2002, USA acquired 936,815 shares of Expedia common stock, increasing USA's ownership to 64.6% of Expedia's the then outstanding shares, with USA's voting percentage remaining at 94.9%. In the merger, USA issued to former holders of Expedia common stock who elected to receive USA securities an aggregate of 20.6 million shares of USA common stock, 13.1 million shares of $50 face value 1.99% cumulative convertible preferred stock of USA and 14.6 million USA warrants. Expedia will continue to be traded on Nasdaq under the symbol "EXPE," the USA cumulative preferred stock trades on OTC under the symbol "USAIP" and the USA warrants trade on Nasdaq under the symbol "USAIW."

Pursuant to the terms of the USA/Expedia transaction documents, Microsoft Corporation, which beneficially owned 33,722,710 shares of Expedia common stock, elected to exchange all of its Expedia common stock for USA securities in the merger. Expedia shareholders who did not receive USA securities in the transaction retained their Expedia shares and received for each Expedia share held 0.1920 of a new Expedia warrant.

CONTRIBUTION OF THE USA ENTERTAINMENT GROUP TO VUE

On December 17, 2001, USA announced it had entered into an agreement with Vivendi pursuant to which USA would contribute USA's Entertainment Group to a limited liability entity (Vivendi Universal Entertainment, "VUE") to be controlled by Vivendi, to which Vivendi would contribute the film, television and theme park businesses of Universal Studios, Inc. ("Universal"). Upon consummation of the Vivendi transaction, the joint venture will be controlled by Vivendi and its subsidiaries, with the common interests owned 93.06% by Vivendi, 5.44% by USA and 1.5% by Mr. Diller, Chairman and CEO of USA.

In connection with the Vivendi Transaction, USA and its subsidiaries will receive the following at the closing of the transactions: (i) approximately $1.62 billion in cash, debt-financed by VUE, subject to tax-deferred treatment for a 15-year period, (ii) a $750 million face value Class A preferred interest in VUE, with a 5% annual paid-in-kind dividend and a 20-year term, to be settled in cash at its then face value at maturity; (iii) a $1.75 billion face value Class B preferred interest in VUE, with a 1.4% annual paid-in-kind dividend, a 3.6% annual cash dividend, callable and puttable after 20 years, to be settled by Universal at its then face value with a maximum of approximately 56.6 million USA common shares, provided that Universal may substitute cash in lieu of shares of USA common stock (but not USA Class B common stock), at its election; (iv) a 5.44% common interest in VUE, generally callable by Universal after five years and puttable by USA after eight years, which may be settled in either Vivendi stock or cash, at Universal's election, and (v) a cancellation of Universal's USANi LLC interests currently exchangeable into USA common shares including USANi LLC interests obtained from Liberty in connection with a related transaction (see immediately below).

Related to the transaction, Liberty will exchange 7,079,726 shares of USANi LLC for shares of USA common stock, and subsequently transfer to Universal 25,000,000 shares of USA common stock,

its remaining 38,694,982 shares of USANi LLC, as well as the assets and liabilities of Liberty Programming France (which consist primarily of 4,921,250 shares of multiThematiques S.A., a French entity), in exchange for 37,386,436 Vivendi ordinary shares.

In addition, USA will issue to Universal ten-year warrants to acquire shares of USA common stock as follows: 24,187,094 shares at $27.50 per share; 24,187,094 shares at $32.50 per share; and 12,093,547 shares at $37.50 per share. Barry Diller, USA's chairman and chief executive officer, will receive a common interest in VUE with a 1.5% profit sharing percentage, with a minimum value of $275.0 million, in return for his agreeing to specified non-competition provisions and agreeing to serve as chairman and chief executive officer of VUE. USA and Mr. Diller have agreed that they will not compete with Vivendi's television and filmed entertainment businesses (including VUE) for a minimum of 18 months.

In February 2002, Mr. Diller assigned to three executive officers of USA, the right to receive beneficial interests in a portion of the common interests in VUE that Mr. Diller will receive upon closing of the transactions.

The Vivendi Transaction is subject to USA shareholder vote, including the approval of 66 2/3% of the outstanding USA common stock and USA preferred stock, voting together as a single class, and excluding shares held by Vivendi, Liberty, Mr. Diller and their respective affiliates, as well as other customary regulatory approvals, and there can be no assurance that the transaction will be completed.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all wholly-owned and voting-controlled subsidiaries. The Company consolidates USANi LLC based upon a Governance Agreement and related agreements allowing the Company to control 100% of the voting interest. USANi LLC was formed in connection with the acquisition of USA Networks as well as the domestic television production and distribution businesses of Universal Studios (the "Universal Transaction"). The documents related to this transaction are constructed with the intent that the businesses held by USANi LLC would be operated in substantially the same manner as they would be if the Company held them directly through wholly owned subsidiaries. The Company consolidates HSN--Germany based upon a Pooling Agreement allowing for the Company to elect a majority of the Board of Directors and to control the operations of HSN--Germany. Significant intercompany transactions and accounts have been eliminated.

Investments in which the Company owns a 20%, but not in excess of 50%, interest and where it can exercise significant influence over the operations of the investee, are accounted for using the equity method. In addition, partnership interests are recorded using the equity method. All other investments are accounted for using the cost method. The Company periodically evaluates the recoverability of investments recorded under the cost method and recognizes losses if a decline in value is determined to be other than temporary.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
REVENUES

CABLE AND STUDIOS

Television production revenues are recognized as completed episodes are delivered. Generally, television programs are first licensed for network exhibition and foreign syndication, and subsequently for domestic syndication, cable television and home video. Certain television programs are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video. Television production advertising revenues (I.E., sales of advertising time received by Studios USA in lieu of cash fees for the licensing of program broadcast rights to a broadcast station ("barter syndication")) are recognized upon both the commencement of the license period of the program and the sale of advertising time pursuant to non-cancelable agreements, provided that the program is available for its first broadcast. Foreign minimum guaranteed amounts are recognized as revenues on the commencement date of the license agreement, provided the program is available for exhibition.

USA Cable advertising revenue is recognized in the period in which the advertising commercials are aired on the cable networks. Certain contracts with advertisers contain minimum commitments with respect to advertising viewership. In the event that such minimum commitments are not met, the contracts require additional subsequent airings of the advertisement. As a result, provisions are recorded against advertising revenues for audience under deliveries ("makegoods") until such subsequent airings are conducted. Affiliate fees are recognized in the period during which the programming is provided.

ELECTRONIC RETAILING

Revenues from Home Shopping primarily consist of merchandise sales and are reduced by incentive discounts and sales returns to arrive at net sales. Revenues for domestic sales are recorded for credit card sales upon transaction authorization, which occurs only if the goods are in stock, and for check sales upon receipt of customer payment, which does not vary significantly from the time goods are shipped. Revenues for international sales are recorded upon shipment. Home Shopping's sales policy allows merchandise to be returned at the customer's discretion within 30 days of the date of delivery. Allowances for returned merchandise and other adjustments are provided based upon past experience.

TICKETING

Revenue from Ticketmaster and Ticketmaster.com primarily consists of revenue from ticketing operations which is recognized as tickets are sold, as the Company acts as agent in these transactions.

HOTEL RESERVATIONS

Charges for hotel accommodations are billed to customers in advance. The related payments are included in deferred revenue and recognized as income at the conclusion of the customer's stay at the hotel, as the Company acts as merchant in these transactions.

The Company offers rooms that are contracted for in advance or are prepaid. Unsold contracted rooms may be returned by the Company based on a cancellation period, which generally expires before the date the customer may cancel the hotel reservation. Customers are subject to a penalty for all

cancellations or changes to the reservation. The Company bears the risk of loss for all prepaid rooms and rooms cancelled by a customer subsequent to the period in which the Company can return the unsold rooms. To date, the Company has not incurred significant losses under the room contracts with hotels.

OTHER

Revenues from all other sources are recognized either upon delivery or when the service is provided.

FILM COSTS

Film costs consist of direct production costs and production overhead, less accumulated amortization. Prior to the adoption of SOP 00-2 on January 1, 2001 (see below for further information), development roster (and related costs), abandoned story and development costs were charged to production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value on a production-by-production basis.

Generally, the estimated ultimate costs of completed film costs are amortized, and participation expenses are accrued, for each production in the proportion that current period revenue recognized bears to the estimated future revenue to be received from all sources. Amortization and accruals are made under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value are made as required.

Film costs, net of amortization, are classified as non-current assets.

PROGRAM RIGHTS

License agreements for program material are accounted for as a purchase of program rights. The asset related to the program rights acquired and the liability for the obligation incurred are recorded at their net present value when the license period begins and the program is available for its initial broadcast. The asset is amortized primarily based on the estimated number of airings. Amortization is computed generally on the straight-line basis as programs air; however, when management estimates that the first airing of a program has more value than subsequent airings, an accelerated method of amortization is used. Other costs related to programming, which include program assembly, commercial integration and other costs, are expensed as incurred. Management periodically reviews the carrying value of program rights and records write-offs, as warranted, based on changes in programming usage.

ADVERTISING BARTER TRANSACTIONS

Barter transactions represent the exchange of commercial air-time for programming, merchandise or services. The transactions are recorded at the estimated fair market value of the asset or services received or given in accordance with Emerging Issues Task Force Issue No. 99-17, "Accounting for Advertising Barter Transactions." Barter revenue for the year ended December 31, 2001 was $42.2 million. Barter revenues for the year ended December 31, 2000 and 1999 are not material to USA's statement of operations.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
MERCHANDISE INVENTORIES, NET

Merchandise inventories are valued at the lower of cost or market, cost being determined using the first-in, first-out method. Cost includes freight, certain warehouse costs and other allocable overhead. Market is determined on the basis of net realizable value, giving consideration to obsolescence and other factors. Merchandise inventories are presented net of an inventory carrying adjustment of $47.4 million and $40.5 million at December 31, 2001 and 2000, respectively.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments. Short-term investments consist primarily of U.S. Treasury Securities, U.S. Government agencies and certificates of deposit with original maturities of less than 91 days.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant improvements, are recorded at cost. Repairs and maintenance and any gains or losses on dispositions are included in operations.

Depreciation and amortization is provided for on a straight-line basis to allocate the cost of depreciable assets to operations over their estimated service lives.

ASSET CATEGORY	DEPRECIATION/AMORTIZATION PERIOD
Computer and broadcast equipment	3 to 13 Years
Buildings	30 to 40 Years
Leasehold improvements	4 to 20 Years
Furniture and other equipment	3 to 10 Years

Depreciation and amortization expense on property, plant and equipment was $151.9 million, $115.6 million and $61.2 million for the years ended December 31, 2001, 2000 and 1999, respectively.

LONG-LIVED ASSETS INCLUDING INTANGIBLES

The Company's accounting policy regarding the assessment of the recoverability of the carrying value of long-lived assets, including goodwill and other intangibles and property, plant and equipment, is to review the carrying value of the assets if the facts and circumstances suggest that they may be impaired. If this review indicates that the carrying value will not be recoverable, as determined based on the projected undiscounted future cash flows, the carrying value is reduced to its estimated fair value. See below under "New Accounting Pronouncements" for further information related to goodwill and other intangible assets. The Company amortizes goodwill and other intangible assets over their estimated useful lives, which range from 3 to 40 years for goodwill and 1 to 5 years for intangibles.

CABLE DISTRIBUTION FEES

Cable distribution fees relate to upfront fees paid in connection with multi-year cable contracts for carriage of Home Shopping's programming. These fees are amortized to expense on a straight line basis over the terms of the respective contracts.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
ADVERTISING

Advertising costs are primarily expensed in the period incurred. Advertising expense for the years ended December 31, 2001, 2000 and 1999 were $195.8 million, $176.5 million and $119.2 million, respectively.

INCOME TAXES

The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

EARNINGS (LOSS) PER SHARE

Basic earnings per share ("Basic EPS") excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised resulting in the issuance of common stock that then shares in the earnings of the Company.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation issued to employees in accordance with APB 25, "Accounting for Stock Issued to Employees." In cases where exercise prices are less than fair value as of the grant date, compensation is recognized over the vesting period. For stock-based compensation issued to non-employees, the Company accounts for the grants in accordance with FASB Statement No. 123, "Accounting for Stock Based Compensation."

MINORITY INTEREST

Minority interest primarily represents Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in TMCS until January 31, 2001, the public's ownership in Ticketmaster from January 31, 2001, the public's ownership interest in HRN since February 25, 2000, the public's ownership interest in Styleclick since July 27, 2000 and the partners ownership interest in HSN-Germany since its consolidation as of January 1, 2000.

FOREIGN CURRENCY TRANSLATION

The financial position and operating results of all foreign operations are consolidated using the local currency as the functional currency. Local currency assets and liabilities are translated at the rates of exchange on the balance sheet date, and local currency revenues and expenses are translated at average rates of exchange during the period. Resulting translation gains or losses, which have not been material, are included as a component of accumulated other comprehensive income (loss) in accumulated deficit.

ISSUANCES OF SUBSIDIARY STOCK

The Company accounts for issuances of stock by a subsidiary via income statement recognition, recording income or losses as non-operating income/(expense). During the year ended December 31, 2000, the Company recorded a gain of $108.3 million related to the issuance of subsidiary stock. See Note 3 for further discussion.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING ESTIMATES

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

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

NEW ACCOUNTING PRONOUNCEMENTS

GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, all calendar year companies will be required to adopt Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets." The new rules eliminate amortization of goodwill and other intangible assets with indefinite lives and establish new measurement criterion for these assets. Although it has not completed its assessment, the Company anticipates a write-off of $325 million to $425 million primarily related to the Citysearch and Precision Response ("PRC") businesses. Although Citysearch and PRC are expected to generate positive cash flows in the future, due to cash flow discounting techniques to estimate fair value as required by the new rules, the future discounted cash flows may not support current carrying values. The expected range for the Citysearch write-off is $75 million to $125 million and for PRC $250 million to $300 million. The rules are expected to reduce USA's annual amortization by approximately $350 million.

FILM ACCOUNTING

The Company adopted SOP 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") during the twelve months ended December 31, 2001. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Specifically, SOP 00-2 requires advertising costs for theatrical and television product to be expensed as incurred. This compares to the Company's previous policy of first capitalizing these costs and then expensing them over the related revenue streams. In addition, SOP 00-2 requires development costs for abandoned projects and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to film costs, which was required under the previous accounting rules. SOP 00-2 also requires all film costs to be classified in the balance sheet as non-current assets. Provisions of SOP 00-2 in other areas, such as revenue recognition, generally are consistent with the Company's existing accounting policies.

SOP 00-2 was adopted as of January 1, 2001, and the Company recorded a one-time, non-cash expense of $9.2 million. The expense is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation.

NOTE 3--BUSINESS ACQUISITIONS

The Company has made numerous acquisitions during the reporting periods. Below is a discussion of each significant acquisition.

STYLECLICK TRANSACTION

On July 27, 2000, USA and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network, a subsidiary of USA, and Styleclick.com (the "Styleclick Transaction"). The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. is traded on the OTC under the symbol "IBUY". In accordance with the terms of the agreement, USA invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid $10 million of borrowings outstanding under a bridge loan provided by USA.

The aggregate purchase price, including transaction costs, of $211.9 million was determined as follows:

	(IN THOUSANDS)
Value of portion of Styleclick.com acquired in the merger...	$121,781
Additional cash and promotional investment by USAi..........	50,000
Fair value of outstanding "in the money options" and warrants of Styleclick.com...............................	37,989
Transaction costs..	2,144

Total acquisition	

costs..................................... $211,914 --------

The fair value of Styleclick.com was based on the fair value of $15.78 per share times 7.7 million shares outstanding. Fair value of the shares was determined by taking an average of the opening and closing price of Styleclick.com common stock for the period just before and just after the terms of the transaction were agreed to by the Company and Styleclick.com and announced to the public. In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million in accordance with Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary", based upon the 25% of ISN's net book value exchanged for 75% of Styleclick.com's fair value, determined based upon the fair value of Styleclick.com common stock received in the merger. The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.2 million has been allocated to goodwill, which originally was being amortized over 3 years.

In March 2001, Styleclick announced a new company organization designed to advance its offering of scaleable commerce services. The announcement included Styleclick's acquisition of the MVP.com

technology platform. Also in March 2001, the Styleclick Board elected two executives of ECS to top management positions at Styleclick, and certain senior executives of Styleclick left the Company. As of December 31, 2000, as a result of the historical and anticipated operating losses of Styleclick, and the continuing evaluation of the operations and technology, Styleclick determined the goodwill recorded in conjunction with the Styleclick Merger was impaired and recorded a write-down of $145.6 million as goodwill amortization in fiscal 2000. In 2001, Styleclick began to focus on e-commerce services and technology while eliminating its online retail business. During this transition, Styleclick continued to incur significant net losses from operations that raise substantial doubt about Styleclick's ability to continue as a going concern. Styleclick is considering its options with respect to the situation. As of December 31, 2001, Styleclick has net liabilities of $2.1 million.

PRC TRANSACTION

On April 5, 2000, USAi acquired PRC in a tax-free merger by issuing approximately 24.3 million shares of USAi common stock for all of the outstanding stock of PRC for a total value of approximately $711.7 million (the "PRC Transaction"). In connection with the acquisition, the Company repaid approximately $32.3 million of outstanding borrowings under PRC's existing revolving credit facility. The PRC Transaction has been accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $658.0 million has been allocated to goodwill, which is being amortized over 20 years.

As noted above, although it has not completed its assessment, the Company anticipates a write-off of $250 million to $300 million primarily related to the PRC goodwill. Although PRC is expected to generate positive cash flows in the future, due to cash flow discounting techniques to estimate fair value required by the new rules, the future cash flows may not support current carrying values.

OCTOBER FILMS/PFE TRANSACTION

On May 28, 1999, the Company acquired October Films, Inc. ("October Films"), in which Universal owned a majority interest, and the domestic film distribution and development business of Universal previously operated by Polygram Filmed Entertainment, Inc. ("PFE") (the "October Films/ PFE Transaction"). In connection with the acquisition of October Films, Inc., as of May 28, 1999, the Company issued 600,000 shares of Common Stock to Universal and paid cash consideration of approximately $12.0 million to October Films shareholders (other than Universal) for total consideration of $23.6 million. To fund the cash consideration portion of the transaction, Universal purchased from USA 600,000 additional shares of Common Stock at $20.00 per share. In addition, the Company assumed $83.2 million of outstanding debt under October Films' credit agreement which was repaid from cash on hand on August 20, 1999.

Also on May 28, 1999, USAi acquired from Universal the domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses. In connection with the transaction, USAi agreed to assume certain liabilities related to the PFE businesses acquired. In addition, USA advanced $200.0 million to Universal pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement pursuant to which USAi will distribute, in the U.S. and Canada, certain Polygram theatrical films which were not acquired

in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through December 31, 2001, approximately $180.1 million had been offset against the advance and $19.4 million of interest had accrued.

The October Films/PFE Transaction has been accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $184.5 million has been allocated to goodwill, which is being amortized over 20 years.

HOTEL RESERVATIONS NETWORK TRANSACTION

On May 10, 1999, the Company completed its acquisition of substantially all of the assets and the assumption of substantially all of the liabilities of two entities which operate Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market in the United States (the "Hotel Reservations Network Transaction"). The assets acquired and liabilities assumed comprise Hotel Reservations Network, Inc. ("HRN"). The total purchase price was $405.8 million, resulting in goodwill of approximately $406.3 million which is being amortized over a ten year life.

On March 1, 2000, HRN completed an initial public offering for approximately 6.2 million shares of its class A common stock, resulting in net cash proceeds of approximately $90.0 million. At the completion of the offering, USA owned approximately 70.6% of the outstanding shares of HRN. USA recorded a gain related to the initial public offering of approximately $3.7 million in the year ended December 31, 2000 in accordance with Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary."

BUSINESS ACQUISITION PRO FORMA RESULTS

The following unaudited pro forma condensed consolidated financial information for the years ended December 31, 2001 and 2000, is presented to show the results of the Company, as if the Styleclick Transaction and the PRC Transaction, as well as the merger of Ticketmaster and Ticketmaster Online Citysearch had occurred at the beginning of the periods presented. The pro forma results include certain adjustments, including increased amortization related to goodwill and other intangibles and an increase in interest expense, and are not necessarily indicative of what the results would have been had the transactions actually occurred on the aforementioned dates. Note that the amounts exclude USAB, which is presented as a discontinued operation for 2000 (see Note 22).

	YEARS ENDED DECEMBER 31, 2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net revenues	$5,284,807	$4,667,690
Loss from continuing operations	(126,588)	(131,170)
Basic and diluted loss per common share, continuing operations	$ (.34)	$ (.36)

The following unaudited pro forma condensed consolidated financial information for the year ended December 31, 1999, is presented to show the results of the Company as if the Styleclick Transaction, the PRC Transaction, the Hotel Reservations Network Transaction and the October Films/

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

PFE Transaction had occurred at the beginning of the period presented. The pro forma results include certain adjustments, including increased amortization related to goodwill and other intangibles and changes in film costs amortization, and are not necessarily indicative of what the results would have been had the transactions actually occurred on the aforementioned dates. Note that the amounts exclude USAB, which is presented as a discontinued operation (see Note 22).

	YEAR ENDED DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)
Net revenues	$3,648,827
Loss from continuing operations	(20,515)
Basic and diluted loss per common share, continuing operations	$ (.06)

NOTE 4--INTANGIBLE ASSETS

Intangible assets are amortized using the straight-line method and include the following:

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Intangible Assets, net:		
Goodwill	$7,015,952	$7,181,196
Other	220,331	280,666
	$7,236,283	$7,461,862

NOTE 5--LONG-TERM OBLIGATIONS

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Unsecured Senior Credit Facility ("New Facility"); with a $40,000,000 sub-limit for letters of credit, entered into February 12, 1998, which matures on December 31, 2002. At the Company's option, the interest rate on borrowings is tied to the London Interbank Offered Rate ("LIBOR") or the Alternate Base Rate ("ABR"), plus an applicable margin. Interest rate at December 31, 2001 was 2.9%	$ --	$ --
$500,000,000 6 3/4% Senior Notes (the "Senior Notes") due November 15, 2005; interest payable May 15 and November 15 commencing May 15, 1999. Interest rate at December 31, 2001 was 6.75%	498,515	498,213
Unsecured $37,782,000 7% Convertible Subordinated Debentures ("Savoy Debentures") due July 1, 2003 convertible into USAi Common Stock at a conversion price of $33.22 per share	36,118	35,163
Other long-term obligations maturing through 2007	44,050	44,582
Total long-term obligations	578,683	577,958
Less current maturities	(34,016)	(25,457)
Long-term obligations, net of current maturities	$544,667	$552,501

NOTE 5--LONG-TERM OBLIGATIONS (CONTINUED)

On February 12, 1998, USA and USANi LLC, as borrower, entered into a $1.6 billion credit facility. The credit facility was used to finance the acquisition on February 12, 1998 of USA Networks and the domestic television production and distribution businesses of Universal Studios from Universal and to refinance USA's then-existing $275.0 million revolving credit facility. The credit facility consists of (1) a $600.0 million revolving credit facility with a $40.0 million sub-limit for letters of credit, (2) a $750.0 million Tranche A Term

Loan and, (3) a $250.0 million Tranche B Term Loan. The Tranche A Term Loan and the Tranche B Term Loan have been permanently repaid as described below.

The existing credit facility is guaranteed by certain of USA's subsidiaries. The interest rate on borrowings under the existing credit facility is tied to an alternate base rate or the London InterBank Rate, in each case, plus an applicable margin, and $595.4 million was available for borrowing as of December 31, 2001 after taking into account outstanding letters of credit. The credit facility includes covenants requiring, among other things, maintenance of specific operating and financial ratios and places restrictions on payment of certain dividends, incurrence of indebtedness and investments. The Company pays a commitment fee of .1875% on the unused portion of the credit facility. Note that with the closing of the Vivendi Transaction, the Company expects that the existing credit facility will expire.

The Savoy Debentures are redeemable at the option of the Company at varying percentages of the principal amount each year, ranging from 105.25% to 100.75%, plus applicable interest. In connection with the Savoy Merger, USA became a joint and several obligor with respect to the Savoy Debentures.

Aggregate contractual maturities of long-term obligations are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 34,016
2003	37,736
2004	1,073
2005	493,529
2006	921
Thereafter	11,408
	$578,683

NOTE 6--INCOME TAXES

A reconciliation of total income tax expense to the amounts computed by applying the statutory federal income tax rate to earnings from continuing operations before income taxes and minority interest is shown as follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Income tax expense at the federal statutory rate of 35%	$ 46,607	$ 24,992	$110,902
Amortization of goodwill and other intangibles	84,818	81,797	21,448
TMCS and foreign losses not consolidated into group	12,975	84,838	43,912
State income taxes, net of effect of federal tax benefit	11,796	11,205	11,941
Increase (decrease) in valuation allowance for deferred tax assets	--	10,219	--
Impact of minority interest	(69,786)	(96,485)	(85,419)
Barter media time	17,743	--	--
Other, net	4,724	(3,697)	266
Income tax expense	$108,877	$112,869	$103,050

The components of income tax expense (benefit) are as follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Current income tax expense:			

Federal	$ 69,853	$ 43,864	$ 72,342
State	13,874	8,846	18,993
Foreign	2,310	9,553	2,257
Current income tax expense	86,037	62,263	93,592
Deferred income tax expense:			
Federal	17,583	42,213	7,238
State	4,274	8,393	1,888
Foreign	983	--	332
Deferred income tax expense	22,840	50,606	9,458
Total income tax expense	$108,877	$112,869	$103,050

NOTE 6--INCOME TAXES (CONTINUED)

The tax effects of cumulative temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2001 and 2000 are presented below. The valuation allowance represents items for which it is more likely than not that the tax benefit will not be realized.

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
Current deferred tax assets (liabilities):		
Inventory costing	$ 14,781	$ 17,269
Provision for accrued expenses	14,954	9,750
Investments in affiliates	--	3,932
Deferred revenue	(48,933)	(36,919)
Film amortization	31,290	23,280
Other	64,429	43,549
Total current deferred tax assets	76,521	60,861
Less valuation allowance	(16,886)	(16,886)
Net current deferred tax assets	$ 59,635	$ 43,975
Non-current deferred tax assets (liabilities):		
Broadcast and cable fee contracts	$ 1,693	$ 1,693
Depreciation for tax in excess of financial statements	(3,362)	(10,118)
Amortization of FCC licenses and broadcast related intangibles	(478)	(478)
Amortization of tax deductible goodwill	(101,072)	(67,108)
Programming costs	23,860	37,833
Investment in subsidiaries	27,165	15,866
Gain on sale of subsidiary stock	(215,001)	(46,415)
Net federal operating loss carryforward	99,432	40,350
Deferred revenue	(9,112)	(8,955)
Warrant Amortization	(10,835)	--
Other	(24,309)	(16,545)
Total non-current deferred tax liabilities:	(212,019)	(53,877)
Less valuation allowance	(100,468)	(44,501)
Net non-current deferred tax liabilities	$ (312,487)	$ (98,378)

Total deferred tax liabilities	$ (252,852)	$ (54,403)

The Company recognized income tax deductions related to the issuance of common stock pursuant to the exercise of stock options for which no compensation expense was recorded for accounting purposes. The related income tax benefits of $38.4 million, $27.0 million, and $42.4 million for the years ended December 31, 2001, 2000 and 1999, respectively, were recorded as increases to additional paid-in capital.

At December 31, 2001 and 2000, the Company has net operating loss carryforwards ("NOL") for federal income tax purposes of $275.7 and $139.5 million, respectively, which are available to offset future federal taxable income, if any, through 2020. Such NOL's were acquired through acquisitions or are losses of consolidated subsidiaries in separate tax groups, which are subject to certain tax loss limitations. Accordingly, the Company has established a valuation allowance for these losses that are substantially limited. Amounts recognized, if any, of these tax benefits in future periods will be applied as a reduction of goodwill associated with the acquisition. The Company has Federal income tax returns under examination by the Internal Revenue Service. The Company has received proposed adjustments related to certain examinations. Management believes that the resolution of the proposed adjustments will not have a material adverse effect on the Company's consolidated financial statements.

NOTE 7--COMMITMENTS AND CONTINGENCIES

The Company leases satellite transponders, computers, warehouse and office space, as well as broadcast and production facilities, equipment and services used in connection with its operations under various operating leases and contracts, many of which contain escalation clauses.

Future minimum payments under non-cancelable agreements are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 65,008
2003	40,069
2004	34,198
2005	22,523
2006	16,611
Thereafter	110,970
	$289,379

Expenses charged to operations under these agreements were $89.8 million, $80.0 million and $61.6 million for the years ended December 31, 2001, 2000 and 1999, respectively.

HRN has non-cancelable commitments for hotel rooms totaling $23.1 million, which relate to the period January 1, 2002 to December 31, 2002. HRN also has, as of December 31, 2001, $6.7 million of outstanding letters of credit that expire between March 2002 and March 2003. The outstanding letters of credit are collateralized by $7.6 million of restricted cash equivalents at December 31, 2001.

Unrecorded commitments for program rights consist of programs for which the license period has not yet begun or the program is not yet available to air. As of December 31, 2001, the unrecorded commitments amounted to $968.0 million. Annual commitments are $153.8 million in 2002, $173.5 million in 2003, $189.1 million in 2004, $155.0 million in 2005, $112.4 million in 2006 and $184.2 million in 2007 and thereafter.

The Company is required to provide funding, from time to time, for the operations of its investments in joint ventures accounted for under the equity method. To date, HSN has funded $125.3 million to Hot Networks, a company operating electronic retailing operations in Europe in which the Company holds an equity stake.

NOTE 8--INVENTORIES

(IN THOUSANDS)	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Film costs:				
Released, net of amortization	$ --	$229,129	$ --	$227,635
In process and unreleased	--	57,483	--	79,460
Programming costs, net of amortization	$209,798	248,943	$172,499	178,846
Sales merchandise, net	197,145	--	230,343	--
Other	1,363	--	1,626	--
Total	$408,306	$535,555	$404,468	$485,941

NOTE 8--INVENTORIES (CONTINUED)

The Company estimates that approximately 90% of unamortized film costs at December 31, 2001 will be amortized within the next three years.

NOTE 9--STOCKHOLDERS' EQUITY

On January 20, 2000, the Board of Directors declared a two-for-one stock split of USA's common stock and Class B common stock, payable in the form of a dividend to stockholders of record as of the close of business on February 10, 2000. The 100% stock dividend was paid on February 24, 2000. All share data give effect to such stock split, applied retroactively as if the split occurred on January 1, 1999.

DESCRIPTION OF COMMON STOCK AND CLASS B CONVERTIBLE COMMON STOCK

Holders of USA Common Stock have the right to elect 25% of the entire Board of Directors, rounded upward to the nearest whole number of directors. As to the election of the remaining directors, the holders of USA Class B Common Stock are entitled to 10 votes for each USA Class B Common Stock share, and the holders of the USA Common Stock are entitled to one vote per share. There are no cumulative voting rights.

The holders of both classes of the Company's common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available for the payment of dividends. The Company's existing credit facility places restrictions on payment of certain dividends. In the event of the liquidation, dissolution or winding up of the Company, the holders of both classes of common stock are entitled to share ratably in all assets of the Company remaining after provision for payment of liabilities. USA Class B Common Stock is convertible at the option of the holder into USA Common Stock on a share-for-share basis. Upon conversion, the USA Class B Common Stock will be retired and not subject to reissue.

NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE

In connection with Mr. Diller's employment in August 1995, the Company agreed to sell Mr. Diller 1,767,952 shares of USA Common Stock ("Diller Shares") at $5.6565 per share for cash and a non-recourse promissory note in the amount of $5.0 million, secured by approximately 1,060,000 shares of USA Common Stock. The promissory note is due on the earlier of (i) the termination of Mr. Diller's employment, or (ii) September 5, 2007.

STOCKHOLDERS' AGREEMENT

Mr. Diller, Chairman of the Board and Chief Executive Officer of the Company, through BDTV, INC., BDTV II, INC., BDTV III, INC., BDTV IV, INC., his own holdings and pursuant to the Stockholders Agreement with Universal, Liberty, the Company and Vivendi (the "Stockholders Agreement"), has the right to vote approximately 14.4% (45,291,540 shares) of USA's outstanding common stock, and 100% (63,033,452 shares) of USA's outstanding Class B Common Stock. Each share of Class B Common Stock is entitled to ten votes per share with respect to matters on which Common and Class B stockholders vote as a single class. As a result, Mr. Diller controls 71.5% of the outstanding total voting power of the Company. Mr. Diller, subject to the Stockholders Agreement, is effectively able to control the outcome of nearly all matters submitted to a vote of the Company's

stockholders. Liberty HSN holds substantially all of the economic interest in, and Mr. Diller holds all of the voting power in, the shares of USAi stock held by the BDTV entities listed above.

RESERVED COMMON SHARES

In connection with option plans, convertible debt securities, pending acquisitions and other matters 533,792,416 shares of Common Stock were reserved. After the closing of the Expedia and Vivendi Transactions, 339,940,844 shares of Common Stock will be reserved, which includes 7,079,726 shares of USANi LLC which will be exchanged for USA common shares by Liberty in relation to the Vivendi Transaction, 59,457,479 shares issuable in relation to preferred stock and warrants issued in the Expedia transaction, and 60,467,735 shares issuable in relation to warrants to be issued to Vivendi in the pending Vivendi Transaction. 320,856,512 of USANi LLC shares that are currently exchangeable into Common Stock reserved will be retired in the Vivendi Transaction.

STOCK-BASED WARRANTS

In January 2000, HRN entered into an exclusive affiliate distribution and marketing agreement and issued a performance warrant upon the completion of the public offering, which, if fully vested, would have permitted the affiliate to acquire 2,447,955 shares of class A common stock at the initial public offering price of $16.00. On March 3, 2001, HRN restructured the affiliate distribution and marketing agreement whereby the term of the agreement was extended through July 2005 in exchange for waiver of all performance vesting requirements and all exercise restrictions on 60% of the performance warrants (1,468,773 shares) originally issued to such affiliate. The remaining 40% of the performance warrant (979,182 shares) will become vested based upon achieving certain performance targets during the term of the agreement. As a result of the restructured agreement, HRN deferred additional warrant cost of $26.3 million related to the 1,468,773 shares. HRN amortized $5.0 million of such costs during the twelve months ended December 31, 2001. The remainder will be amortized over the amended term of the agreement. During the years 2001 and 2000, 15.6% and 9.1%, respectively, of the HRN's sales originitated from customers of the affiliate. HRN expects the proportion of sales generated through the affiliate to stabilize or decline during the remaining term of the agreement.

The fair value of the warrants (979,182 shares) with performance features will be measured quarterly, and will be charged to expense as non-cash distribution and marketing expense as they are earned. For the twelve months ended December 31, 2001, HRN recorded an expense of approximately $6.4 million related to the performance warrants earned.

Additionally, in November 2000 and March 2001, HRN entered into additional affiliate distribution and marketing agreements and agreed to issue warrants based upon the affiliates achieving certain performance targets. If the targets are met in full, HRN will be required to issue warrants to acquire an aggregate of 2.8 million shares of class A common stock at an average price calculated at the end of each performance measurement period. No warrants were required to be issued under these agreements during the years ending December 31, 2001 and 2000.

In February 2000, HRN entered into other exclusive affiliate distribution and marketing agreements and issued 1,428,365 warrants to purchase class A common stock at the initial public offering price of $16.00. Additionally, in November 2000, HRN entered into another affiliate distribution and marketing agreement and issued 95,358 warrants to purchase class A common stock at an exercise price of $31.46. These 1,523,723 warrants are non-forfeitable, fully vested and exercisable

and are not subject to any performance targets. HRN has deferred the cost of

$17.7 million for these warrants, and is amortizing the cost over the term of the affiliate agreements, which range from two to five years. During the twelve months ended December 31, 2001 and 2000, HRN amortized $5.0 million and $4.3 million of the warrant costs, respectively.

EXPEDIA TRANSACTION

As noted in Footnote 1, on February 4, 2002 the Company completed its acquisition of a controlling interest in Expedia. In the merger, USA issued to former holders of Expedia common stock who elected to receive USA securities an aggregate of 20.6 million shares of USA common stock, 13.1 million shares of $50 face value 1.99% cumulative convertible preferred stock of USA and warrants to acquire 14.6 million shares of USA common stock at an exercise price of $35.10. The holders of the USA Series A Cumulative Convertible Preferred Stock are entitled to 2 votes for each share of USA Series A Cumulative Convertible Preferred Stock held on all matters presented to such shareholders. Each share of USA Series A Cumulative Convertible Preferred Stock is convertible, at the option of the holder at any time, into that number of shares of USA common stock equal to the quotient obtained by dividing $50 by the conversion price per share of USA common stock. The initial conversion price is equal to $33.75 per share of USA common stock. The conversion price will be adjusted downward if the share price of USA common stock exceeds $35.10 at the time of conversion. Each USA warrant gives the holder the right to acquire one share of USA common stock at an exercise price of $35.10 through February 4, 2009. The USA cumulative preferred stock trades on OTC under the symbol "USAIP" and the USA warrants trade on Nasdaq under the symbol "USAIW."

VIVENDI TRANSACTION

As noted in Footnote 1, on December 17, 2001, USA announced it had entered into an agreement with Vivendi pursuant to which USA would contribute USA's Entertainment Group to a joint venture with Vivendi, which joint venture would also hold the film, television and theme park businesses of Universal In relation to the transaction, USA will issue shares of common stock and warrants to acquire shares of USA common stock, and USA will cancel shares of USANi LLC that are exchangeable into shares of USA common stock. Pro forma for the Vivendi Transaction and after giving effect to the exchange of all of Liberty's Holdco shares, Liberty, through companies owned by Liberty and Mr. Diller, would own approximately 10.2% of USA's outstanding common stock and 79.3% of USA's outstanding Class B common stock, Vivendi (through subsidiaries), would own approximately 11.4% of USA's outstanding common stock and 20.7% of USA's outstanding Class B common stock and the public shareholders, including Mr. Diller and other USA officers and directors, will own approximately 78.4% of USA's common stock. Vivendi's ownership, however, will be in the form of 43.2 million shares of USA common stock and 13.4 million shares of Class B common stock (for a total of 56.6 million USA shares), which shares Vivendi is committed to hold to back a portion of the preferred interest that USA will receive in connection with the Vivendi Transaction described below. The preferred is to be settled by Universal at its then face value with a maximum of approximately 56.6 million USA common shares, provided that Universal may substitute cash in lieu of shares of USA common stock (but not USA Class B common stock), at its election. If USA's share price exceeds $40.82 per share at the time of settlement, fewer than 56.6 million shares would be cancelled.

NOTE 9--STOCKHOLDERS' EQUITY (CONTINUED)

Pro forma for the Vivendi Transaction and after giving effect to the exchange of all of Liberty's Holdco shares, Mr. Diller will control 69.6% of the outstanding total voting power of USA. Upon closing of the Vivendi Transaction, Vivendi's limited veto rights will be eliminated and Liberty will have limited veto rights will be limited to fundamental changes in the event USA's total debt ratio (as defined in the Amended and Restated Governance Agreement, among USA, Vivendi, Universal, Liberty and Mr. Diller, to become effective at the closing of the Vivendi Transaction) equals or exceeds 4:1 over a twelve-month period.

Also in connection with the transaction, Liberty will exchange 7,079,726 shares of USANi LLC for shares of USA common stock, and subsequently transfer to Universal 25,000,000 shares of USA common stock, its remaining 38,694,982 shares of USANi LLC, as well as the assets and liabilities of Liberty Programming France (which consist primarily of 4,921,250 shares of multiThematiques S.A., a French entity), in exchange for 37,386,436 Vivendi ordinary shares.

In addition, USA will issue to Universal ten-year warrants to acquire shares of USA common stock as follows: 24,187,094 shares at $27.50 per share; 24,187,094 shares at $32.50 per share; and 12,093,547 shares at $37.50 per share.

NOTE 10--LITIGATION

In the ordinary course of business, the Company is engaged in various lawsuits, including a certain class action lawsuit initiated in connection with the Vivendi Transaction. In the opinion of management, the ultimate outcome of the various lawsuits should not have a material impact on the liquidity, results of operations or financial condition of the Company.

NOTE 11--BENEFIT PLANS

The Company offers various plans pursuant to Section 401(k) of the Internal Revenue Code covering substantially all full-time employees who are not party to collective bargaining agreements. The Company's share of the Match.coming employer contributions is set at the discretion of the Board of Directors or the applicable committee thereof.

NOTE 12--STOCK OPTION PLANS

The following describes the stock option plans. Share numbers, prices and earnings per share reflect the Company's two-for-one stock split which became effective for holders of record as of the close of business on February 10, 2000.

The Company has outstanding options to employees of the Company under several plans (the "Plans") which provide for the grant of options to purchase the Company's common stock at not less than fair market value on the date of the grant. The options under the Plans vest ratably, generally over a range of three to five years from the date of grant and generally expire not more than 10 years from the date of grant. Five of the Plans have options available for future grants.

The Company also has outstanding options to outside directors under one plan (the "Directors Plan") which provides for the grant of options to purchase the Company's common stock at not less than fair market value on the date of the grant. The options under the Directors Plan vest ratably, generally over three years from the date of grant and expire not more than 10 years from the date of

grant. A summary of changes in outstanding options under the stock option plans following the Company's two-for-one stock split, is as follows:

DECEMBER 31, --------------------------

2001 2000 1999 ------------------- ----
-------------- ------------------
PRICE PRICE PRICE SHARES RANGE SHARES
RANGE SHARES RANGE -------- -------- --
------ -------- -------- --------
(SHARES IN THOUSANDS) Outstanding at
beginning of period...... 88,755 $
1-$28 75,955 $ 1-$37 78,428 $ 1-$37
Granted or issued in connection with
$19-$28 $ 4-$28 $16-$28
mergers..............................
7,503 19,526 10,007
Exercised..............................
(9,116) $ 1-$28 (4,277) $ 1-$20
(11,155) $ 1-$13
Cancelled..............................
(2,716) $ 3-$28 (2,449) $ 6-$37 (1,325)
$ 6-$18 ------ -------- ------ --------
------- -------- Outstanding at end of
period........... 84,426 $ 1-$28
88,755 $ 1-$28 75,955 $ 1-$37 ------ --
------ ------ -------- ------- --------
Options
exercisable.................... 63,023
$ 1-$37 56,968 $ 1-$28 47,987 $ 1-$37 -
----- -------- ------ -------- -------
-------- Available for
grant.................... 10,379
33,628 27,225 ------ ------ -------

The weighted average exercise prices during the year ended December 31, 2001, were $23.02, $8.88 and $20.47 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $9.69.

The weighted average exercise prices during the year ended December 31, 2000, were $21.05, $7.92 and $19.93 for options granted, options exercised and options cancelled, respectively. The weighted average fair value of options granted during the year was $8.10.

The weighted average exercise prices during the year ended December 31, 1999, were $23.77, $6.05 and $11.56 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $9.52.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	OUTSTANDING AT DECEMBER 31, 2001	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE AT DECEMBER 31, 2000	WEIGHTED AVERAGE EXERCISE PRICE
	(IN THOUSANDS)				
$ 0.01 to $ 5.00	18,418	3.9	$ 4.72	18,224	$ 4.72
$ 5.01 to $10.00	32,301	5.0	8.30	32,137	8.31
$10.01 to $15.00	4,959	6.5	12.43	3,470	12.40
$15.01 to $20.00	9,613	7.2	18.76	4,151	18.75
$20.01 to $25.00	14,348	8.4	22.75	2,947	22.42
$25.01 to $27.91	4,787	8.1	27.67	2,094	27.86
	84,426	5.7	12.51	63,023	9.49

Pro forma information regarding net income and earnings per share is required by SFAS 123. The information is determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair market value method. The fair value for these options

NOTE 12--STOCK OPTION PLANS (CONTINUED)

was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999: risk-free interest rates of 5.0%; a dividend yield of zero; a volatility factor of .72, .62, and .44, respectively, based on the expected market price of USAi Common Stock based on historical trends; and a weighted-average expected life of the options of five years.

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

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Pro forma net income (loss)..................	$303,277	$(209,183)	$(68,858)
Pro forma basic earnings (loss)..............	$ 0.81	$ (0.58)	$ (.21)
Pro forma diluted earnings (loss)............	$ 0.75	$ (0.58)	$ (.21)

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

NOTE 13--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2001:

For the year ended December 31, 2001, interest accrued on the $200.0 million advance to Universal amounted to $3.9 million.

For the twelve months ended December 31, 2001, the Company incurred non-cash distribution and marketing expense of $26.4 million and non-cash compensation expense of $12.7 million, including $4.9 million related to an agreement with an executive.

In 2001 the Company realized pre-tax losses of $30.7 million on equity losses in unconsolidated subsidiaries, resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In 2001 the Company realized pre-tax losses of $18.7 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

NOTE 13--STATEMENTS OF CASH FLOWS (CONTINUED)
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2000:

As of January 1, 2000, the Company presents the operations of HOT Germany, an electronic retailer operating principally in Germany, on a consolidated basis, whereas its investment in HOT Germany was previously accounted for under the equity method of accounting.

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USA common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

On January 31, 2000, TMCS completed its acquisition of 2b Technology, Inc.

("2b"), by issuing approximately 458,005 shares of TMCS Class B Common Stock for all the outstanding stock of 2b, for a total value of approximately $17.1 million.

On April 5, 2000, USA completed its acquisition of PRC by issuing approximately 24.3 million shares of USAi common stock for all of the outstanding stock of PRC, for a total value of approximately $711.7 million.

On May 26, 2000, TMCS completed its acquisition of Ticketweb, Inc. ("Ticketweb"), by issuing approximately 1.8 million shares of TMCS Class B Common Stock for all the outstanding stock of Ticketweb, for a total value of approximately $35.3 million.

For the year ended December 31, 2000, interest accrued on the $200.0 million advance to Universal amounted to $8.7 million.

For the year ended December 31, 2000, the Company recorded a pre-tax gain of $104.6 million related to the Styleclick transaction, and $3.7 million related to the HRN IPO (see Note 3).

For the year ended December 31, 2000, the Company incurred non-cash distribution and marketing expense of $11.7 million and non-cash compensation expense of $12.7 million, including $3.8 million related to an agreement with an executive.

In 2000 the Company realized pre-tax losses of $7.9 million on equity losses in unconsolidated subsidiaries resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In 2000 the Company also realized pre-tax losses of $46.1 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 1999:

On March 29, 1999, TMCS completed its acquisition of City Auction, Inc. ("City Auction"), a person-to-person online auction community, by issuing approximately 800,000 shares of TMCS Class B Common Stock for all the outstanding stock of City Auction, for a total value of $27.2 million.

On May 28, 1999, in connection with the October Films/PFE Transaction, the Company issued 600,000 shares of Common Stock, with a value of approximately $12.0 million.

On June 14, 1999, TMCS completed the acquisition of Match.com.com, Inc ("Match.com.com"), an Internet personals company. In connection with the acquisition, TMCS issued approximately

1.9 million shares of TMCS Class B Common Stock to the former owners of Match.com.com representing a total purchase price of approximately $43.3 million.

On September 13, 1999, TMCS purchased all the outstanding limited liability company units ("Units") of Web Media Ventures, L.L.C., an Internet personals company distributing its services through a network of affiliated Internet sites. In connection with the acquisition, TMCS issued 1.2 million shares of TMCS Class B Common Stock in exchange for all of the Web Media Units. In addition, TMCS is obligated to issue additional contingent shares related to certain revenue targets. The total purchase price recorded at September 13, 1999, without considering the contingent shares, was $36.6 million.

On September 18, 1999, TMCS acquired certain assets associated with the entertainment city guide portion of the Sidewalk.com web site ("Sidewalk") from Microsoft Corporation ("Microsoft"). The Company also entered into a four year distribution agreement with Microsoft pursuant to which the Company became the exclusive provider of local city guide content on the Microsoft Network ("MSN") and the Company's internet personals Web sites became the premier provider of personals content to MSN. In addition, the Company and Microsoft entered into additional cross-promotional arrangements. TMCS issued Microsoft 7.0 million shares of TMCS Class B Common Stock. The fair value of the consideration provided in exchange for the Sidewalk assets and distribution agreement amounted to $338.0 million.

For the period May 28 to December 31, 1999, interest accrued on the $200.0 million advance to Universal amounted to $6.7 million.

In 1999, the Company acquired post-production and other equipment through capital leases totaling $2.5 million.

In 1999, TMCS issued shares with a value of $10.5 million in exchange for an equity investment.

In 1999, the Company leased an airplane which was accounted for as a capital lease in the amount of $20.8 million. See Note 14.

For the year ended December 31, 2000, the Company incurred non-cash compensation expense of $6.6 million.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
CASH PAID DURING THE PERIOD FOR:			
Interest	$39,285	$38,946	$51,368
Income tax payments	36,083	22,343	35,556
Income tax refund	1,053	1,662	632

NOTE 14--RELATED PARTY TRANSACTIONS

As of December 31, 2001, the Company was involved in several agreements with related parties as follows:

The Company has a secured, non-recourse note receivable of $5.0 million from its Chairman and Chief Executive Officer. See Note 9.

Universal provides certain support services to the Company under a Transition Services agreement entered into in connection with the Universal Transaction. For these services, which include use of pre-production, production and post-production facilities, information technology services, physical distribution, contract administration, legal services and office space, Universal charged the Company $7.1 million, $8.2 million and $12.5 million for the years ended December 31, 2001, 2000 and 1999, respectively, of which $5.7 million, $4.7 million and $8.0 million was capitalized to production costs, respectively.

Universal and the Company entered into an International Television Distribution Agreement under which the Company pays to Universal a distribution fee of 10% on all programming owned or controlled by the Company distributed outside of the United States. For the years ended December 31, 2001, 2000 and 1999, the fee totaled $13.6 million, $14.0 million and $9.0 million, respectively.

In addition, the Company and Universal entered into a Domestic Television Distribution Agreement under which the Company distributes in the United States certain of Universal's television programming. For the years ended December 31, 2001, 2000 and 1999, Universal paid the Company $4.1 million, $1.5 million and $1.5 million, respectively.

Under the USANi LLC Operating Agreement, USANi LLC is obligated to make a distribution to each of the LLC members in an amount equal to each member's share of USANi LLC's taxable income at a specified tax rate. The estimated amount for 2001 is $153.5 million and is expected to be paid on February 28, 2002. In March 2000, the Company made a mandatory tax distribution payment to Universal and Liberty in the amount of $68.1 million related to the year ended December 31, 1999. The amount for the year ended December 31, 1998 was $28.8 million and it was paid in March 1999.

Pursuant to the October Films/PFE Transaction, the company entered into a series of agreements on behalf of its filmed entertainment division ("Films") with entities owned by Universal, to provide distribution services, video fulfillment and other interim and transitional services. These agreements are described below.

Under a distribution agreement covering approximately fifty films owned by Universal, Films earns a distribution fee and remits the balance of revenues to a Universal entity. For the twelve month periods ending December 31, 2001 and 2000, Films earned distribution fees of approximately $5.7 million and $10.7 million, respectively, from the distribution of these films. Films is responsible for collecting the full amount of the sale and remitting the net amount after its fee to Universal, except for amounts applied against the Universal Advance (see Note 3).

NOTE 14--RELATED PARTY TRANSACTIONS (CONTINUED)

In addition, Films acquired home video distribution rights to a number of "specialty video" properties. Universal holds a profit participation in certain of these titles. No amounts were earned by Universal under this agreement to date.

Films is party to a "Videogram Fulfillment Agreement" with a Universal entity pursuant to which such entity provides certain fulfillment services for the United States and Canadian home video markets. In the period ending December 31, 2001 and 2000, Films incurred fees to Universal of approximately $5.6 million and $3.5 million, respectively, for such services.

Films has entered into other agreements with Universal pursuant to which Universal administers certain music publishing rights controlled by Films and has licensed to Universal certain foreign territorial distribution rights in specified films from which it received $0.0 million and $5.8 million in revenue during the period ending December 31, 2001 and 2000, respectively.

In connection with the settlement of its interest in an international joint venture, the Company received $24.0 million from Universal during 2001.

NOTE 15--QUARTERLY RESULTS (UNAUDITED)

	QUARTER ENDED DECEMBER 31,	QUARTER ENDED SEPTEMBER 30,	QUARTER ENDED JUNE 30,	QUARTER ENDED MARCH 31,
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
YEAR ENDED DECEMBER 31, 2001				
Net revenues................................	$1,346,475	$1,255,818	$1,369,711	$1,312,803
Operating profit............................	46,116	37,722	76,780	73,207
Loss from continuing operations(a)...........	(56,948)	(40,443)	(10,278)	(17,383)
Earnings (loss) before cumulative effect of accounting change(a)(b)...................	(56,948)	427,575	39,551	(17,383)
Net earnings (loss)(a)(b)(c)................	(56,948)	427,575	39,551	(26,570)
EARNINGS PER SHARE--CONTINUING OPERATIONS				
Basic and diluted loss per common share(d)...	(.15)	(.11)	(.03)	(.05)
EARNINGS PER SHARE--BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE				
Basic earnings (loss) per common share(d)....	(.15)	1.14	.11	(.05)
Diluted net earnings (loss) per common share(d)..................................	(.15)	.59	.09	(.05)
EARNINGS PER SHARE				
Basic net earnings (loss) per common share(d)..................................	(.15)	1.14	.11	(.07)
Diluted net earnings (loss) per common share(d)..................................	(.15)	.59	.09	(.07)
YEAR ENDED DECEMBER 31, 2000				
Net				

revenues................................
$1,313,216 $1,107,270 $1,134,328
$1,041,338 Operating
profit............................
(105,801) 22,027 58,083 82,017 Loss from
continuing operations(e)(f)........
(62,297) (6,688) (12,503) (7,100) Net
loss(e)(f)(g)...........................
(80,285) (21,063) (27,738) (18,897)
EARNINGS PER SHARE--CONTINUING OPERATIONS
Basic and diluted loss per common share(d)
(h)............................... (.17)
(.02) (.04) (.02) EARNINGS PER SHARE Basic
and diluted net loss per common share(d)
(h)............................... (.22)
(.06) (.08) (.06)

- ------------------------

(a) The Company recorded losses of $11.6 million, $6.7 million and $0.4 million during the fourth, third and second quarters of 2001, respectively, related to the write-down of equity investments to fair value. The Company recorded losses of $15.6 million and $30.5 million during the fourth and third quarters of 2000, respectively, related to the write-down of equity investments to fair value.

(b) During the third and second quarters of 2001, the Company recorded pre-tax gains of $468.0 million and $49.8 million, respectively, related to the sale of the USAB stations.

(c) During the first quarter of 2001, the Company adopted Statement of Position 00-2, "Accounting By Producers or Distributors of Films." The Company recorded expense of $9.2 million related to the cumulative effect of adoption.

(d) Per common share amounts for the quarters may not add to the annual amount because of differences in the average common shares outstanding during each period.

NOTE 15--QUARTERLY RESULTS (UNAUDITED) (CONTINUED)

(e) The quarterly results include the operations of Styleclick.com since its acquisition on July 27, 2000, and PRC since its acquisition on April 5, 2000. During the third quarter of 2000, the Company recorded a pre-tax gain of $104.6 million related to the Styleclick Transaction. During the fourth quarter of 2000, the Company recorded a pre-tax charge of $145.6 million related to the impairment of Styleclick goodwill.

(f) During the first quarter of 2000, the Company recorded a pre-tax gain of $3.7 million related to the initial public offering of HRN.

(g) USAB is presented as a discontinued operation for 2000. For the fourth, third, second and first quarters of 2000, the after tax results of USAB were $18.0 million, $14.4 million, $15.2 million and $11.8 million, respectively.

(h) Earnings (loss) per common share data and shares outstanding retroactively reflect the impact of the two-for-one stock split of USA's common stock and Class B common stock paid on February 24, 2000. All share numbers give effect to such stock split.

NOTE 16--INDUSTRY SEGMENTS

USA Networks, Inc. ("USA") (Nasdaq: USAI) is organized into two groups, the Interactive Group and the Entertainment Group. The USA Interactive Group consists of Home Shopping Network (including HSN International and HSN.com); Ticketmaster (Nasdaq: TMCS), which operates Ticketmaster, Ticketmaster.com, Citysearch and Match.com; Hotel Reservations Network (Nasdaq: ROOM); Electronic Commerce Solutions; Styleclick (OTC: IBUY); and Precision Response Corporation. The USA Entertainment Group consists of USA Cable, including USA Network and Sci Fi Channel and Emerging Networks TRIO, Newsworld International and Crime; Studios USA, which produces and distributes television programming; and USA Films, which produces and distributes films.

Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") is defined as operating profit plus (1) depreciation and amortization, (2) amortization of cable distribution fees of $44.0 million, $36.3 million and $26.7 million in fiscal years 2001, 2000 and 1999, respectively (3) amortization of non-cash distribution and marketing expense and (4) disengagement expenses (described below) of $4.1 million in 2001. Adjusted EBITDA is presented here as a tool and as a valuation methodology used by management in evaluating the business. Adjusted EBITDA does not purport to represent cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA may not be comparable to calculations of similarly titled measures presented by other companies.

NOTE 16--INDUSTRY SEGMENTS (CONTINUED)

The following is a reconciliation of Operating Income to Adjusted EBITDA for 2001, 2000 and 1999.

	TWELVE MONTHS ENDED DECEMBER 31,		
	2001	2000	1999
Operating income	$233,825	$ 56,326	$269,914
Depreciation and amortization	572,765	693,642	324,506
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non-cash distribution and marketing	26,384	11,665	--
Amortization of non cash compensation expense	12,712	12,740	6,645
Disengagement expenses	4,052	--	--
Adjusted EBITDA	$893,713	$810,695	$627,745

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
REVENUES			
Cable and studios	$ 1,633,130	$ 1,525,124	$ 1,304,683
HSN--U.S. (a)	1,658,904	1,533,271	1,332,911
Ticketing	579,679	518,565	442,742
Hotel Reservations Network	536,497	327,977	124,113
Precision Response	298,678	212,471	--
Match.com.com	49,249	29,122	9,000
Citysearch and related	46,108	50,888	27,329
Electronic Commerce Solutions/Styleclick	34,229	46,603	49,202
HSN--International and other(b)	272,569	245,715	8,917
USA Films	167,038	86,084	64,766
Trio, NWI, Crime, other emerging media	24,086	20,332	1,188
Other	--	--	6,894
Intersegment Elimination	(15,360)	--	--
TOTAL	$ 5,284,807	$ 4,596,152	$ 3,371,745

NOTE 16--INDUSTRY SEGMENTS (CONTINUED)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
OPERATING PROFIT			
Cable and studios	$ 486,667	$ 435,116	$ 320,878
HSN--U.S.(a),(c)	103,866	130,442	137,670
Ticketing	25,351	25,453	32,503
Hotel Reservations Network	15,811	9,166	5,654
Precision Response	(40,857)	(7,282)	--
Match.com.com	(3,004)	(12,484)	(7,451)
Citysearch and related	(171,351)	(207,004)	(119,521)
Electronic Commerce Solutions/Styleclick	(73,145)	(240,085)	(51,701)
HSN--International and other(b)	(34,907)	4,641	(4,517)
USA Films	(7,979)	(15,800)	868
Trio, NWI, Crime, other emerging media	(20,133)	(13,244)	(2,989)
Corporate & other	(46,494)	(52,593)	(41,480)
TOTAL	$ 233,825	$ 56,326	$ 269,914
ADJUSTED EBITDA			
Cable and studios	$ 613,587	$ 547,684	$ 434,084
HSN--U.S. (a)	230,280	236,752	214,893
Ticketing	106,248	99,375	93,432
Hotel Reservations Network	81,449	52,641	18,891
Precision Response	26,044	35,165	--
Match.com.com	16,512	6,241	(400)
Citysearch and related	(44,417)	(66,356)	(60,444)
Electronic Commerce Solutions/Styleclick	(58,364)	(60,227)	(41,652)
HSN--International and other(b)	(25,306)	10,740	(4,505)
USA Films	1,973	(6,592)	6,497
Trio, NWI, Crime, other emerging media	(11,467)	(7,120)	(2,989)
Intersegment Elimination	(8,307)	--	--
Corporate & other	(34,519)	(37,608)	(30,062)
TOTAL	$ 893,713	$ 810,695	$ 627,745

NOTE 16--INDUSTRY SEGMENTS (CONTINUED)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
ASSETS			
Cable and studios	$ 4,847,480	$ 4,818,352	$ 4,821,905
HSN--U.S.	1,704,335	1,729,266	1,601,470
Ticketing	1,109,661	1,089,965	1,004,277
Hotel Reservations Network	643,835	555,613	202,666
Precision			

	2001	2000	1999
Response	850,485	795,531	--
Match.com.com	83,032	73,293	77,316
Citysearch and related	209,212	364,631	573,632
Electronic Commerce Solutions/Styleclick	33,111	61,025	28,623
HSN--International and other	212,549	133,654	37,840
USA Films	229,876	252,899	214,582
Trio, NWI, Crime, other emerging media	96,619	113,134	200
Corporate & other	1,682,857	486,507	670,716
TOTAL	$11,703,052	$10,473,870	$ 9,233,227
DEPRECIATION AND AMORTIZATION OF INTANGIBLES AND CABLE DISTRIBUTION FEES			
Cable and studios	$ 122,008	$ 112,568	$ 113,034
HSN--U.S.	122,115	106,059	83,796
Ticketing	80,897	73,922	60,846
Hotel Reservations Network	48,662	39,215	13,237
Precision Response	66,901	42,447	--
Match.com.com	19,516	18,725	7,051
Citysearch and related	106,700	130,207	59,077
Electronic Commerce Solutions/Styleclick	14,589	179,854	3,251
HSN--International and other	9,601	6,099	12
USA Films	9,952	9,208	5,629
Trio, NWI, Crime, other emerging media	8,666	6,124	--
Corporate & other	7,133	5,536	5,253
TOTAL	$ 616,740	$ 729,964	$ 351,186

NOTE 16--INDUSTRY SEGMENTS (CONTINUED)

	YEARS ENDED DECEMBER 31, 2001	2000	1999
	(IN THOUSANDS)		
CAPITAL EXPENDITURES			
Cable and studios	$ 12,907	$ 15,229	$ 6,771
HSN--U.S.	42,615	34,122	33,412
Ticketing	24,465	23,282	23,789
Hotel Reservations Network	16,022	2,859	1,092
Precision Response	25,775	43,505	--
Match.com.com	3,268	2,485	--
Citysearch and related	5,017	9,262	11,328
Electronic Commerce Solutions/Styleclick	2,292	5,047	13,657
HSN--International and other	6,031	18,105	13,746
USA Films	7	632	448
Trio, NWI, Crime, other emerging media	61	600	--
Corporate & other	5,051	21,756	4,673

TOTAL	$ 143,511	$ 176,884	$ 108,916

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(a) Includes estimated revenue in 2000 generated by homes lost by HSN following the sale of USA Broadcasting to Univision, which is estimated to be $6.2 million. Adjusted EBITDA for these homes is estimated at $0.9 million.

(b) Includes impact of foreign exchange fluctuations, which reduced revenue by $44.0 million and $36.3 million in 2001 and 2000, respectively, if the results are translated from Euros to U.S. dollars at a constant exchange rate, using 1999 as the base year.

(c) 2001 includes $4.1 million of costs incurred related to the disengagement of HSN from USA Broadcasting stations. Amounts primarily related to payments to cable operators and related marketing expenses in the disengaged markets.

NOTE 17--FINANCIAL INSTRUMENTS

The additional disclosure below of the estimated fair value of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies when available. The carrying values of all financial instruments approximates their respective fair values.

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS)			
Cash and cash equivalents	$ 978,377	$ 978,377	$ 244,223	$ 244,223
Long-term investments	65,891	65,891	49,355	49,355
Long-term obligations	(578,683)	(578,683)	(577,958)	(577,958)

NOTE 18--MARKETABLE SECURITIES AND INVESTMENTS HELD FOR SALE

At December 31, 2001, marketable securities available-for-sale were as follows (in thousands):

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
U.S. Government and agencies	$147,106	$230	$(217)	$147,119
Non-US government securities and other fixed Term obligations	22,350	--	--	22,350
Corporate debt securities	1,970	25	--	1,995
Total marketable securities	171,426	255	(217)	171,464
Investment held for sale	--	--	--	--
Total	$171,426	$255	$(217)	$171,464

Income tax expense of $15 were recorded on these securities for the year ended December 31, 2001.

The contractual maturities of debt securities classified as available-for-sale as of December 31, 2001 are as follows (in thousands):

	AMORTIZED COST	ESTIMATED FAIR VALUES
Due in one year or		

less	$ 65,922	$ 66,035
Due after one year through two years	7,461	7,398
Due after two through five years	22,977	22,956
Due over five years	75,066	75,075
Total	$171,426	$171,464

At December 31, 2000, marketable securities available-for-sale were as follows (in thousands):

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
Corporate debt securities	$ 81,066	$ 9	$ (14)	$ 81,061
U.S. Government and agencies	26,928	118	(12)	27,034
Certificate of deposit	10,175	20	--	10,195
Treasury Bill	8,048	14	--	8,062
Total marketable securities	126,217	161	(26)	126,352
Investment held for sale	10,041	--	(9,291)	750
Total	$136,258	$161	$(9,317)	$127,102

Income tax benefit of $3.6 million was recorded on these securities for the year ended December 31, 2000.

NOTE 18--MARKETABLE SECURITIES AND INVESTMENTS HELD FOR SALE (CONTINUED)

The contractual maturities of debt securities classified as available-for-sale as of December 31, 2000 are as follows (in thousands):

	AMORTIZED COST	ESTIMATED FAIR VALUES
Due in one year or less	$113,865	$113,976
Due after one year through two years	997	1,012
Due after two through five years	2,002	2,019
Due over five years	9,353	9,345
Total	$126,217	$126,352

NOTE 19--EQUITY INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

At December 31, 2001, USA beneficially owned 46.7% of the outstanding common stock of Hot Networks AG, a German stock corporation, the subsidiaries of which operate electronic retailing operations in Europe. This investment is accounted for using the equity method. Due to the significance of the results of Hot Networks, AG, in relation to USA's results, summary financial information for Hot Networks AG is presented below. There were no significant operations in 1999.

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Current assets	$ 17,597	$ 6,943
Noncurrent assets	157,274	42,784
Current liabilities	46,085	37,531
Noncurrent liabilities	194,249	23,668
Net		

Net sales	8,215	6,242
Gross profit	277	1,301
Net loss	(51,453)	(20,254)

To date, the Company has contributed approximately $125.3 million, including $105.5 million in 2001, and recorded equity losses in unconsolidated subsidiaries of $30.5 million, including $27.6 million in 2001.

NOTE 20--SAVOY SUMMARIZED HISTORICAL FINANCIAL INFORMATION

The Company has not prepared separate financial statements and other disclosures concerning Savoy because management has determined that such information is not material to holders of the Savoy Debentures, all of which have been assumed by the Company as a joint and several obligor. The information presented is reflected at Savoy's historical cost basis.

NOTE 20--SAVOY SUMMARIZED HISTORICAL FINANCIAL INFORMATION (CONTINUED)

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Net sales	$3,591	$6,678	$7,890
Operating expenses	118	3,236	3,431
Operating income	3,473	3,442	4,459
Net income	5,681	6,354	7,143

SUMMARY CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Current assets	$10,709	$ --
Non-current assets	53,563	158,561
Current liabilities	4,861	17,021
Non-current liabilities	44,530	38,902

NOTE 21--PROGRAM RIGHTS AND FILM COSTS

As of December 31, 2001, the liability for program rights, representing future payments to be made under program contract agreements amounted to $510.1 million. Annual payments required are $259.3 million in 2002, $156.6 million in 2003, $70.8 million in 2004, $17.0 million in 2005, $3.9 million in 2006 and $2.5 million in 2007 and thereafter. Amounts representing interest are $48.1 million and the present value of future payments is $462.0 million.

As of December 31, 2001, the liability for film costs amounted to $95.9 million. Annual payments are $51.6 million in 2002, $42.4 million in 2003 and $1.9 million in 2004.

NOTE 22--SALE OF USA BROADCASTING

In August 2001, the Company completed its previously announced sale of all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc. ("Univision"). Total cash proceeds were $1.1 billion, of which $510.4 million was collected in fiscal year 2001 and $589.6 million in January 2002. The gain on the sale of the stations of $517.8 million, net of tax of $377.4 million USAB is presented as a discontinued operation for all periods presented. The revenues for USAB were $19.7 million and $8.6 million in the years ended 2000 and 1999, respectively. The loss for USAB was $59.4 million (net of tax benefit of $21.3 million) and $44.1 million (net of tax benefit of $12.1 million) in the years ended 2000 and 1999, respectively.

NOTE 23--EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of Basic and Diluted earnings per share. All share numbers have been adjusted to retroactively reflect the impact of the two-for-one stock split of USA's

common stock and Class B common stock paid on February 24, 2000. All share numbers give effect to such stock split.

YEARS ENDED DECEMBER 31, -------------------------------
------- 2001 2000 1999 ------------ ----------- ---------
- (IN THOUSANDS, EXCEPT PER SHARE DATA) CONTINUING
OPERATIONS: NUMERATOR: Earnings
(loss).. $
(125,052) $ (88,588) $16,515 DENOMINATOR: Denominator for
basic earnings per share--weighted average
shares...
374,101 359,688 327,816 Effect of dilutive securities:
Stock
options... -- -
- 40,111 LLC shares exchangeable into Common
Stock................. -- -- -- --------- --------- ----
--- Diluted weighted average
shares............................. 374,101 359,688
367,927 Basic earnings (loss) per
share............................ $ (.33) $ (.25) $ .05
Diluted earnings (loss) per
share........................... $ (.33) $ (.25) $ .04

YEARS ENDED DECEMBER 31, -------------------------------
----- 2001 2000 1999 ---------- ----------- ----------
(IN THOUSANDS, EXCEPT PER SHARE DATA) EARNINGS (LOSS)
BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF
TAX: NUMERATOR: Net earnings
(loss)... $392,795
$(147,983) $(27,631) Elimination of minority
interest............................ 74,066 -- -- -------
- --------- -------- Numerator for diluted earnings
(loss) per share............. $466,861 $(147,983)
$(27,631) DENOMINATOR: Denominator for basic earnings per
share--weighted average
shares...
374,101 359,688 327,816 Effect of dilutive securities:
Stock
options...
30,089 -- -- LLC shares exchangeable into Common
Stock................. 361,153 -- -- -------- --------- -
------- Diluted weighted average
shares............................. 765,343 359,688
327,816 Basic earnings (loss) per
share............................. $ 1.05 $ (.41) $ (.08)
Diluted earnings (loss) per
share........................... .61 $ (.41) $ (.08)

YEARS ENDED DECEMBER 31, -------------------------------
------- 2001 2000 1999 ---------- ----------- ----------
- (IN THOUSANDS, EXCEPT PER SHARE DATA) NET EARNINGS
(LOSS): NUMERATOR: Net earnings
(loss)... $383,608
$ (147,983) $ (27,631) Elimination of minority
interest............................ 74,066 -- -- -------

- ---------- --------- Numerator for diluted earnings
(loss) per share............ $457,674 $ (147,983) $
(27,631) DENOMINATOR: Denominator for basic earnings per
share--weighted average
shares..
374,101 359,688 327,816 Effect of dilutive securities:
Stock
options...
30,089 -- -- LLC shares exchangeable into Common
Stock................. 361,153 -- -- -------- ----------
--------- Diluted weighted average
shares............................ 765,343 359,688
327,816 Basic earnings (loss) per
share............................ $ 1.03 $ (.41) $ (.08)
Diluted earnings (loss) per
share.......................... .60 $ (.41) $ (.08)

NOTE 24-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

On November 23, 1998, the Company and USANi LLC as co-issuers completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of the Company, including Holdco, a non-wholly owned, direct subsidiary of the Company, and all of the subsidiaries of USANi LLC (other than subsidiaries that are, individually and in the aggregate, inconsequential to USANi LLC on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by the Company or USANi LLC, as the case may be.

The following tables present condensed consolidating financial information for the years ended December 31, 2000, 1999 and 1998 for: (1) the Company on a stand-alone basis, (2) Holdco on a stand-alone basis, (3) USANi LLC on a stand-alone basis, (4) the combined Wholly Owned Subsidiary Guarantors (including Wholly Owned Subsidiary Guarantors that are wholly owned subsidiaries of USANi LLC), (5) the combined non-guarantor subsidiaries of the Company (including the non-guarantor subsidiaries of USANi LLC (collectively, the "Non-Guarantor Subsidiaries")), and (6) the Company on a consolidated basis.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because the Company's management has determined that the information contained in such documents would not be material to investors.

NOTE 24-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

As of and for the Year Ended December 31, 2001

WHOLLY OWNED NON- USANI
SUBSIDIARY GUARANTOR USAI USAI
HOLDCO LLC GUARANTORS
SUBSIDIARIES ELIMINATIONS
CONSOLIDATED ---------- ------
---- ---------- ----------- --
----------- ----------- -----
------- Current
assets................. $
585,212 $ -- $ 749,559 $
932,651 $ 708,810 $ -- $
2,976,232 Property and
equipment net..... -- --
24,755 198,971 210,389 --
434,115 Goodwill and other
intangible assets,
net.................. 71,598 -
- 2,260 4,751,722 2,410,703 --
7,236,283 Investment in
subsidiaries..... 3,919,150
1,319,505 7,159,969 101,680 --

(12,500,304) -- Other
assets...................
92,111 -- 2,262 708,490
960,170 (706,611) 1,056,422 --
-------- --------- ---------
---------- ---------- ------
------ ---------- Total
assets...................
$4,668,071 $1,319,505
$7,938,805 $6,693,514 $
4,290,072 $(13,206,915)
$11,703,052 ---------- -------
--- --------- ---------- ---
-------- ----------- --------
--- Current
liabilities............ $
238,934 $ -- $ (15,540) $
836,754 $ 535,148 $ -- $
1,595,296 Long-term debt, less
current
portion......................
-- -- 498,515 606 45,546 --
544,667 Other
liabilities.............
483,636 -- 1,057,543 426,245
604,437 (1,922,642) 649,219
Minority
interest............. -- --
(141,390) (108,769) 442,450
4,776,078 4,968,369
Interdivisional
equity......... -- -- --
5,538,678 2,662,491
(8,201,169) -- Stockholder's
equity........... 3,945,501
1,319,505 6,539,677 -- --
(7,859,182) 3,945,501 --------
-- --------- --------- -----
------ ---------- ----------
- ---------- Total
liabilities and shareholders'
equity......... $4,668,071
$1,319,505 $7,938,805
$6,693,514 $ 4,290,072
$(13,206,915) $11,703,052 ----
------ --------- --------- -
---------- ---------- -------
----- ----------
Revenue........................
$ -- $ -- $ -- $3,288,286 $
2,013,601 $ (17,080) $
5,284,807 Operating
expenses............. (10,725)
-- (34,154) (2,745,705)
(2,277,478) 17,080 (5,050,982)
Interest expense,
net.......... (21,757) --
4,650 (33,297) 1,966 --
(48,438) Other income
(expense), net.... (92,570)
64,557 367,373 (4,399)
(38,284) (348,900) (52,223)
Provision for income
taxes..... -- -- -- (95,560)
(13,317) -- (108,877) Minority
interest............. -- -- -
- (211,471) 62,132 --
(149,339) ---------- ---------
- ---------- ---------- -----
------ ---------- ----------
- Net (loss) income from
continuing operations........
$ (125,052) $ 64,557 $ 337,869
$ 197,854 $ (251,380) $
(348,900) $ (125,052) --------
-- --------- --------- -----
------ ---------- ----------
- ---------- Gain on disposal
of Broadcasting
Stations........ 517,847 -- --
-- -- -- 517,847 Net income

(loss) from cumulative effect
of accounting
change............ (9,187)
1,901 6,470 2,438 (11,625) 816
(9,187) ---------- ----------
---------- ---------- -------
---- ------------ -----------
Net income
(loss)............. $ 383,608
$ 66,458 $ 344,339 $ 200,292 $
(263,005) $ (348,084) $
383,608 ---------- ----------
---------- ---------- -------
---- ------------ -----------
Cash flows from
operations..... $ (36,116) $ -
- $ (25,770) $ 590,779 $
141,039 $ -- $ 669,932 Cash
flows used in investing
activities..................
31,993 -- (7,774) (65,279)
92,995 -- 51,935 Cash flows
from financing
activities..................
4,123 -- 745,346 (458,247)
(227,214) -- 64,008 Net Cash
used by discontinued
operations..................
-- -- -- (48,058) -- --
(48,058) Effect of exchange
rate........ -- -- (417) 269
(3,515) -- (3,663) Cash at the
beginning of the
period......................
-- -- 78,079 (28,949) 195,093
-- 244,223 ---------- --------
-- ---------- ---------- ----
------- ----------- ---------
-- Cash at the end of the
period......................
$ -- $ -- $ 789,464 $ (9,485)
$ 198,398 $ -- $ 978,377 -----
----- ---------- ---------- --
--------- ---------- --------
---- -----------

NOTE 24-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION
(CONTINUED)

As of and for the Year Ended December 31, 2000

WHOLLY OWNED USANI
SUBSIDIARY NON-
GUARANTOR USAI USAI
HOLDCO LLC
GUARANTORS
SUBSIDIARIES
ELIMINATIONS
CONSOLIDATED -------
--- ---------- -----
----- ----------- --
----------- -------
----- -----------
Current
assets....... $
356,726 $ -- $
14,159 $ 899,892 $
606,565 $ (356,726)
$ 1,520,616 Property
and equipment
net...... -- --
24,203 205,895
213,896 -- 443,994
Goodwill and other

intangible assets,
net................
73,693 -- --
5,004,332 2,383,837
-- 7,461,862
Investment in
subsidiaries.......
3,210,513 1,284,166
6,888,058 -- --
(11,382,737) --
Other
assets.........
167,447 -- 15,229
797,320 136,032
(204,499) 911,529
Net current assets
of discontinued
operations.........
-- -- -- 3,766 4,022
-- 7,788 Net non
current assets on
discontinued
operations.........
-- -- -- (240,346)
54,091 314,336
128,081 ---------- -
--------- ----------
---------- --------
--- ----------- ---
-------- Total
assets.........
$3,808,379
$1,284,166
$6,941,649
$6,670,859 $
3,398,443
$(11,629,626)
$10,473,870 --------
-- ---------- ------
---- ----------- ---
-------- -----------
- -----------
Current
liabilities........
$ 12,406 $ -- $ -- $
884,874 $ 427,365 $
(151,398) $
1,173,247 Long-term
debt, less current
portion.... -- --
498,212 4,645 49,644
-- 552,501 Other
liabilities....
356,102 -- 243,333
270,824 487,301
(866,446) 491,114
Minority
interest.... -- --
60,373 177,184
439,699 4,139,881
4,817,137
Interdivisional
equity.............
-- -- -- 5,302,098
2,134,252
(7,436,350) --
Stockholders'
equity.............
3,439,871 1,284,166
6,139,731 31,234
(139,818)
(7,315,313)
3,439,871 ----------
---------- ---------
- ----------- ------
----- ------------ -
---------- Total
liabilities and
shareholders'
equity.............
$3,808,379

$1,284,166
$6,941,649
$6,670,859 $
3,398,443
$(11,629,626)
$10,473,870 --------
-- ---------- ------
---- ----------- ---
-------- -----------
- -----------
Revenue..............
$ -- $ -- $ --
$3,108,099 $
1,489,123 $ (1,070)
$ 4,596,152
Operating
expenses... (15,184)
-- (37,369)
(2,614,506)
(1,873,837) 1,070
(4,539,826) Interest
expense,
net................
(26,195) -- 22,208
(28,263) (1,970) 2
(34,218) Other
income (expense),
net..... (48,551)
65,026 372,389
(112,323) (20,831)
(206,413) 49,297
Provision for income
taxes..............
1,342 -- (27,351)
(27,761) (59,099) --
(112,869) Minority
interest.... -- -- -
- 6,992 154,459
(208,575) (47,124) -
--------- ---------
---------- ---------
-- ----------- -----
------- -----------
Net (loss) income
from continuing
operations.........
$ (88,588) $ 65,026
$ 329,877 $ 332,238
$ (312,155) $
(414,986) $ (88,588)
---------- ---------
- ---------- -------
---- ----------- ---
--------- ---------
- Net (loss) income
from discontinued
operations.........
(59,395) -- --
(59,334) (61) 59,395
(59,395) ----------
---------- ---------
- ----------- ------
----- ----------- -
---------- Cash
flows from
operations.........
$ (34,654) $ -- $
(9,403) $ 402,056 $
14,508 $ -- $
372,507 Cash flows
used in investing
activities.........
$ 18,711 $ -- $
(63,754) $ (207,548)
$ (271,965) $ -- $
(524,556) Cash flows
from financing
activities.........
$ 15,943 $ -- $
(125,442) $
(112,456) $ 280,301

$ -- $ 58,346 Net
Cash used by
discontinued
operations.........
-- -- -- (84,771)
2,208 -- (82,563)
Effect of exchange
rate...............
-- -- -- 3,352
(6,039) -- (2,687)
Cash at the
beginning of the
period...... -- --
276,678 (27,067)
173,565 -- 423,176 -
--------- ----------
---------- ---------
-- ----------- -----
------- -----------
Cash at the end of
the period.........
$ -- $ -- $ 78,079 $
(26,434) $ 192,578 $
-- $ 244,223 -------
--- ---------- -----
----- ----------- --
--------- ----------
-- -----------

NOTE 24-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION
(CONTINUED)
As of and for the Year Ended December 31, 1999

WHOLLY OWNED USANI
SUBSIDIARY NON-
GUARANTOR USAI USAI
HOLDCO LLC GUARANTORS
SUBSIDIARIES
ELIMINATIONS
CONSOLIDATED ---------
-------- -------- -----
------- --------------
------------ ----------
--
Revenue.................
$ -- $ -- $ -- $
2,668,239 $ 703,506 $ -
- $ 3,371,745 Operating
expenses...... (10,074)
-- (27,171) (2,266,186)
(798,400) --
(3,101,831) Interest
expense, net...
(10,713) -- (11,837)
(22,157) (3,837) --
(48,544) Gain on sale
of subsidiary
stock...... -- -- --
89,721 -- -- 89,721
Other income (expense),
net...................
29,437 85,199 433,996
49,599 21,026 (613,486)
5,771 Provision for
income
taxes.................
7,865 -- -- (81,882)
(29,033) -- (103,050)
Minority
interest....... -- -- -
- 91 56,650 (254,038)
(197,297) --------- ---
---- -------- ---------
--- --------- ---------

- ----------- Net (loss) income from continuing operations............ $ 16,515 $85,199 $394,988 $ 437,425 $ (50,088) $ (867,524) $ 16,515 --------- ------- -------- ------------ --------- ---------- ----------- Net (loss) income from discontinued operations............ $ (44,146) $ -- $ -- $ (44,968) $ 822 $ 44,146 --------- ------- -------- ------------ --------- ---------- ----------- Cash flows from operations............ $ (33,127) $ -- $(31,200) $ 476,263 $ (10,359) $ -- $ 401,577 Cash flows used in investing activities............ $(401,082) $ -- $(53,645) $ 34,754 $ 6,005 $ -- $ (413,968) Cash flows from financing activities............ $ 434,209 $ -- $212,973 $ (570,075) $ (21,159) $ -- $ 55,948 Net cash used by discontinued operations............ -- -- -- (49,317) (16,943) -- (66,260) Effect of exchange rate.................. -- -- -- -- (123) -- (123) Cash at the beginning of the period............ -- -- 151,160 102,954 191,888 -- 446,002 --------- ------- -------- ------------ --------- ---------- ----------- Cash at the end of the period................ $ -- $ -- $279,288 $ (5,421) $ 149,309 $ -- $ 423,176 ========= ======= ======== ============ ========= ========== ===========

EXHIBIT 99.2

ITEM 7. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

USA Networks, Inc. ("USA" or the "Company") (Nasdaq: USAI) is organized into two groups, the USA Interactive Group and the USA Entertainment Group. The USA Interactive Group consists of Home Shopping Network (including HSN International and HSN.com); Ticketmaster (Nasdaq: TMCS), which operates Ticketmaster, Ticketmaster.com, Citysearch and Match.com; Hotel Reservations Network (Nasdaq: ROOM); Electronic Commerce Solutions; Styleclick (OTC: IBUY); Precision Response Corporation; and Expedia, Inc. (as of February 4, 2002) (Nasdaq: EXPE). The USA Entertainment Group consists of USA Cable, including USA Network and Sci Fi Channel and Emerging Networks TRIO, Newsworld International and Crime; Studios USA, which produces and distributes television programming; and USA Films, which produces and distributes films.

On February 4, 2002, USA completed its acquisition of a controlling interest in Expedia, Inc. ("Expedia") through a merger of one of its subsidiaries with and into Expedia. See below for further discussion under "Subsequent Events".

On December 17, 2001, USA and Vivendi Universal, S.A. ("Vivendi") announced a transaction (the "Vivendi Transaction") in which USA's Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, would be contributed to Vivendi Universal Entertainment, a new joint venture controlled by Vivendi. See below for further discussion under "Subsequent Events".

On January 31, 2001, Ticketmaster Online-Citysearch, Inc. and Ticketmaster Corporation, both of which are subsidiaries of USA, completed a transaction which combined the two companies. The combined company has been renamed "Ticketmaster." Under the terms of the transaction, USA contributed Ticketmaster Corporation to Ticketmaster Online-Citysearch and received 52 million Ticketmaster Online-Citysearch Class B Shares. The Ticketmaster Class B common stock is quoted on the Nasdaq Stock Market.

In August 2001, the Company completed its previously announced sale of all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc. ("Univision"). Total cash proceeds were $1.1 billion, of which $510.4 million was collected in fiscal year 2001 and $589.6 million in January 2002. The gain on the sale of the stations was $517.8 million, net of tax of $377.4 million. The majority of the stations sold are located in the largest markets in the country and aired HSN on a 24-hour basis. See further discussion of the disengagement process below.

A number of USA's businesses are currently held by two non-wholly owned subsidiaries, Home Shopping Network, Inc. ("Holdco") and USANi LLC. USA maintains control and management of Holdco and USANi LLC, and manages the businesses held by USANi LLC, in substantially the same manner as they would be if USA held them directly through wholly owned subsidiaries. The other principal owners of these subsidiaries are Liberty Media Corporation ("Liberty") and Vivendi, through Universal Studios, Inc ("Universal") and other subsidiaries. USA has the contractual right to require the exchange of the Holdco shares held by Liberty for shares of USA. Following such exchange and after giving effect to the Vivendi Transaction, Holdco and USANi LLC will become wholly owned, thereby simplifying USA's corporate and capital structure.

SUBSEQUENT EVENTS

EXPEDIA TRANSACTION

On February 4, 2002, USA completed its acquisition of a controlling interest in Expedia through a merger of one of its subsidiaries with and into Expedia. Immediately following the merger, USA owned all of the outstanding shares of Expedia Class B common stock, representing approximately 64.2% of Expedia's then outstanding shares, and 94.9% of the voting interest in Expedia. On February 20, 2002, USA acquired 936,815 shares of Expedia common stock, increasing USA's ownership to 64.6% of Expedia's the then outstanding shares, with USA's voting percentage remaining at 94.9%. In the merger, USA issued to former holders of Expedia common stock who elected to receive USA securities an aggregate of 20.6 million shares of USA common stock, 13.1 million shares of $50 face value 1.99% cumulative convertible preferred stock of USA and warrants to acquire 14.6 million shares of USA common stock at an exercise price of $35.10. Expedia will continue to be traded on Nasdaq under the symbol "EXPE," the USA cumulative preferred stock trades on OTC under the symbol "USAIP" and the USA warrants trade on Nasdaq under the symbol "USAIW."

Pursuant to the terms of the USA/Expedia transaction documents, Microsoft Corporation, which beneficially owned 33,722,710 shares of Expedia common stock, elected to exchange all of its Expedia common stock for USA securities in the merger. Expedia shareholders who did not receive USA securities in the transaction retained their Expedia shares and received for each Expedia share held 0.1920 of a new Expedia warrant.

CONTRIBUTION OF THE USA ENTERTAINMENT GROUP TO VUE

On December 17, 2001, USA announced it had entered into an agreement with Vivendi pursuant to which USA would contribute USA's Entertainment Group to a limited liability entity (Vivendi Universal Entertainment, "VUE") to be controlled by Vivendi, to which Vivendi would contribute the film, television and theme park businesses of Universal Studios, Inc. ("Universal"). Upon consummation of the Vivendi transaction, the joint venture will be controlled by Vivendi and its subsidiaries, with the common interests owned 93.06% by Vivendi, 5.44% by USA and 1.5% by Mr. Diller, Chairman and CEO of USA.

In connection with the Vivendi Transaction, USA and its subsidiaries will receive the following at the closing of the transactions: (i) approximately $1.62 billion in cash, debt-financed by VUE, subject to tax-deferred treatment for a 15-year period, (ii) a $750 million face value Class A preferred interest in VUE, with a 5% annual paid-in-kind dividend and a 20-year term, to be settled in cash at its then face value at maturity; (iii) a $1.75 billion face value Class B preferred interest in VUE, with a 1.4% annual paid-in-kind dividend, a 3.6% annual cash dividend, callable and puttable after 20 years, to be settled by Universal at its then face value with a maximum of approximately 56.6 million USA common shares, provided that Universal may substitute cash in lieu of shares of USA common stock (but not USA Class B common stock), at its election; (iv) a 5.44% common interest in VUE, generally callable by Universal after five years and puttable by USA after eight years, which may be settled in either Vivendi stock or cash, at Universal's election, and (v) a cancellation of Universal's USANi LLC interests currently exchangeable into USA common shares including USANi LLC interests obtained from Liberty in connection with a related transaction (see immediately below).

Related to the transaction, Liberty will exchange 7,079,726 shares of USANi LLC for shares of USA common stock, and subsequently transfer to Universal 25,000,000 shares of USA common stock, its remaining 38,694,982 shares of USANi LLC, as well as the assets and liabilities of Liberty Programming France (which consist primarily of 4,921,250 shares of multiThematiques S.A., a French entity), in exchange for 37,386,436 Vivendi ordinary shares.

In addition, USA will issue to Universal ten-year warrants to acquire shares of USA common stock as follows: 24,187,094 shares at $27.50 per share; 24,187,094 shares at $32.50 per share; and 12,093,547 shares at $37.50 per share. Barry Diller, USA's chairman and chief executive officer, will receive a common interest in VUE with a 1.5% profit sharing percentage, with a minimum value of $275.0 million, in return for his agreeing to specified non-competition provisions and agreeing to serve as chairman and chief executive officer of VUE. USA and Mr. Diller have agreed that they will not compete with Vivendi's television and filmed entertainment businesses (including VUE) for a minimum of 18 months.

The Vivendi Transaction is subject to USA shareholder vote, including the approval of 66 2/3% of the outstanding USA common stock and USA preferred stock, voting together as a single class, and excluding shares held by Vivendi, Liberty, Mr. Diller and their respective affiliates, as well as other customary regulatory approvals, and there can be no assurance that the transaction will be completed.

ADOPTION OF NEW ACCOUNTING RULES FOR GOODWILL

Effective January 1, 2002, all calendar year companies will be required to adopt Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets." The new rules eliminate amortization of goodwill and other intangible assets with indefinite lives and establish new measurement criterion for these assets. Although it has not completed its assessment, the Company anticipates a write-off of $325 million to $425 million primarily related to the Citysearch and Precision Response ("PRC") businesses. Although Citysearch and PRC are expected to generate positive cash flows in the future, due to cash flow discounting techniques to estimate fair value as required by the new rules, the future discounted cash flows may not support current carrying values. The expected range for the Citysearch write-off is $75 million to $125 million and for PRC $250 million to $300 million. The rules are expected to reduce USA's annual amortization by approximately $350 million.

ADJUSTED EBITDA

Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") is defined as operating profit plus (1) depreciation and amortization, (2) amortization of cable distribution fees of $44.0 million, $36.3 million and $26.7 million in fiscal years 2001, 2000 and 1999, respectively (3) amortization of non-cash distribution and marketing expense and (4) disengagement expenses (described below) of $4.1 million in 2001. Adjusted EBITDA is presented here as a management tool and as a valuation methodology. Adjusted EBITDA does not purport to represent cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA may not be comparable to calculations of similarly titled measures presented by other companies.

The following is a reconciliation of Operating Income to Adjusted EBITDA for 2001, 2000 and 1999.

	TWELVE MONTHS ENDED DECEMBER 31,		
	2001	2000	1999
Operating profit...........................	$233,825	$ 56,326	$269,914
Depreciation and amortization...............	572,765	693,642	324,506
Amortization of cable distribution fees.....	43,975	36,322	26,680
Amortization of non-cash distribution and marketing expense........................	26,384	11,665	--
Amortization of non-cash compensation expense..................................	12,712	12,740	6,645
Disengagement expenses......................	4,052	--	--
Adjusted EBITDA...............................	$893,713	$810,695	$627,745

THIS REPORT INCLUDES FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, NEW DEVELOPMENTS, NEW MERCHANDISING STRATEGIES AND SIMILAR MATTERS. A VARIETY OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE COMPANY'S FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE OPERATIONS, PERFORMANCE, DEVELOPMENT AND RESULTS OF THE COMPANY'S BUSINESS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING: MATERIAL ADVERSE CHANGES IN ECONOMIC CONDITIONS GENERALLY OR IN THE MARKETS SERVED BY THE COMPANY; FUTURE REGULATORY AND LEGISLATIVE ACTIONS AND CONDITIONS IN THE COMPANY'S OPERATING AREAS; COMPETITION FROM OTHERS; SUCCESSFUL INTEGRATION OF THE COMPANY'S DIVISIONS' MANAGEMENT STRUCTURES; PRODUCT DEMAND AND MARKET ACCEPTANCE; THE ABILITY TO PROTECT PROPRIETARY INFORMATION AND TECHNOLOGY OR TO OBTAIN NECESSARY LICENSES ON COMMERCIALLY REASONABLE TERMS; THE ABILITY TO EXPAND INTO AND SUCCESSFULLY OPERATE IN FOREIGN MARKET; AND OBTAINING AND RETAINING KEY EXECUTIVES AND EMPLOYEES.

YEAR ENDED DECEMBER 31, 2001 VS. YEAR ENDED DECEMBER 31, 2000

In April 2000, the Company acquired Precision Response Corporation ("PRC"), a leader in outsourced customer care for both large corporations and high-growth internet-focused companies (the "PRC Transaction"). On July 27, 2000, USA and Styleclick.com Inc. ("Old Styleclick"), an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network ("ISN") and Styleclick.com, forming a new company named Styleclick, Inc. ("Styleclick") (the "Styleclick Transaction"). The Styleclick Transaction, the PRC Transaction and the merger of Ticketmaster and TMCS resulted in increases in net revenues, operating costs and expenses, other income (expense), minority interest and income taxes. The following historical information is supplemented, where appropriate, with pro forma information. The unaudited pro forma information is presented below for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had any of the transactions occurred as of January 1, 2000, nor are they necessarily indicative of future results of operations.

INTERACTIVE

HSN--U.S.

OPERATING RESULTS

Net revenues in 2001 increased by $125.6 million, or 8.2%, to $1.66 billion from $1.53 billion in 2000 due primarily to higher revenue from HSN.com of $86.5 million, increased continuity sales of $6.3 million and $35.9 million of revenue generated by the Improvements business, a specialty catalogue retailer purchased in 2001. Note that 2001 was impacted by the national tragedy of September 11th, as

on-air sales declined in the third quarter of 2001 $11.5 million due to a dramatic, but relatively short-lived, decline in viewership following the tragedy. HSN ceased its live programming commencing shortly after the attacks and aired live news programming from USA Cable's NWI during that time. For 2001, total units shipped domestically increased to 36.8 million units compared to 34.2 million units in 2000, while the on-air return rate decreased slightly to 19.6% from 19.9% in 2000. The average price point in 2001 was $48.97, compared to $48.90 in 2000. Cost related to revenues and other costs and expenses for 2001 increased by $132.1 million, or 10.2%, to $1.4 billion from $1.3 billion in 2000 due to higher fixed overhead costs for fulfillment, including costs incurred to build out its new California fulfillment facility (in 2002, the center is expected to reduce shipping times to west coast customers), which helped contribute, along with pricing incentives offered after September 11th, to a lower on-air gross margin of 32.4% as compared to 33.8% in the prior year. Other operating costs increased due to investments in alternative distribution channels and continuing technology investments in HSN.com as the business scales. Furthermore, the Company incurred higher selling and marketing costs, including programs to attract new customers, and costs related to the Improvements business Adjusted EBITDA in 2001 decreased $6.5 million, to $230.3 million from $236.8 million in 2000, due to increased Adjusted EBITDA of HSN.com of $21.6 million, the continuity business of $1.5 million and $3.9 million of Adjusted EBITDA generated by the Improvements business, offset partially by the impact of lower on-air sales, lower margins and higher operating costs. Adjusted EBITDA in 2001 excludes amortization of cable distribution fees of $44.0 million in 2001 and $36.3 million in 2000. Excluding one-time charges and benefits and the estimated impact of disengagement (discussed below), net revenues in 2001 increased by $131.9 million, or 8.6%, to $1.66 billion from $1.53 billion in 2000 and Adjusted EBITDA increased $1.9 million, to $231.5 million from $229.6 million in 2000. One time charges and benefits include $1.2 million related to employee terminations in 2001 and one-time benefits of $6.3 million related to a favorable settlement of litigation relating to an HSN broadcast affiliation agreement and a cable affiliation agreement in 2000. See below for a discussion of disengagement.

DISENGAGEMENT

As noted in the Company's previous filings, the majority of the USAB stations sold to Univision are located in the largest markets in the country and aired HSN on a 24-hour basis. As of January 2002, HSN switched its distribution in these markets directly to cable carriage. As a result, HSN lost approximately 12 million homes and accordingly, HSN's operating results will be affected. Fortunately, sales from broadcast only homes are much lower than sales from cable homes. As a result, HSN's losses attributable to disengagement are expected to be limited. HSN anticipates losing sales, which translates on a pro forma basis for 2001, of $108 million and Adjusted EBITDA of $15 million. These anticipated losses are consistent with previous disclosures, in which it was stated that disengagement losses would equal approximately 6% of HSN's sales and Adjusted EBITDA. In addition, in order to effectively transfer HSN's distribution to cable (which has been accomplished), USA will incur charges of approximately $100 million in the form of payments to cable operators and related marketing expenses. In effect, this approximately $100 million payment will reduce USA's pre-tax proceeds from the Univision transaction to $1 billion. The impact of lost sales and Adjusted EBITDA have been presented separately to attempt to illustrate the impact of disengagement and present results on a comparable basis. These disengagement costs are excluded from Adjusted EBITDA. Approximately $4.1 million of these costs were incurred in 2001 and $35.9 million are expected to be incurred in 2002. USA believes that its disengagement costs increased to the higher end of USA's anticipated range of costs, since USA was required to achieve a certain portion of disengagement after the Univision announcement and with specified end-dates for continuing broadcast distribution. The Company has supplemented its discussion of HSN's results by including a comparison of 2001 to 2000, adjusted for the estimated impact of disengagement on revenues and Adjusted EBITDA. In September 2001, the New York market was disengaged. The estimated 2000 impact was lost revenue of $6.2 million and lost Adjusted EBITDA of $0.9 million.

TICKETING OPERATIONS

Net revenues in 2001 increased by $61.1 million, or 11.8%, to $579.7 million from $518.6 million in 2000 due to an increase in the average per ticket convenience, order processing and delivery revenue of $6.11 in 2001 compared to $5.71 in 2000,an increase in total tickets sold of 86.7 million in 2001 compared to 83.0 million in 2000 and, to a lesser extent, the impact of the acquisition of ReserveAmerica in February 2001. The gross transaction value of tickets sold for the full year 2001 was $3.6 billion. The percentage of tickets sold online in 2001 was approximately 32.1% as compared to 24.5% in 2000. Following September 11th, the Company did experience reduced ticket sales, event postponements and event cancellations, primarily in the third quarter. Also, the Company experienced a decrease in sales of concession control systems in its movie ticketing business in 2001 compared to 2000 due to weak economic conditions as well as a decrease in phone upsell revenue during 2001. Cost related to revenues and other costs and expenses in 2001 increased by $54.2 million, or 12.9%, to $473.4 million from $419.2 million in 2000, resulting primarily from higher ticketing operations costs, including commission expenses, and higher administrative costs. Adjusted EBITDA in 2001 increased by $6.9 million, or 6.9%, to $106.2 million from $99.4 million in 2000, and was impacted somewhat by the lingering impact of September 11th, a decline in earnings in selected international markets, and lower sales of concession control systems. Adjusted EBITDA in 2001 excludes non-cash distribution and marketing expense of $0.4 million related to barter arrangements for distribution secured from third parties, for which USA Cable provides advertising. Excluding one-time items, Adjusted EBITDA in 2001 increased by $6.2 million, or 6.2%, to $106.2 million from $100.0 million in 2000. One time charges relate to transaction costs incurred related to the merger of Ticketmaster and TMCS and costs related to an executive termination, totaling $0.7 million in 2000.

HOTEL RESERVATIONS

Net revenues in 2001 increased by $208.5 million, or 63.6%, to $536.5 million from $328.0 million in 2000, resulting from a 74% increase in room nights sold (to 4.2 million from 2.4 million), a significant expansion of affiliate marketing programs to over 23,800 web-based and call center marketing affiliates in 2001 from 16,200 in 2000, an increase in the number of hotels in existing cities as well as expansion into 81 new cities and the acquisition of TravelNow in February 2001. Note that sales were partially impacted by September 11th due to the high volume of cancellations after the attacks, but that the fourth quarter results rebounded despite the weakened economy and a challenging travel environment. Cost related to revenues and other costs and expenses in 2001 increased by $179.7 million, or 65.3%, to $455.0 million from $275.3 million in 2000 due primarily due to increased sales, including an increased percentage of revenue attributable to affiliates that earn commissions (sales from affiliate websites accounted for approximately 66% of the total revenues, as compared to approximately 53% in the comparable period), increased credit card fees, and increased staffing levels and systems to support increased operations, and higher marketing costs, partially offset by lower telephone and telephone operator costs due to the increase in Internet-related bookings. Gross profit margin in 2001 decreased slightly to 31.0% from 31.2% due to a slight decline in gross profit margin of HRN's historical business offset partially by the acquisition of TravelNow, which has higher gross margins. The decline in margin for the historical business resulted from HRN's decision to focus on increasing market share and the dollar amount of gross profit instead of gross profit margin. Adjusted EBITDA in 2001 increased by $28.8 million, or 54.7%, to $81.4 million from $52.6 million in 2000. Adjusted EBITDA for 2001 and 2000 excludes non-cash distribution and marketing expense of $16.5 million and $4.3 million, respectively, related to the amortization of stock-based warrants issued to affiliates in consideration of exclusive affiliate distribution and marketing agreements. HRN expects that the amount of non-cash distribution and marketing expense could grow, as certain of the warrants are performance based, the value of which is determined at the time the performance criteria are met. As HRN's stock price rises, the value of the warrants also increases. In addition, Adjusted EBITDA in

2001 excludes non-cash distribution and marketing expense of $0.5 million related to cross promotion advertising provided by USA Cable.

TELESERVICES

Net revenues in 2001 increased by $86.2 million, or 40.6%, to $298.7 million from $212.5 million in 2000 primarily from the addition of new clients and expansion of certain existing relationships and the acquisition of new businesses, offset partially by a decrease in services provided to certain existing clients. Overall, PRC's business continued to be adversely affected by an economy-related slowdown in the outsourcing of consumer care programs, particularly in the telecom and financial services industries. Revenue in 2001 includes $7.1 million for services provided to other USA segments. Cost related to revenues and other costs and expenses in 2001 increased by $95.3 million, or 53.8%, to $272.6 million from $177.3 million in 2000, due primarily to increased operations and costs associated with obtaining new clients, including the costs of the businesses acquired in late 2000 and in 2001. Adjusted EBITDA in 2001 decreased by $9.1 million to $26.0 million from $35.2 million in 2000. Excluding one-time items, Adjusted EBITDA in 2001 decreased by $0.9 million to $34.3 million from $35.2 million in 2000. One-time charges relate to $8.3 million of restructuring costs for call center operations, employee terminations and benefits. Note that PRC was acquired by USA in April 2000. On a pro forma basis, 2001 revenues increased by $16.5 million and 2001 Adjusted EBITDA, excluding one-time items, decreased by $10.3 million.

MATCH.COM

Net revenues in 2001 increased by $20.1 million, or 69.1%, to $49.2 million compared to $29.1 million in 2000 due to increased subscription revenue, as the personals operations had a 49% increase in the average number of personals subscriptions in 2001 compared to 2000 and a subscription price increase effective November 2000. Cost related to revenues and other costs and expenses in 2001 increased by $9.8 million to $32.7 million in 2001 from $22.9 million primarily from a new broadcast media campaign and higher operating costs to support the increased sales volumes and increased fees paid to distribution partners. Adjusted EBITDA in 2001 increased by $10.3 million to $16.5 million from $6.2 million in 2000. Adjusted EBITDA in 2001 excludes $5.9 million of non-cash distribution and marketing expense related to advertising provided by USA Cable--$2.5 million for cross promotion advertising and $3.4 million related to barter arrangements for distribution arrangements secured from unaffiliated third parties.

HSN--INTERNATIONAL AND OTHER

HSN--International consists primarily of HSN--Germany and Home Shopping Espanol, which operates Spanish language electronic retailing operations serving customers primarily in the United States, Puerto Rico and Mexico. HSN--Germany increased sales $22.9 million, or 10.2%, in 2001 to $247.3 million compared to $224.4 million in 2000. The Euro did decline in value as compared to the U.S. dollar during the year. Using a constant exchange rate (1999 chosen for all periods presented), HSN--Germany increased sales $34.3 million, or 13.1%, in 2001 to $296.0 million compared to $261.7 million in 2000. Sales trends were adversely impacted by the conversion to a new order management system, which delayed certain shipments. HSN--Germany recognizes revenue upon shipment. Home Shopping Espanol had slightly increased revenues of $4.1 million, to $23.4 million in 2001 compared to $19.3 million in 2000, resulting from increased sales in existing markets and expansion into Mexico. Costs increased primarily due to higher sales volume, although gross margins declined. HSN--Germany's margins declined to 33.8% from 36.6% in 2000, due to operating challenges of the conversion to the new order management system and increased investments in adding an additional 4 live hours of programming and increased marketing expenses for new product lines. Margins at Espanol declined to 17.5% in 2001 from 25.7%, due in part to costs of expansion into new territories. Adjusted

EBITDA for electronic retailing in Germany decreased $17.9 million in 2001, to $4.8 million from $24.3 million in 2000, due to lower margins and higher operating expenses described above. Adjusted EBITDA loss for Espanol and International administration, widened to $29.7 million in 2001 from $11.1 million, due to higher costs related to expansion efforts and increased live broadcasting hours. Excluding one-time items, Adjusted EBITDA for electronic retailing in Germany decreased $16.3 million in 2001, to $6.4 million from $24.3 million in 2000. One-time items include non-recurring expenses of $1.6 million related to employee terminations in 2001.

CITYSEARCH AND RELATED

Net revenues in 2001 decreased by $4.8 million to $46.1 million compared to $50.9 million in 2000 due primarily to decreased advertising revenue related to the city guides business. Cost related to revenues and other costs and expenses (including Ticketmaster corporate expenses) in 2001 decreased by $26.9 million to $90.5 million from $117.4 million in 2000. The decrease in revenues and costs reflect Citysearch's initiatives to reduce operating costs and focus on higher margin products. In January 2002, Citysearch announced a further restructuring of its operations in pursuit of its strategy to achieve breakeven financial performance in 2003 (excluding Ticketmaster corporate expenses). Adjusted EBITDA loss in 2001 narrowed by $21.9 million to $44.4 million from $66.3 million in 2000. Adjusted EBITDA in 2001 excludes $11.4 million of non-cash distribution and marketing expense related to advertising provided by USA Cable, consisting of $9.1 million for cross promotion advertising and $2.3 million related to barter arrangements for distribution arrangements secured from unaffiliated third parties and excludes $1.0 million of one-time costs related to employee terminations. Excluding one-time items, Adjusted EBITDA loss in 2001 narrowed by $20.4 million to $43.4 million from $63.8 million in 2000. One-time items include $1.0 of non-recurring costs related to employee terminations in 2001 and $2.5 million of non-recurring costs related to the merger of Ticketmaster and

TMCS in 2000.

ELECTRONIC COMMERCE SOLUTIONS/ STYLECLICK

Net revenues in 2001 decreased by $12.4 million to $34.2 million compared to $46.6 million in 2000 due primarily to decreases in revenue of Styleclick caused by the shut-down of the First Jewelry and FirstAuction.com websites, offset partially by increases in revenue for the transactional sites that ECS manages. Cost related to revenues and other costs and expenses in 2001 decreased by $14.2 million, due primarily to initiatives to reduce operating costs of Styleclick. Adjusted EBITDA loss in 2001 narrowed by $1.8 million to $58.4 million in 2001 from $60.2 million in 2000. Excluding one-time items, Adjusted EBITDA loss in 2001 narrowed by $6.6 million to $53.6 million in 2001 from $60.2 million in 2000. One-time items include $4.8 million of non-recurring charges related to consolidating Styleclick's operations in Chicago and the shutdown of the FirstAuction.com website, and $5.0 million related to the write-down of a commitment from USA to provide media time recorded in 2001. Regarding the media time write-down, the commitment for the time expires on December 31, 2002 and based on current projections, Styleclick does not believe it is likely to use the time during this period. Note that Styleclick was acquired by USA in July 2000. On a pro forma basis, 2001 revenues for the segment decreased by $14.3 million and 2001 Adjusted EBITDA loss, excluding one-time items, narrowed by $17.6 million. In 2001, Styleclick began to focus on e-commerce services and technology while eliminating its online retail business. During this transition, Styleclick continued to incur significant net losses from operations that raise substantial doubt about Styleclick's ability to continue as a going concern. Styleclick is considering its options with respect to the situation.

ENTERTAINMENT

CABLE AND STUDIOS

Net revenues in 2001 increased by $108.0 million, or 7.1%, to $1.63 billion from $1.53 billion in 2000 due to significant increases in license fees earned by Studios USA, including amounts related to

the three Law & Order programs currently airing on NBC, increased license fees earned in secondary markets, increased revenues associated with THE DISTRICT, higher revenues earned on reality programming, including ARREST AND TRIAL and CROSSING OVER WITH JOHN EDWARD, offset partially by lower talk show syndication revenues. Revenues at USA Cable increased slightly, due mainly to a $16 million positive adjustment related to affiliate fees recorded in the third quarter of 2001. Advertising revenue was lower than the prior year due to the weak advertising market, which was worsened by the events of September 11th. Note that the cable networks provided $10.7 million of advertising to Citysearch and Match.com in 2001. In addition, the networks recognized $42.2 million of barter revenue pursuant to agreements with unaffiliated third parties. Studios USA defers revenue recognition for internally produced series for USA Network and Sci Fi Channel until the product is aired on the networks. Cost related to revenues and other costs and expenses in 2001 increased by $42.1 million, or 4.3%, to $1.0 billion from $977.4 million in 2000 due to higher expenses incurred by Studios USA in relation to product delivered to the broadcast networks and $13.7 million of higher expense for development costs, offset partially by efficient use of programming by Cable and increased usage of internally developed product by Cable, resulting in reduced program amortization. Adjusted EBITDA in 2001 increased by $65.9 million, or 12.0%, to $613.6 million from $547.7 million in 2000. Excluding one-time items, Adjusted EBITDA in 2001 increased by $69.1 million, or 12.6%, to $616.8 million from $547.7 million in 2000. One-time items include $3.2 million of one-time compensation expense related to a senior executive in 2001.

EMERGING NETWORKS

Net revenues in 2001 increased by $3.8 million to $24.1 million from $20.3 million in 2000. Revenue in 2001 was impacted by a new affiliate distribution deal, resulting in lower subscriber rates. Cost related to revenue increased by $8.1 million to $35.6 million from $27.5 million in 2001 as compared to 2000 due primarily to higher programming costs of Trio. Adjusted EBITDA loss in 2001 increased by $4.3 million, to a loss of $11.5 million.

FILMED ENTERTAINMENT

Net revenues in 2001 increased by $81.0 million, or 94.0%, to $167.0 million compared to $86.1 million in 2000 due primarily to increased theatrical, video and DVD revenues generated on TRAFFIC, which has grossed more than $200 million in worldwide box office. Cost related to revenues and other costs and expenses in 2001 increased by $72.4 million, due to higher film amortization costs related to TRAFFIC and higher prints and advertising costs caused by the Company's adoption of SOP 00-2, "Accounting by Producers and Distributors of

Films" in the first quarter of 2001, which require that prints and advertising costs be expensed as incurred rather than amortized over the film's anticipated revenue stream. Adjusted EBITDA in 2001 was $2.0 million, compared to a loss of $6.6 million in 2000.

DEPRECIATION AND AMORTIZATION, NON-CASH COMPENSATION AND OTHER INCOME (EXPENSE)

Depreciation and amortization decreased $120.8 million to $572.8 million from $693.6 million, due primarily to the impact in 2000 of the write-off of Styleclick goodwill of $145.6 million. On a pro forma basis, giving effect to the Styleclick Transaction and the PRC Transaction, depreciation and amortization decreased $144.4 million. Amortization of non-cash compensation expense remained stable at $12.7 million. The expense relates to non-cash charges for the Company's bonus stock purchase program, restricted stock awards, and stock option grants.

For the year ended December 31, 2001, net interest expense increased by $14.2 million, compared to 2000 primarily due to lower interest earned due to lower rates.

In the years ended December 31, 2001 and 2000, the Company realized pre-tax losses of $30.7 million and $7.9 million, respectively, on equity losses in unconsolidated subsidiaries resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In 2001 and 2000, the Company also realized pre-tax losses of $18.7 million and $46.1 million, respectively, related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

In 2001 the Company recorded a gain of $517.8 million, net of taxes of $377.4 million related to the sale of all of the capital stock of certain USAB subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision. Results of operations for the broadcasting stations for 2000 are recorded as discontinued operations. The 2000 net loss for USAB was $59.4 million, net of tax benefit of $21.3 million

In 2000, the Company realized a pre-tax gain of $104.6 million based upon the exchange of 25% of ISN for 75% of Old Styleclick in the Styleclick Transaction. Also, the Company realized a pre-tax gain of $3.7 million related to the initial public offering of its subsidiary, HRN.

INCOME TAXES

USA's effective tax rate of 81.8% for the year ended December 31, 2001 was higher than the statutory rate due to the impact on taxable income of non-deductible goodwill, consolidated book losses not consolidated into taxable income and state income taxes.

MINORITY INTEREST

Minority interest primarily represents Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in TMCS until January 31, 2001, the public's ownership in Ticketmaster from January 31, 2001, the public's ownership interest in HRN since February 25, 2000,the public's ownership interest in Styleclick since July 27, 2000 and the partners ownership interest in HSN--Germany since its consolidation as of January 1, 2000.

USA owns approximately 64.6% of Expedia, so minority interest in 2002 will be impacted by the public's ownership interest in Expedia.

Upon completion of the Vivendi Transaction, Holdco and USA will own 100% of the member's interest in USANi LLC. USA has the contractual right to require the exchange of the Holdco shares held by Liberty for shares of USA. Following such exchange and after giving effect to the Vivendi Transaction, Holdco and USANi LLC will become wholly owned, thereby simplifying USA's corporate and capital structure. These transactions will reduce the amount of minority interest recorded by USA.

YEAR ENDED DECEMBER 31, 2000 VS. YEAR ENDED DECEMBER 31, 1999

The Styleclick Transaction, the PRC Transaction, the Hotel Reservations Network Transaction and the October Films/ PFE Transaction and the consolidation of HSN--Germany as of January 1, 2000 resulted in increases in net revenues, operating costs and expenses, other income (expense), minority interest and income taxes. The following information is supplemented, where appropriate, with pro forma information. The unaudited pro forma information is presented below for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had any of the transactions occurred as of January 1, 2000 and 1999, respectively, nor are they necessarily indicative of future results of operations.

INTERACTIVE

HSN--U.S.

Net revenues in 2000 increased by $200.4 million, or 15.0%, to $1.5 billion from $1.3 billion in 1999, resulting primarily from Home Shopping Network's core business, which generated increased sales of $152.0 million and HSN.com, which generated increased sales of $39.9 million on revenues of $41.6 million. Total units shipped increased to 33.4 million units compared to 32.0 million units in 1999, and the average price point increased to $48.90 per unit as compared to $45.47 in 1999. Furthermore, the return rate decreased to 19.9% from 20.3% in 1999. Cost related to revenues and other costs and expenses in 2000 increased by $178.3 million, or 15.9%, to $1.3 billion from $1.1 billion in 1999 due primarily to higher sales volume and higher selling and marketing costs. Adjusted EBITDA in 2000 increased by $22.1 million, or 10.3%, to

$236.8 million from $214.7 million in 1999. Adjusted EBITDA excludes amortization of cable distribution fees of $36.3 million in 2000 and $26.7 million in 1999. Excluding one-time charges and benefits, Adjusted EBITDA increased $15.8 million, to $230.4 million from $214.7 million in 1999. One time charges and benefits include one-time benefits of $6.3 million related to a favorable settlement of litigation relating to an HSN broadcast affiliation agreement and a cable affiliation agreement in 2000.

TICKETING OPERATIONS

Net revenues in 2000 increased by $75.9 million, or 17.1%, to $518.6 million from $442.7 million in 1999, resulting primarily from an increase of 11% in the number of tickets sold and an increase in revenue per ticket to $5.71 from $5.25 in 1999. The percentage of tickets sold online for 2000 is approximately 25%. Cost related to revenues and other costs and expenses in 2000 increased by $69.8 million, or 20.0%, to $419.2 million from $349.4 million in 1999. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume, including commission expenses and credit card processing fees. Adjusted EBITDA in 2000 increased by $6.0 million, or 6.5%, to $99.3 million from $93.3 million in 1999. Excluding one-time items, Adjusted EBITDA in 2001 increased by $6.7 million, or 7.2%, to $100.0 million from $93.3 million in 1999. One time charges relate to transaction costs incurred related to the merger of Ticketmaster and TMCS and costs related to an executive termination, totaling $0.7 million in 2000.

HOTEL RESERVATIONS

Net revenues in 2000 increased by $203.9 million to $328.0 million from $124.1 million in 1999 due to the acquisition of Hotel Reservations Network in May 1999 as well as the expansion by HRN of affiliate marketing programs, an increase in the number of hotels for existing cities and expansion into new cities. As a percentage of revenues, Internet generated sales increased to 93% in 2000 from 81% in 1999. Cost related to revenues and other costs and expenses in 2000 increased by $170.1 million to $275.3 million from $105.2 million in 1999 due primarily to increased sales, including an increased percentage of revenue attributable to affiliate and travel agent sales (for which commissions are paid), increased credit card charge backs, and increased staffing levels and systems to support increased operations, and higher marketing costs, partially offset by lower telephone and telephone operator costs due to the increase in Internet-related bookings. Adjusted EBITDA in 2000 increased by $33.7million to $52.6 million from $18.9 million in 1999. As noted, Hotel Reservations Network was acquired by USA in May 1999. On a pro forma basis, 2000 revenues increased by $166.2 million and Adjusted EBITDA increased by $28.3 million.

TELESERVICES

Precision Response was acquired in April 2000. Actual revenues and Adjusted EBITDA for 2000 was $212.5 million and $35.2 million, respectively. On a pro forma basis, net revenues for the year

ended December 31, 2000 increased by $66.2 million, or 30.7%, to $282.1 million from $215.9 million in 1999. The increase resulted from growth of new business, including Netcare services, which generated new client revenues of $14.3 million in 2000. Cost related to revenues and other costs and expenses for the year ended December 31, 2000 increased by $51.9 million, or 28.0%, to $237.5 million from $185.5 million in 1999 due primarily to increased operations. Adjusted EBITDA for the year ended December 31, 2000 increased by $14.3 million, or 46.9%, to $44.6 million from $30.4 million in 1999.

MATCH.COM

Net revenues in 2000 increased by $20.1 million to $29.1 million compared to $9.0 million in 1999 due to the acquisition of the personals companies, Match.com.com and Web Media Ventures in June 1999 and September 1999, respectively. Cost related to revenues and other costs and expenses in 2000 increased by $13.5 million to $22.9 million in 2000 from $9.4 million, resulting primarily from higher operating costs to support the increased sales volumes and increased fees paid to distribution partners. Adjusted EBITDA in 2000 increased by $6.6 million to $6.2 million in 2000 from a loss of $0.4 million.

HSN--INTERNATIONAL AND OTHER

Net revenues for 2000 increased by $272.1 million to $281.0 million from $8.9 million in 1999 due to the consolidation of HSN--Germany as of January 1, 2000. Revenues in 1999 related to Home Shopping Espanol. Cost related to revenues and other costs and expenses in 2000 increased by $252.9 million to $266.3 million from $13.4 million in 1999 and Adjusted EBITDA in 2000 increased by $19.2 million to $14.7 million from a loss in 1999 of $4.5 million. Costs related to revenues and other costs and Adjusted EBITDA increased due to the consolidation of HSN--Germany as of January 1, 2000. On a pro forma basis, 2000 revenues increased by $105.3 million and Adjusted EBITDA increased by $2.9 million. These results were dampened by the impact of the Euro exchange rate decline against the dollar, which resulted in lower equivalent U.S. dollar revenue of $35.3 million and lower Adjusted EBITDA of $3.9 million as compared to 1999.

CITYSEARCH AND RELATED

Net revenues in 2000 increased by $23.6 million, or 86.2%, to $50.9 million compared to $27.3 million in 1999. The increase resulted from expansion into new cities. Cost related to revenues and other costs and expenses in 2000 increased by $29.6 million, or 33.7%, to $117.2 million from $87.8 million in 1999 due primarily to increased costs due to the expansion of local city guides into new markets. Adjusted EBITDA loss in 2000 widened by $6.0 million to $66.4 million from $60.4 million in 1999. Excluding one-time items, Adjusted EBITDA loss widened by $3.5 million to $63.9 million from $60.4 million in 1999. One-time items include $2.5 million of non-recurring costs related to the merger of Ticketmaster and TMCS in 2000.

ELECTRONIC COMMERCE SOLUTIONS/STYLECLICK

Net revenues in 2000 decreased by $2.6 million to $46.6 million compared to $49.2 million in 1999 due to decreases in the Company's auction sites of $12.2 million as compared to 1999. The decrease is due to the merger of ISN and Styleclick and the integration of the ISN sites with the Styleclick technology, resulting in a period of 2000 where no significant sales occurred, offset partially by increases in ECS teleservices and Short Shopping contextual selling spots, including spots during USA Network's coverage of the US Open. Cost related to revenues and other costs and expenses in 2000 increased by $16.0 million due primarily to start-up costs incurred to launch the business initiatives and other overhead expenses, offset partially by lower marketing expenditures related to the auction business. Adjusted EBITDA loss in 2000 increased by $18.6 million. Styleclick was acquired by USA in

July 2000. On a pro forma basis, net revenue for the segment decreased $6.9 million and the Adjusted EBITDA loss widened $15.2 million as compared to 1999.

As a result of the 2000 losses and anticipated operating losses of Styleclick at that time, and the continuing evaluation of the operations and technology, Styleclick determined the goodwill recorded in conjunction with the Styleclick Merger was impaired and recorded a write-down of $145.6 million as goodwill amortization as of December 31, 2000.

ENTERTAINMENT

CABLE AND STUDIOS

Net revenues in 2000 increased by $220.4 million, or 16.9%, to $1.5 billion from $1.3 billion in 1999 due primarily to an increase in advertising revenues at USA Network and a significant increase in advertising revenues and affiliate revenues at Sci Fi Channel due to an increase in subscribers. Ratings and affiliate revenues increased at both networks. Net revenues at Studios USA increased due primarily to increased productions for USA Network and Sci Fi Channel, increased deliveries of network drama and reality productions, and increased performance of talk shows. Note that Studios USA defers revenue recognition for internally produced series for USA Network and Sci Fi Channel until the product is aired on the networks. Cost related to revenues and other costs and expenses in 2000 increased by $106.7 million, or 12.3%, to $977.5 million from $870.8 million in 1999, resulting primarily from costs associated with the increased revenues of all of the businesses, offset partially by efficient use of programming and increased usage of internally developed product by USA, resulting in reduced program amortization. Adjusted EBITDA in 2000 increased by $113.8 million, or 26.2%, to $547.7 million from $433.9 million in 1999.

EMERGING NETWORKS

Net revenues increased by $19.1 million to $20.3 million in 2000 from $1.2 million in 1999 due to the acquisition of Trio and NewsWorld International on May 19, 2000. Prior to this acquisition, the results reflect only SciFi.com. Cost related to revenue increased by $23.3 million in 2000 as compared to 1999 due primarily to the increased revenues as well as start-up initiatives. Adjusted EBITDA loss in 2000 increased by $4.1 million.

FILMED ENTERTAINMENT

Net revenues in 2000 increased by $21.3 million, or 32.9%, to $86.1 million compared to $64.8 million in 1999 due primarily to increased revenues generated in the first quarter from theatrical, foreign and television revenues, partially offset by fewer theatrical releases in the last nine months of the year. Cost related to revenues and other costs and expenses in 2000 increased by $34.4 million due to higher film costs. Adjusted EBITDA loss in 2000 widened by $13.1 million. USA Films was acquired by USA in May 1999. On a pro forma basis, 2000 revenues increased by $4.0 million and Adjusted EBITDA loss widened by $13.0 million.

DEPRECIATION AND AMORTIZATION, NON-CASH COMPENSATION AND OTHER INCOME (EXPENSE)

Depreciation and amortization increased $369.1 million to $693.6 million from $324.5 million, due primarily to the impact on goodwill of the Styleclick Transaction and the PRC Transaction and the full year impact of the Hotel Reservations Network Transaction and the October Films/ PFE Transaction. Note that the Company recorded a one-time write-down of the Styleclick goodwill of $145.6 million in 2000. On a pro forma basis, depreciation and amortization increased $243.2 million. Amortization of non-cash distribution and marketing expense of $11.6 million in 2000 relates to expense associated with warrants issued by HRN in connection with exclusive affiliate distribution arrangements and advertising provided by USA Cable to Ticketmaster Online-Citysearch ("TMCS") in consideration of equity

interests. Amortization of non-cash compensation expense increased to $12.7 million from $6.6 million in 1999. The expense relates to non-cash charges for the Company's bonus stock purchase program, restricted stock awards, and certain stock option grants

For the year ended December 31, 2000, net interest expense decreased by $14.3 million, compared to 1999 primarily due to lower borrowing levels as a result of the repayment of bank debt in 1999 from the proceeds of equity transactions involving Universal and Liberty.

In 2000, the Company realized pre-tax losses of $46.1 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

In the year ended December 31, 2000, the Company realized a pre-tax gain of $104.6 million based upon the exchange of 25% of ISN for 75% of Old Styleclick in the Styleclick Transaction. Also, the Company realized a pre-tax gain of $3.7 million related to the initial public offering of its subsidiary, HRN.

In the year ended December 31, 1999, the Company realized pre-tax gains of $89.7 million related to the sale of securities and $10.4 million from the reversal of equity losses which were originally recorded in 1998 when the Company made an election to have Universal buy out the Company's interest in a joint venture established in the Universal Transaction.

INCOME TAXES

USA's effective tax rate of 52.0%, computed before the impact of the Styleclick goodwill write-off, for which there was no tax impact, for the year ended December 31, 2000 was higher than the statutory rate due to the impact on taxable income of non-deductible goodwill, consolidated book losses not consolidated into taxable income and state income taxes. The rate would have been higher if not for the impact of the one-time gain from the Styleclick merger and the write-off of the investments to fair value.

MINORITY INTEREST

Minority interest primarily represented Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in TMCS, the public's ownership interest in HRN since February 25, 2000, the public's ownership interest in Styleclick since July 27, 2000 and the other partners ownership interest in HSN-Germany since its consolidation as of January 1, 2000.

DISCONTINUED OPERATIONS

USAB is presented as a discontinued operation for all periods presented. The net loss for USAB for 2000 was $59.4 million, compared to a loss of $44.1 million in 1999.

PRO FORMA FINANCIAL INFORMATION FOR USA INTERACTIVE

The Company has recently completed/ announced some very significant transactions, including USA's acquisition of a controlling interest in Expedia (which closed February 4, 2002) and the contribution of the USA Entertainment Group to VUE (transaction pending). Subject to the close of the pending contribution of the entertainment assets to VUE, the Company will be renamed "USA Interactive," and will be a leader in integrated interactivity focused on integrating interactive assets across multiple lines of business, no longer to be engaged in the general entertainment businesses. Due to the significance of these transactions, we have presented below separate pro forma information for

USA Interactive. The pro forma combined condensed statements of operations reflects USA's audited statements of operations, adjusted for the pro forma effects of the contribution of the USA Entertainment Group to VUE, the acquisition of Expedia, as well as the completion of the acquisitions of Styleclick and PRC and the merger of Ticketmaster and TMCS, as if such transactions had occurred at the beginning of the periods presented. The pro forma information also includes the estimated impact of disengagement of Home Shopping programming from the USAB stations.

The Vivendi Transaction is subject to USA shareholder vote, including the approval of 66 2/3% of the outstanding USA common stock and USA preferred stock, voting together as a single class, and excluding shares held by Vivendi, Liberty, Mr. Diller and their respective affiliates, as well as other customary regulatory approvals, and there can be no assurance that the transaction will be completed.

THE PRO FORMA COMBINED CONDENSED STATEMENTS OF OPERATIONS ARE NOT NECESSARILY INDICATIVE OF THE RESULTS OF OPERATIONS WHICH ACTUALLY WOULD HAVE BEEN REPORTED HAD THESE TRANSACTIONS OCCURRED AS OF THE BEGINNING OF JANUARY 1, 2000, NOR ARE THEY NECESSARILY INDICATIVE OF USA INTERACTIVE'S FUTURE RESULTS OF OPERATIONS.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENTS OF OPERATIONS--USA INTERACTIVE

	TWELVE MONTHS ENDED DECEMBER 31,	
	2001	2000
NET REVENUES		
HSN--U.S. (a)	$1,658,904	$1,533,271
Ticketing	579,679	518,565
Hotel Reservations Network	536,497	327,977
Expedia(b)	296,936	156,656
Precision Response	298,678	282,120
Match.com	49,249	29,122
HSN--International and other(c)	272,569	245,714
Citysearch	46,107	50,889
ECS/ Styleclick	34,230	48,492
Intersegment elimination	(7,053)	--
Total net		

revenues................................
3,765,796 3,192,806 Operating costs and expenses:
Cost related to
revenues.......................... 2,424,580
2,117,995 Other costs and
expenses.......................... 982,425
838,506 Disengagement
costs(d)............................ 4,052 --
Amortization of non cash distribution and
marketing
expense(e).....................................
26,384 11,665 Amortization of non cash
compensation expense(f)... 24,204 76,941
Amortization of cable distribution
fees............ 43,975 36,322 Depreciation and
amortization...................... 493,959 648,408
---------- ---------- Total operating costs and
expenses................. 3,999,579 3,729,837 ----
------ ---------- Operating
loss...................................... $
(233,783) $ (537,031) Adjusted
EBITDA..................................... $
358,791 $ 236,305

ADJUSTED EBITDA--INTERACTIVE PRO FORMA

The following is a reconciliation of pro forma operating income to Adjusted EBITDA for 2001 and 2000.

TWELVE MONTHS ENDED DECEMBER 31, ----------------
----- 2001 2000 --------- --------- Operating
loss.....................................
$(233,783) $(537,031) Depreciation and
amortization...................... 493,959
648,408 Amortization of cable distribution
fees............. 43,975 36,322 Amortization of
non-cash distribution and marketing
expense..
26,384 11,665 Amortization of non-cash
compensation expense....... 24,204 76,941
Disengagement
expenses............................. 4,052 -- -
-------- --------- Adjusted
EBITDA...................................... $
358,791 $ 236,305 --------- ---------

- ------------------------

(a) Includes estimated revenue in 2000 generated by homes lost by HSN following the sale of USA Broadcasting to Univision of $6.2 million.

(b) Expedia results derived from public filings, and represent results for the twelve months ended December 31, 2001, adjusted for acquisitions made by Expedia during the year.

(c) Includes impact of foreign exchange fluctuations, which reduced revenues by $44.0 million and $36.3 million in 2001 and 2000, respectively, if the results are translated from Euros to U.S. dollars at a constant exchange rate, using 1999 as the base year.

(d) Represents costs incurred related to the disengagement of HSN from USA Broadcasting stations. Amounts primarily related to payments to cable operators and related marketing expenses in the disengaged markets.

(e) Amortization of warrants and stock issued in exchange for distribution and marketing services.

(f) Expense related to the Company's bonus stock purchase program, restricted stock awards and certain stock option grants.

Provided below is managements discussion and analysis related to Expedia. The information is derived from public filings. All other business segments are covered above.

EXPEDIA

Net revenues in calendar year 2001 increased by $140.3 million, or 89.5%, to

$296.9 million from $156.7 million in 2000, resulting from a 62% increase in total gross bookings (to 2.9 billion from 1.8 billion--note that Expedia became the leader in gross bookings among online travel agencies in Q4 2001), a favorable trend in Expedia.com conversion rates, as it averaged 5.85% in 2001 as compared to 4.68% in 2000, and a significant increase in cumulative purchasing customers--6.3 million at the end of 2001 compared to 2.9 million in 2000. Cost related to revenues and other costs and expenses in 2001 increased by $40.6 million, or 20.8%, to $236.1 million from $195.4 million in 2000 due primarily due to increased sales. Note that expenses increased at a much lower rate than revenues as the Company began to realize efficiencies of scale in 2001 due to increased transaction volume at low incremental costs. Adjusted EBITDA in 2001 increased by $99.6 million to $60.9 million from a loss in 2000 of $38.8 million. Adjusted EBITDA excludes non-cash distribution and marketing expense of $16.4 million and $64.2 million in 2001 and 2000, respectively.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $669.9 million for the twelve months ended December 31, 2001 compared to $372.5 million for the twelve months ended December 31, 2000. These cash proceeds and available cash and borrowings were used to pay for acquisitions of $201.0 million, to make capital expenditures of $143.5 million, and to make mandatory tax distribution payments to the LLC partners of $17.4 million. Furthermore, during 2001 the Company invested $105.5 million in Hot Networks, a company operating electronic retailing operations in Europe in which the Company holds an equity stake, and $20.0 million in National Leisure Group, a consolidator of cruise vacation packages.

In December 2000, the Company announced that Univision Communications Inc. ("Univision") would acquire, for $1.1 billion in cash, all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations. In August 2001, the Company completed the sale. The gain on the sale of the stations was $517.8 million for the twelve months ended December 31, 2001. As of December 31, the Company has received proceeds of $510.4 million. The remaining receivable of $589.6 million was collected in January 2002.

On February 12, 1998, USA and USANi LLC, as borrower, entered into a credit agreement that provided for a $1.6 billion credit facility. Of that amount, $1.0 billion was permanently repaid in prior

years. The term of the $600.0 million revolving credit facility expires on December 31, 2002, although it is anticipated that the facility will expire as a result of the Vivendi Transaction. As of December 31, 2001, there was $595.4 million available for borrowing after taking into account outstanding letters of credit.

On February 28, 2001, the Company made a mandatory tax distribution payment to Universal and Liberty in the amount of $17.4 million. On February 29, 2000, the Company made a mandatory tax distribution payment to Universal and Liberty in the amount of $68.1 million. On February 28, 2002, the Company expects to make the mandatory tax distribution payment related to 2001 in the amount of $153.5 million.

In connection with the 2000 acquisition of Universal's domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses transaction, USA advanced $200.0 million to Universal in 2000 pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement, under which USA will distribute, in the United States and Canada, certain Polygram Filmed Entertainment, Inc. theatrical films that were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through December 31, 2001, approximately $180.1 million has been offset against the advance, including $59.8 million in 2001. Interest accrued on the loan through December 31, 2001 is approximately $19.4 million, including $3.9 million in 2001.

In connection with the settlement of its interest in an international joint venture, USA received $24.0 million from Universal during 2001.

On February 20, 2002, USA acquired 936,815 shares of Expedia common stock for approximately $47.0 million.

In July 2000, USA announced that its Board of Directors authorized the extension of the Company's stock repurchase program providing for the repurchase of up to 20 million shares of USA's common stock over an indefinite period of time, on the open market or in negotiated transactions. The amount and timing of purchases, if any, will depend on market conditions and other factors, including USA's overall capital structure. Funds for these purchases will come from cash on hand or borrowings under the Company's credit facility. During the twelve months ended December 31, 2001, the Company made no purchases of its common stock through this program. During the twelve months ended December 31, 2000, the Company purchased 5.7 million shares of its common stock for aggregate consideration of $125.5 million.

In connection with the Vivendi Transaction, USA and its subsidiaries will receive the following at the closing of the transactions: (i) approximately $1.62 billion in cash, debt-financed by VUE, subject to tax-deferred treatment for a 15-year period, (ii) a $750 million face value Class A preferred interest in VUE, with a 5% annual paid-in-kind dividend and a 20-year term, to be settled in cash at its then face value at maturity; (iii) a $1.75 billion face value Class B preferred interest in VUE, with a 1.4% annual paid-in-kind dividend, a 3.6% annual cash dividend, callable and puttable after 20 years, to be settled by Universal at its then face value with a maximum of approximately 56.6 million USA common shares, provided that Universal may substitute cash in lieu of shares of USA common stock (but not USA Class B common stock), at its election; (iv) a 5.44% common interest in VUE, generally callable by Universal after five years and puttable by USA after eight years, which may be settled in either Vivendi stock or cash, at Universal's election, and (v) a cancellation of Universal's USANi LLC interests currently exchangeable into USA common shares including USANi LLC interests obtained from Liberty in connection with the transaction.

As of December 31, 2001, the Company has $978.4 million of cash on hand and $171.5 million of marketable securities. After the closing of the Vivendi Transaction, USA expects to have $3.0 billion of

cash on hand. Furthermore, the Company's existing $600.0 million credit facility is expected to expire at that time. As of December 31, 2001, $595.4 million was available for borrowing after taking into account outstanding letters of credit.

USA anticipates that it will need to invest working capital towards the development and expansion of its overall operations. The Company anticipates that it will make a significant number of acquisitions, which could result in the incurrence of debt. Furthermore, future capital expenditures may be higher than current amounts over the next several years.

In management's opinion, available cash, internally generated funds and available borrowings will provide sufficient capital resources to meet USA's foreseeable needs. See Note 7 of the Notes to Consolidated Financial Statements for a discussion of commitments and contingencies and unrecorded commitments as of the balance sheet date.

In 2001, USA did not pay any cash dividends. In relation to the Expedia transaction, the Company issued approximately 13.1 million of preferred shares bearing interest at 1.99% per annum, payable quarterly in cash or stock at USA's option. If USA elects to pay cash, the amount is approximately $13.1 million on an annual basis. The first dividend was due for the period ending February 15, 2002. USA's wholly-owned subsidiaries have no material restrictions on their ability to transfer amounts to fund USA's operations.

SEASONALITY

USA's businesses are subject to the effects of seasonality. Cable and Studios revenues are influenced by advertiser demand and the seasonal nature of programming, and generally peak in the spring and fall.

USA believes seasonality impacts its Electronic Retailing segment but not to the same extent it impacts the retail industry in general.

Ticketing Operations revenues are occasionally impacted by fluctuation in the availability of events for sale to the public.

Hotel reservations revenues are influenced by the seasonal nature of holiday travel in the markets it serves, and has historically peaked in the fall. As the business expands into new markets, the impact of seasonality is expected to lessen

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's short-term investment portfolio and issuance of debt. The Company does not use derivative financial instruments in its investment portfolio. The Company has a prescribed methodology whereby it invests its excess cash in debt instruments of government agencies and high quality corporate issuers. The portfolio is reviewed on a periodic basis and adjusted in the event that the credit rating of a security held in the portfolio has deteriorated.

At December 31, 2001, the Company's outstanding debt approximated $578.7 million, substantially all of which is fixed rate obligations. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on the current market rate.

FOREIGN CURRENCY EXCHANGE RISK

The Company conducts business in certain foreign markets, primarily in the European Union. The Company has exposure to exchange rate fluctuations of the U.S. dollar to the Euro. However, the Company intends to reinvest profits from international operations in order to grow the businesses.

FOREIGN CURRENCY EXCHANGE RISK

As the Company increases its operations in international markets it becomes increasingly exposed to potentially volatile movements in currency exchange rates. The economic impact of currency exchange rate movements on the Company are often linked to variability in real growth, inflation, interest rates, governmental actions and other factors. These changes, if material, could cause the Company to adjust its financing and operating strategies.

As currency exchange rates change, translation of the income statements of the Company's international businesses into U.S. dollars affects year-over-year comparability of operating results. The Company does not hedge translation risks because cash flows from international operations are generally reinvested locally. Further, the Company does not enter into hedges to minimize volatility of reported earnings because the Company does not believe it is justified by the attendant cost.

Foreign exchange gains and losses were not material to the Company's earnings for the years ended December 31, 2001, 2000 and 1999.

EQUITY PRICE RISK

The Company has a minimal investment in equity securities of publicly-traded companies. This investment, as of December 31, 2001, was considered available-for-sale, with the unrealized gain deferred as a component of stockholders' equity. It is not customary for the Company to make significant investments in equity securities as part of its investment strategy.

SIGNIFICANT ACCOUNTING POLICIES

In connection with the issuance of Securities and Exchange Commission FR-60, the following disclosure is provided to supplement USA's accounting policies in regard to significant areas of judgment. Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates. Because of the size of the financial statement elements they relate to, some of our accounting policies and estimates have a more significant impact on our financial statements than others:

- How we access the recoverability of the carrying value of long-lived assets is disclosed in Footnote 2. If circumstances suggest that long-lived assets may be impaired, and a review indicates that the carrying value will not be recoverable, as determined based on the projected undiscounted future cash flows, the carrying value is reduced to its estimated fair value. The determination of cash flows is based upon assumptions and forecasts that may not occur. As of December 31, 2001, the balance sheet includes $7.2 billion of intangible assets, net, and $424.1 million of fixed assets, net. Although it has not completed its assessment, the Company anticipates a write-off of $325 million to $425 million primarily related to the Citysearch and Precision Response ("PRC") businesses upon adoption of FAS 142. Although Citysearch and PRC are expected to generate positive cash flows in the future, due to cash flow discounting techniques to estimate fair value as required by the new rules, the future discounted cash flows

may not support current carrying values. The expected range for the Citysearch write-off is $75 million to $125 million and for PRC $250 million to $300 million.

- Our revenue recognition for HSN is described in Footnote 2. As noted, sales are reduced by incentive discounts and sales returns to arrive at net sales. Home Shopping's sales policy allows merchandise to be returned at the customer's discretion within 30 days of the date of delivery and allowances for returned merchandise and other adjustments are provided based upon past experience. The estimated return percentage for 2001 of 19.6% was arrived at based upon empirical evidence of actual returns, and the percentage was applied against sales to arrive at net sales. Actual levels of product returned may vary from these estimates.

- The estimated ultimate costs of completed television productions and filmed entertainment are amortized, and participation expenses are accrued, for each production in the proportion that current period revenue recognized bears to the estimated future revenue to be received from all sources. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value are made as required. Actual ultimate revenue and expense may differ from estimates, as shifts in audience viewing habits, program time-slot changes, increased competition and other factors outside the Company's control could adversely impact actual results.

- Estimates of deferred income taxes and the significant items giving rise to the deferred assets and liabilities are shown in Footnote 6, and reflect management's assessment of actual future taxes to be paid on items reflected in the financial statements, giving consideration to both timing and the probability of realization. Actual income taxes could vary from these estimates due to future changes in income tax law or based upon review of our tax returns by the IRS, as well as operating results of the Company that vary significantly from budgets.

- Merchandise inventories are valued at the lower of cost or market, cost being determined using the first-in, first-out method. Market is determined on the basis of net realizable value, giving consideration to obsolescence and other factors. Net realizable value is estimated by management based upon historical sales data, the age of inventory, the quantity of goods on hand and the ability to return merchandise to vendors. The actual net realizable value may vary from estimates due to changes in customer tastes or viewing habits, or errors in judgment made by merchandising personnel when ordering new products.

- The Company has entered into various arrangements that contain multiple elements, such as arrangements providing for distribution and other services to be provided by the third party to multiple USA business segments. Multi-element arrangements require that management assess the relative fair value of the elements based upon revenue forecasts and other factors. The actual fair value of the various services received may differ from these estimates.

- The Company has entered into various non-monetary transactions, principally related to barter advertising for goods and services which are recorded at the estimated fair value of the products or services received or given in accordance with the provisions of the Emerging Issues Task Force Issue No. 99-17, "Accounting for Advertising Barter Transactions." The actual fair value of the products and services received may differ from these estimates.

- HRN recognizes revenue for hotel rooms sold where HRN is the merchant on a gross basis. The Company considered Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," and believes that its income statement presentation for hotel rooms sold where HRN is the merchant is appropriate. Factors considered include HRN's ability to establish and change room pricing and HRN's risk of loss for unsold contracted rooms and prepaid rooms.

EXHIBIT 99.3

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
HOME SHOPPING NETWORK, INC.

We have audited the accompanying consolidated balance sheets of Home Shopping Network, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Home Shopping Network, Inc. and subsidiaries at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2001, the Company adopted AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Films."

/s/ ERNST & YOUNG LLP

New York, New York
January 29, 2002

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Product sales	$1,935,542	$1,799,932	$1,370,790
Service revenue	1,687,376	1,554,860	1,315,689
Net revenues	3,622,918	3,354,792	2,686,479
Operating costs and expenses:			
Cost of sales-product sales	1,287,630	1,178,369	900,896
Cost of sales-service revenue	16,823	6,360	4,446
Program costs	726,549	684,992	630,956
Selling and marketing	421,259	383,722	277,257
General and administrative	336,140	284,800	231,003
Other operating costs	132,801	129,458	89,793
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non-cash compensation	9,799	9,704	6,314
Depreciation and amortization	236,819	376,791	175,539
Total operating costs and expenses	3,211,795	3,090,518	2,342,884
Operating profit			

411,123 264,274 343,595 Other income (expense): Interest income... 43,675 61,336 37,573 Interest expense....................................... (73,183) (69,659) (73,106) Gain on sale of securities........................... -- -- 89,721 Gain on sale of subsidiary stock...................... -- 104,625 -- Other, net... (40,395) (45,859) 2,103 ---------- ---------- ---------- (69,903) 50,443 56,291 Earnings before income taxes, minority interest and cumulative effect of accounting change................ 341,220 314,717 399,886 Income tax expense....................................... (87,738) (89,424) (73,318) Minority interest.. (188,925) (160,267) (241,369) ---------- ---------- ---------- Earnings before cumulative effect of accounting change... 64,557 65,026 85,199 Cumulative effect of accounting change.................. 1,901 -- -- ---------- ---------- ---------- NET EARNINGS.. $ 66,458 $ 65,026 $ 85,199 ---------- ---------- ----------

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, ---------------------- 2001 2000 ---------- ---------- (IN THOUSANDS) ASSETS CURRENT ASSETS Cash and cash equivalents................................. $ 779,592 $ 71,816 Accounts and notes receivable, net of allowance of $30,586 and $50,646, respectively.............................. 533,869 519,365 Inventories, net.. 404,155 396,523 Investments held for sale................................. -- 750 Deferred income taxes..................................... 11,084 17,448 Other current assets, net................................. 26,120 18,024 ---------- ---------- Total current assets.................................... 1,754,820 1,023,926 PROPERTY, PLANT AND EQUIPMENT Computer and broadcast equipment........................... 132,712 143,559 Buildings and leasehold improvements...................... 79,043 71,979 Furniture and other equipment............................. 96,941 76,623 Land.. 10,386 10,281 Projects in progress...................................... 40,032 32,747 ---------- ---------- 359,114 335,189 Less accumulated depreciation and amortization............ (120,468) (83,549) ---------- ---------- 238,646 251,640 OTHER ASSETS Intangible assets, net.................................. 4,888,545 5,023,735 Cable distribution fees, net............................... 158,880 159,473 Long-term investments...................................... 39,485 29,187 Notes and accounts receivable, net ($99,819 and $22,575, respectively, from related parties)...................... 130,368 33,571 Inventories, net.. 484,679 430,215 Advances to USA and subsidiaries.......................... 70,477 547,292 Deferred charges and other, net........................... 58,475 44,011 ---------- ---------- $7,824,375 $7,543,050 ---------- ---------- LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Current maturities of long-term obligations................ $ 32,911 $ 20,053 Accounts

payable, trade...................................... 233,063
201,484 Obligations for program rights and film
costs............... 272,601 283,812 Cable distribution
fees..................................... 32,795 33,598
Deferred
revenue.. 58,949
41,335 Other accrued
liabilities................................... 416,212
351,331 ---------- ---------- Total current
liabilities.................................. 1,046,531
931,613 LONG-TERM OBLIGATIONS (net of current
maturities)........... 499,513 504,063 OBLIGATIONS FOR
PROGRAM RIGHTS AND FILM COSTS, net of
current...
285,378 295,210 OTHER LONG-TERM
LIABILITIES................................. 40,247 81,925
DEFERRED INCOME
TAXES....................................... 69,397 25,821
MINORITY
INTEREST..
4,563,804 4,420,252 COMMITMENTS AND
CONTINGENCIES.............................. -- --
STOCKHOLDERS' EQUITY Common
Stock...
1,221,408 1,221,408 Additional paid-in
capital.................................. 70,312 70,312
Retained
earnings... 33,398
(2,320) Accumulated other comprehensive
income...................... (5,613) (5,234) ---------- ---
------- Total stockholder's
equity.............................. 1,319,505 1,284,166
---------- ---------- $7,824,375 $7,543,050 ---------- ----

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

ACCUMULATED ADDITIONAL
RETAINED OTHER COMMON PAID-IN
EARNINGS UNEARNED
COMPREHENSIVE TOTAL STOCK
CAPITAL (DEFICIT) COMPENSATION
INCOME ---------- ---------- -
--------- --------- ----------
--- ------------- (IN
THOUSANDS) BALANCE AT DECEMBER
31, 1998....... $1,320,172
$1,221,408 $70,755 $ 18,379
$(723) $ 10,353 Comprehensive
Income: Net earnings for the
year ended December 31,
1999............ 85,199 -- --
85,199 -- -- Decrease in
unrealized gains in available
for sale
securities...................
(10,353) -- -- -- -- (10,353)
---------- Comprehensive
income........... 74,846 -----
----- Mandatory tax
distribution to LLC
partners......................
(52,755) -- -- (52,755) -- --
Amortization of unearned
compensation related to stock
options and equity
participation
plans............ 280 -- (443)
-- 723 -- ---------- ---------
- ------- --------- ----- ----
----- BALANCE AT DECEMBER 31,
1999....... 1,342,543
1,221,408 70,312 50,823 -- --

Comprehensive Income: Net
earnings for the year ended
December 31, 2000...........
65,026 -- -- 65,026 -- --
Decrease in unrealized loss in
available for sale
securities..................
(5,647) -- -- -- -- (5,647)
Foreign currency
translation... 413 -- -- -- --
413 ---------- Comprehensive
income.......... 59,792 -- --
-- -- -- ---------- Mandatory
tax distribution to LLC
partners.....................
(118,169) -- -- (118,169) -- -
- ---------- ---------- ------
- --------- ----- ---------
BALANCE AT DECEMBER 31,
2000....... 1,284,166
1,221,408 70,312 (2,320) --
(5,234) Comprehensive Income:
Net earnings for the year
ended December 31,
2001........... 66,458 -- --
66,458 -- -- Decrease in
unrealized loss in available
for sale
securities..................
5,647 -- -- -- -- 5,647
Foreign currency
translation... (6,026) -- -- -
- -- (6,026) ----------
Comprehensive
income.......... 66,079 -- --
-- -- -- ---------- Mandatory
tax distribution to LLC
partners.....................
(30,740) -- -- (30,740) -- --
---------- ---------- -------
--------- ----- ---------
BALANCE AT DECEMBER 31,
2001....... $1,319,505
$1,221,408 $70,312 $ 33,398 $
-- $ (5,613) ---------- ------
---- ------- --------- ----- -

Accumulated other comprehensive income is comprised of unrealized (losses) gains on available for sale securities of $0 and $(5,647) for December 31, 2001 and 2000, respectively and foreign currency translation adjustments of $(5,613) and $413 for December 31, 2001 and 2000 respectively. There were no foreign currency translation for December 31, 1999.

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, --------------------------------
- 2001 2000 1999 --------- --------- --------- (IN
THOUSANDS) CASH FLOWS FROM OPERATING ACTIVITIES: Net
earnings...
$ 66,458 $ 65,026 $ 85,199 ADJUSTMENTS TO RECONCILE NET
EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING
ACTIVITIES: Depreciation and
amortization............................ 236,819 376,791
175,539 Amortization of cable distribution
fees.................. 43,975 36,322 26,680 Amortization
of program rights and film costs............ 658,328
597,659 532,900 Gain on sale of subsidiary
stock......................... -- (104,625) --
Cumulative effect of accounting
change.................... (1,901) -- -- Non-cash
compensation................................... 9,799
9,704 6,314 Amortization of deferred financing

costs.................. -- 2,457 5,035 Deferred income taxes.................................... -- 30,186 13,298 Equity in (earnings) losses of unconsolidated affiliates.. 38,155 46,025 (1,866) Minority interest... 188,925 160,267 241,369 CHANGES IN CURRENT ASSETS AND LIABILITIES: Accounts receivable...................................... (40,545) (105,835) (33,879) Inventories.. 30,210 (44,687) (16,805) Accounts payable... 25,118 34,425 (11,233) Accrued liabilities and deferred revenue.................. 76,135 73,007 28,738 Payment for program rights and film costs................. (764,625) (739,066) (555,383) Increase in cable distribution fees....................... (47,393) (64,876) (42,887) Other, net... (17,319) (12,541) (25,321) --------- --------- --------- NET CASH PROVIDED BY OPERATING ACTIVITIES................. 502,139 360,239 427,698 CASH FLOWS FROM INVESTING ACTIVITIES: Acquisitions, net of cash acquired....................... (35,845) (110,780) (7,500) Capital expenditures...................................... (68,496) (94,826) (70,681) Increase in long-term investments and notes receivable.... (110,871) (40,220) (54,478) Proceeds from sale of securities......................... -- 2,194 107,231 Payment of merger and financing costs.................... -- -- -- Other, net... 21,627 (2,168) 8,654 --------- --------- --------- NET CASH USED IN INVESTING ACTIVITIES..................... (193,585) (245,800) (16,774) CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings... 22,494 64,611 -- Payment of mandatory tax distribution to LLC partners..... (30,740) (118,169) (52,755) Principal payments on long-term obligations.............. (14,842) (60,981) (253,224) Repurchase of LLC shares................................. -- (129,907) (8,934) Proceeds from issuance of LLC shares..................... -- 210,455 410,545 Advances from (to) USA and subsidiaries.................. 430,242 (246,775) (493,985) Other.. (5,821) (10,531) -- --------- --------- --------- NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES....... 401,333 (291,297) (398,353) Effect of exchange rate changes on cash and cash equivalents.. (2,111) 1,200 -- --------- --------- --------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS........ 707,776 (175,658) 12,571 Cash and cash equivalents at beginning of period............ 71,816 247,474 234,903 --------- --------- --------- CASH AND CASH EQUIVALENTS AT END OF PERIOD................. $ 779,592 $ 71,816 $ 247,474 --------- --------- ---------

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--ORGANIZATION

GENERAL

Home Shopping Network, Inc. (the "Company" or "Home Shopping"), is a holding company, whose subsidiary USANi LLC is engaged in diversified media and electronic commerce businesses. In December 1996, the Company consummated a merger with USA Networks, Inc. ("USA"), formerly known as HSN, Inc., and became a subsidiary of USA (the "Home Shopping Merger").

On February 12, 1998, the Company acquired USA Cable, a New York general partnership, consisting of cable television networks, USA Network and Sci Fi Channel ("USA Cable"), as well as the domestic television production and distribution businesses of Universal Studios ("Studios USA") from Universal Studios, Inc. ("Universal"), an entity controlled by The Seagram Company Ltd. ("Seagram") (the "Universal Transaction"). In connection with the Universal Transaction, the Company formed a new subsidiary, USANi LLC, and contributed the operating assets of the Home Shopping Network services ("HSN") to USANi LLC. Furthermore, USA contributed USA Cable and Studios USA to USANi LLC on February 12, 1998.

The Company is organized into two groups, the Interactive Group and the Entertainment Group. The Interactive Group consists of Home Shopping Network (including HSN International and HSN.com; Electronic Commerce Solutions; and Styleclick (OTC: IBUY). The Entertainment Group consists of USA Cable, including USA Network and Sci Fi Channel and Emerging networks TRIO, Newsworld International, and Crime; and Studios USA, which produces and distributes television programming.

On December 17, 2001, USA and Vivendi Universal, S.A. ("Vivendi") announced a transaction (the "Vivendi Transaction") in which USA's Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, would be contributed to Vivendi Universal Entertainment, a new joint venture controlled by Vivendi. See below for further discussion under "Subsequent Events".

SUBSEQUENT EVENTS (UNAUDITED)

CONTRIBUTION OF THE USA ENTERTAINMENT GROUP TO VUE

On December 17, 2001, USA announced it had entered into an agreement with Vivendi pursuant to which USA would contribute USA's Entertainment Group to a limited liability entity (Vivendi Universal Entertainment, "VUE") to be controlled by Vivendi, to which Vivendi would contribute the film, television and theme park businesses of Universal Studios, Inc. ("Universal"). Upon consummation of the Vivendi transaction, the joint venture will be controlled by Vivendi and its subsidiaries, with the common interests owned 93.06% by Vivendi, 5.44% by USA and 1.5% by Mr. Diller, Chairman and CEO of USA.

In connection with the Vivendi Transaction, USA and its subsidiaries will receive the following at the closing of the transactions: (i) approximately $1.62 billion in cash, debt-financed by VUE, subject to tax-deferred treatment for a 15-year period, (ii) a $750 million face value Class A preferred interest in VUE, with a 5% annual paid-in-kind dividend and a 20-year term, to be settled in cash at its then face value at maturity; (iii) a $1.75 billion face value Class B preferred interest in VUE, with a 1.4% annual paid-in-kind dividend, a 3.6% annual cash dividend, callable and puttable after 20 years, to be settled by Universal at its then face value with a maximum of approximately 56.6 million USA common shares, provided that Universal may substitute cash in lieu of shares of USA common stock (but not USA Class B common stock), at its election; (iv) a 5.44% common interest in VUE, generally callable by

Universal after five years and puttable by USA after eight years, which may be settled in either Vivendi stock or cash, at Universal's election, and (v) a cancellation of Universal's USANi LLC interests currently exchangeable into USA common shares including USANi LLC interests obtained from Liberty in connection with a related transaction (see immediately below).

Related to the transaction, Liberty will exchange 7,079,726 shares of USANi LLC for shares of USA common stock, and subsequently transfer to Universal 25,000,000 shares of USA common stock, its remaining 38,694,982 shares of USANi LLC, as well as the assets and liabilities of Liberty Programming France (which consist primarily of 4,921,250 shares of multiThematiques S.A., a French entity), in exchange for 37,386,436 Vivendi ordinary shares.

In addition, USA will issue to Universal ten-year warrants to acquire shares of USA common stock as follows: 24,187,094 shares at $27.50 per share; 24,187,094 shares at $32.50 per share; and 12,093,547 shares at $37.50 per share. Barry Diller, USA's chairman and chief executive officer, will receive a common interest in VUE with a 1.5% profit sharing percentage, with a minimum value of $275.0 million, in return for his agreeing to specified non-competition provisions and agreeing to serve as chairman and chief executive officer of VUE. USA and Mr. Diller have agreed that they will not compete with Vivendi's television and filmed entertainment businesses (including VUE) for a minimum of

18 months.

In February 2002, Mr. Diller assigned to three executive officers of USA, the right to receive economic interests in a portion of the common interests in VUE that Mr. Diller will receive upon closing of the transactions.

The Vivendi Transaction is subject to USA shareholder vote, including the approval of 66 2/3% of the outstanding USA common stock and USA preferred stock, voting together as a single class, and excluding shares held by Vivendi, Liberty, Mr. Diller and their respective affiliates, as well as other customary regulatory approvals, and there can be no assurance that the transaction will be completed.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all wholly-owned and voting-controlled subsidiaries. The Company consolidates HSN--Germany based upon a Pooling Agreement allowing for the Company to elect a majority of the Board of Directors and to control the operations of HSN--Germany. Significant intercompany transactions and accounts have been eliminated.

Investments in which the Company owns a 20%, but not in excess of 50%, interest and where it can exercise significant influence over the operations of the investee, are accounted for using the equity method. In addition, partnership interests are recorded using the equity method. All other investments are accounted for using the cost method. The Company periodically evaluates the recoverability of investments recorded under the cost method and recognizes losses if a decline in value is determined to be other than temporary.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
REVENUES

CABLE AND STUDIOS

Television production revenues are recognized as completed episodes are delivered. Generally, television programs are first licensed for network exhibition and foreign syndication, and subsequently for domestic syndication, cable television and home video. Certain television programs are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video. Television production advertising revenues (I.E., sales of advertising time received by Studios USA in lieu of cash fees for the licensing of program broadcast rights to a broadcast station ("barter syndication")) are recognized upon both the commencement of the license period of the program and the sale of advertising time pursuant to non-cancelable agreements, provided that the program is available for its first broadcast. Foreign minimum guaranteed amounts are recognized as revenues on the commencement date of the license agreement, provided the program is available for exhibition.

USA Cable advertising revenue is recognized in the period in which the advertising commercials are aired on the cable networks. Certain contracts with advertisers contain minimum commitments with respect to advertising viewership. In the event that such minimum commitments are not met, the contracts require additional subsequent airings of the advertisement. As a result, provisions are recorded against advertising revenues for audience under deliveries ("makegoods") until such subsequent airings are conducted. Affiliate fees are recognized in the period during which the programming is provided.

ELECTRONIC RETAILING

Revenues from Home Shopping primarily consist of merchandise sales and are reduced by incentive discounts and sales returns to arrive at net sales. Revenues for domestic sales are recorded for credit card sales upon transaction authorization, which occurs only if the goods are in stock, and for check sales upon receipt of customer payment, which does not vary significantly from the time goods are shipped. Revenues for international sales are recorded upon shipment. Home Shopping's sales policy allows merchandise to be returned at the customer's discretion within 30 days of the date of delivery. Allowances for returned merchandise and other adjustments are provided based upon past experience.

OTHER

Revenues from all other sources are recognized either upon delivery or when the service is provided.

FILM COSTS

Film costs consist of direct production costs and production overhead, less accumulated amortization. Prior to the adoption of SOP 00-2 on January 1, 2001 (see below for further information), development roster (and related costs), abandoned story and development costs were charged to production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value on a production-by-production basis.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally, the estimated ultimate costs of completed film costs are amortized, and participation expenses are accrued, for each production in the proportion that current period revenue recognized bears to the estimated future revenue to be received from all sources. Amortization and accruals are made under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value are made as required.

Film costs, net of amortization, are classified as non-current assets.

PROGRAM RIGHTS

License agreements for program material are accounted for as a purchase of program rights. The asset related to the program rights acquired and the liability for the obligation incurred are recorded at their net present value when the license period begins and the program is available for its initial broadcast. The asset is amortized primarily based on the estimated number of airings. Amortization is computed generally on the straight-line basis as programs air; however, when management estimates that the first airing of a program has more value than subsequent airings, an accelerated method of amortization is used. Other costs related to programming, which include program assembly, commercial integration and other costs, are expensed as incurred. Management periodically reviews the carrying value of program rights and records write-offs, as warranted, based on changes in programming usage.

ADVERTISING BARTER TRANSACTIONS

Barter transactions represent the exchange of commercial air-time for programming, merchandise or services. The transactions are recorded at the estimated fair market value of the asset or services received or given in accordance with Emerging Issues Task Force Issue No. 99-17, "Accounting for Advertising Barter Transactions." Barter revenue for the year ended December 31, 2001 was $42.2 million. Barter revenues for the year ended December 31, 2000 and 1999 are not material to the Company's statement of operations.

MERCHANDISE INVENTORIES, NET

Merchandise inventories are valued at the lower of cost or market, cost being determined using the first-in, first-out method. Cost includes freight, certain warehouse costs and other allocable overhead. Market is determined on the basis of net realizable value, giving consideration to obsolescence and other factors. Merchandise inventories are presented net of an inventory carrying adjustment of $40.4 million and $37.9 million at December 31, 2001 and 2000, respectively.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments. Short-term investments consist primarily of U.S. Treasury Securities, U.S. Government agencies and certificates of deposit with original maturities of less than 91 days.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant improvements, are recorded at cost. Repairs and maintenance and any gains or losses on dispositions are included in operations.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortization is provided for on a straight-line basis to allocate the cost of depreciable assets to operations over their estimated service lives.

ASSET CATEGORY	DEPRECIATION/AMORTIZATION PERIOD
Computer and broadcast equipment..................	3 to 13 Years
Buildings...	30 to 40 Years
Leasehold improvements...........................	4 to 20 Years
Furniture and other equipment....................	3 to 10 Years

Depreciation and amortization expense on property, plant and equipment was $83.6 million, $65.2 million and $41.0 million for the years ended December 31, 2001, 2000 and 1999, respectively.

LONG-LIVED ASSETS INCLUDING INTANGIBLES

The Company's accounting policy regarding the assessment of the recoverability of the carrying value of long-lived assets, including goodwill and other intangibles and property, plant and equipment, is to review the carrying value of the assets if the facts and circumstances suggest that they may be impaired. If this review indicates that the carrying value will not be recoverable, as determined based on the projected undiscounted future cash flows, the carrying value is reduced to its estimated fair value. See below under "New Accounting Pronouncements" for further information related to goodwill and other intangible assets. The Company amortizes goodwill and other intangible assets over their estimated useful lives, which range from 3 to 40 years for goodwill and 1 to 5 years for intangibles.

CABLE DISTRIBUTION FEES

Cable distribution fees relate to upfront fees paid in connection with multi-year cable contracts for carriage of Home Shopping's programming. These fees are amortized to expense on a straight line basis over the terms of the respective contracts.

ADVERTISING

Advertising costs are primarily expensed in the period incurred. Advertising expense for the years ended December 31, 2001, 2000 and 1999 were $137.3 million, $127.5 million and $95.5 million, respectively.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation issued to employees in accordance with APB 25, "Accounting for Stock Issued to Employees." In cases where exercise prices are less than fair value as of the grant date, compensation is recognized over the vesting period. For stock-based compensation issued to non-employees, the Company accounts for the grants in accordance with FASB Statement No. 123, "Accounting for Stock Based Compensation."

MINORITY INTEREST

Minority interest represents the ownership interests of third parties in the net assets and results of operations of certain consolidated subsidiaries. Minority interest primarily represents the public's

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ownership interest in Styleclick since July 27, 2000 and the public's ownership interest in HSN--Germany since its consolidation as of January 1, 2000. Upon completion of the Vivendi Transaction, Holdco and USA will own 100% of the member's interest in USANi LLC.

FOREIGN CURRENCY TRANSLATION

The financial position and operating results of all foreign operations are consolidated using the local currency as the functional currency. Local currency assets and liabilities are translated at the rates of exchange on the balance sheet date, and local currency revenues and expenses are translated at average rates of exchange during the period. Resulting translation gains or losses, which have not been material, are included as a component of accumulated other comprehensive income (loss) in accumulated deficit.

ISSUANCES OF SUBSIDIARY STOCK

The Company accounts for issuances of stock by a subsidiary via income statement recognition, recording income or losses as non-operating income/ (expense). During the year ended December 31, 2000, the Company recorded a gain of $104.6 million related to the issuance of subsidiary stock. See Note 3 for further discussion.

ACCOUNTING ESTIMATES

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

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

NEW ACCOUNTING PRONOUNCEMENTS

GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, all calendar year companies will be required to adopt Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets." The new rules eliminate amortization of goodwill and other intangible assets with indefinite lives and establish new measurement criterion for these assets. Although it has not completed its assessment, the Company does not anticipate a write-off upon adoption. The rules are expected to reduce USA's annual amortization by approximately $145.4 million.

FILM ACCOUNTING

The Company adopted SOP 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") during the twelve months ended December 31, 2001. SOP 00-2 established new film accounting

standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Specifically, SOP 00-2 requires advertising costs for theatrical and television product to be expensed as incurred. This compares to the Company's previous policy of first capitalizing these costs and then expensing them over the related revenue streams. In addition, SOP 00-2 requires development costs for abandoned projects and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to film costs, which was required under the previous accounting rules. SOP 00-2 also requires all film costs to be classified in the balance sheet as non-current assets. Provisions of SOP 00-2 in other areas, such as revenue recognition, generally are consistent with the Company's existing accounting policies.

SOP 00-2 was adopted as of January 1, 2001, and the Company recorded a one-time, non-cash benefit of $1.9 million. The benefit is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USA and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network, a subsidiary of USA, and Styleclick.com (the "Styleclick Transaction"). The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. is traded on the OTC under the symbol "IBUY". In accordance with the terms of the agreement, USA invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid $10 million of borrowings outstanding under a bridge loan provided by USA.

The aggregate purchase price, including transaction costs, of $211.9 million was determined as follows:

	(IN THOUSANDS)
Value of portion of Styleclick.com acquired in the merger...	$121,781
Additional cash and promotional investment by USA...........	50,000
Fair value of outstanding "in the money options" and warrants of Styleclick.com...............................	37,989
Transaction costs..	2,144
Total acquisition costs....................................	$211,914

The fair value of Styleclick.com was based on the fair value of $15.78 per share times 7.7 million shares outstanding. Fair value of the shares was determined by taking an average of the opening and closing price of Styleclick.com common stock for the period just before and just after the terms of the transaction were agreed to by the Company and Styleclick.com and announced to the public. In

conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million in accordance with Staff Accounting Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary", based upon the 25% of ISN's net book value exchanged for 75% of Styleclick.com's fair value, determined based upon the fair value of Styleclick.com common stock received in the merger.

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.2 million has been allocated to goodwill, which originally was being amortized over 3 years.

In March 2001, Styleclick announced a new company organization designed to advance its offering of scaleable commerce services. The announcement included Styleclick's acquisition of the MVP.com technology platform. Also in March 2001, the Styleclick Board elected two executives of ECS to top management positions at Styleclick, and certain senior executives of Styleclick left the Company. As of December 31, 2000, as a result of the historical and anticipated operating losses of Styleclick, and the continuing evaluation of the operations and technology, Styleclick determined the goodwill recorded in conjunction with the Styleclick Merger was impaired and recorded a write-down of $145.6 million as goodwill amortization in fiscal 2000. Since the second quarter of 2001, Styleclick has focused on e-commerce services and technology while eliminating its online retail business. During this transition, Styleclick continued to incur significant net losses from operations that raise substantial doubt about Styleclick's ability to continue as a going concern. Styleclick is considering its options with respect to the situation.

BUSINESS ACQUISITION PRO FORMA RESULTS

The following unaudited pro forma condensed consolidated financial information for the twelve months ended December 31, 2000 and 1999 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 2000. The pro forma results reflect certain adjustments, including increased amortization related to goodwill and other intangibles, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 1999.

	YEAR ENDED DECEMBER 31,	
	2000	1999
Net revenues..	$3,356,681	$2,692,653
Net income..	61,413	73,021

NOTE 4--INTANGIBLE ASSETS

Intangible assets represents goodwill which is amortized using the straight-line method over periods ranging from 3 to 40 years.

Goodwill primarily relates to various transactions, and represents the excess of purchase price over the fair value of assets acquired and is net of accumulated amortization of $573.1 million and $453.6 million at December 31, 2001 and 2000, respectively.

NOTE 5--LONG-TERM OBLIGATIONS

DECEMBER 31,	2001	2000
	(IN THOUSANDS)	
Unsecured Senior Credit Facility ("New Facility"); with a $40,000,000 sub-limit for letters of credit, entered into February 12, 1998, which matures on December 31, 2002. At the Company's option, the interest rate on borrowings is tied to the London Interbank Offered Rate ("LIBOR") or the Alternate Base Rate ("ABR"), plus an applicable margin. Interest rate at December 31, 2000 was 2.9%..............	$ --	$ --
$500,000,000 6 3/4% Senior Notes (the "Senior Notes") due November 15, 2005; interest payable May 15 and November 15 commencing May 15, 1999. Interest rate at December 31, 2001 was 6.75%.............................	498,515	498,213
Other long-term obligations maturing through 2005...........	33,909	25,903
Total long-term obligations................................	532,424	524,116
Less current maturities....................................	(32,911)	(20,053)
Long-term obligations, net of current maturities............	$499,513	$504,063

On February 12, 1998, USA and USANi LLC, as borrower, entered into a credit agreement which provides for a $1.6 billion credit facility. The credit facility was used to finance the Universal Transaction and to refinance USA's then-existing $275.0 million revolving credit facility. The credit facility consists of (1) a $600.0 million revolving credit facility with a $40.0 million sub-limit for letters of credit, (2) a $750.0 million Tranche A Term Loan and, (3) a $250.0 million Tranche B Term Loan. The Tranche A Term Loan and the Tranche B Term Loan have been permanently repaid as of December 31, 1999, as described below.

The existing credit facility is guaranteed by certain of USA's subsidiaries. The interest rate on borrowings under the existing credit facility is tied to an alternate base rate or the London InterBank Rate, in each case, plus an applicable margin, and $595.4 million was available for borrowing as of December 31, 2001 after taking into account outstanding letters of credit. The credit facility includes covenants requiring, among other things, maintenance of specific operating and financial ratios and places restrictions on payment of certain dividends, incurrence of indebtedness and investments. The Company pays a commitment fee of .1875% on the unused portion of the credit facility. Note that with the closing of the Vivendi Transaction, the Company expects that the existing credit facility will expire.

Aggregate contractual maturities of long-term obligations are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 32,911
2003	748
2004	50
2005	498,715
2006	--
Thereafter	--
	$532,424

NOTE 6--INCOME TAXES

Federal income tax expense represents an allocation of income tax expense from USA, calculated as if Home Shopping was a separate filer for federal tax purposes.

A reconciliation of total income tax expense to the amounts computed by applying the statutory federal income tax rate to earnings before income taxes is shown as follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Income tax expense at the federal statutory rate of 35%	$119,427	$155,017	$140,064
Amortization of goodwill and other intangibles	11,688	14,494	11,618
State income taxes, net of effect of federal tax benefit	9,450	9,158	10,128
Impact of minority interest	(76,827)	(98,606)	(87,246)
Other, net	24,000	9,361	(1,246)
Income tax expense	$ 87,738	$ 89,424	$ 73,318

The components of income tax expense are as follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
CURRENT INCOME TAX EXPENSE:			
Federal	$55,971	$45,750	$47,265
State	11,117	9,087	12,755
Foreign	--	4,401	--
Current income tax expense:	$67,088	$59,238	$60,020
DEFERRED INCOME TAX EXPENSE:			
Federal	$17,228	$25,184	$10,472
State	3,422	5,002	2,826
Deferred income tax expense:	$20,650	$30,186	$13,298
Total income tax expense	$87,738	$89,424	$73,318

The tax effects of cumulative temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000, are presented below.

NOTE 6--INCOME TAXES (CONTINUED)
The valuation allowance represents items for which it is more likely than not that the tax benefit will not be realized.

	DECEMBER 31, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
CURRENT DEFERRED TAX ASSETS (LIABILITIES):		
Inventory costing	$ 8,400	$ 10,888
Provision for accrued expenses	8,246	3,980
Investment in affiliates	--	--
Deferred Revenue	(55,093)	(43,385)
Bad debts	3,505	2,573
Program rights amortization	8,472	8,472
Other	37,554	34,920
Total current deferred tax assets	$ 11,084	$ 17,448
Less valuation allowance	--	--
Net current deferred tax assets	$ 11,084	$ 17,448
NON-CURRENT DEFERRED TAX ASSETS (LIABILITIES):		
Broadcast and cable fee contracts	1,783	1,783
Depreciation for tax in excess of financial statements	(6,710)	(7,769)
Amortization of tax deductible goodwill	(79,962)	(44,369)
Amortization of FCC licenses and broadcast related intangibles	(15,879)	(15,879)
Program rights amortization	1,804	1,804
Investment in subsidiaries	10,369	10,369
Programming	22,370	36,343
Deferred revenue	(5,062)	(5,062)
Net federal operating loss carryforward	21,334	--
Other	15,705	10,775
Total non-current deferred tax liabilities	$(34,248)	$(12,005)
Less Valuation allowance	(35,149)	(13,816)
Net non-current deferred tax liabilities	$(69,397)	$(25,821)
TOTAL DEFERRED TAX LIABILITIES	$(58,313)	$ (8,373)

The Company has Federal income tax returns under examination by the Internal Revenue Service. The Company has received proposed adjustments related to certain examinations. Management believes that the resolution of the proposed adjustments will not have a material adverse effect on the Company's consolidated financial statements.

NOTE 7--COMMITMENTS AND CONTINGENCIES

The Company leases satellite transponders, computers, warehouse and office space, as well as broadcast and production facilities, equipment and services used in connection with its operations under various operating leases and contracts, many of which contain escalation clauses.

NOTE 7--COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum payments under non-cancelable agreements are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 42,608
2003	23,089
2004	20,088
2005	10,480
2006	7,029
Thereafter	41,384
	$144,678

Expenses charged to operations under these agreements were $61.8 million, $56.4 million and $46.1 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Unrecorded commitments for program rights consist of programs for which the license period has not yet begun or the program is not yet available to air. As of December 31, 2001, the unrecorded commitments amounted to $968.0 million. Annual commitments are $153.8 million in 2002, $173.5 million in 2003, $189.1 million in 2004, $155.0 million in 2005, $112.4 million in 2006 and $184.2 million in 2007 and thereafter.

The Company is required to provide funding, from time to time, for the operations of its investments in joint ventures accounted for under the equity method. To date, HSN has funded $125.3 million to Hot Networks, a company operating electronic retailing operations in Europe in which the Company holds an equity stake.

NOTE 8--INVENTORIES

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
	(IN THOUSANDS)			
Film costs:				
Released, net of amortization	$ --	$210,325	$ --	$216,656
In process and unreleased	--	25,411	--	34,713
Programming costs, net of amortization	209,798	248,943	172,493	178,846
Sales merchandise, net	194,357	--	224,030	--
Total	$404,155	$484,679	$396,523	$430,215

The Company estimates that approximately 90% of unamortized film costs at December 31, 2001 will be amortized within the next three years.

NOTE 9--LITIGATION

In the ordinary course of business, the Company is engaged in various lawsuits, including a certain class action lawsuit in connection with the Vivendi Transaction. In the opinion of management, the ultimate outcome of the various lawsuits should not have a material impact on the liquidity, results of operations or financial condition of the Company.

NOTE 10--BENEFIT PLANS

The Company offers various plans pursuant to Section 401(k) of the Internal Revenue Code covering substantially all full-time employees who are not party to collective bargaining agreements. The Company's share of the matching employer contributions is set at the discretion of the Board of Directors or the applicable committee thereof.

NOTE 11--STOCK OPTION PLANS

The following describes the stock option plans. Share numbers, prices and earnings per share reflect USA's two-for-one stock split to holders of record at the close of business on February 10, 2000.

USA has outstanding options to employees of the Company under several plans (the "Plans") which provide for the grant of options to purchase USA's common stock at not less than fair market value on the date of the grant. The options under the Plans vest ratably, generally over a range of three to five years from the date of grant and generally expire not more than 10 years from the date of grant. Five of the Plans have options available for future grants.

USA also has outstanding options to outside directors under one plan (the "Directors Plan") which provides for the grant of options to purchase USA's common stock at not less than fair market value on the date of the grant. The options under the Directors Plan vest ratably, generally over three years from the date of grant and expire not more than 10 years from the date of grant. A summary of changes in outstanding options under the stock option plans following the Company's two-for-one stock split, is as follows:

DECEMBER 31, (SHARES IN THOUSANDS)	2001		2000		1999	
	SHARES	PRICE RANGE	SHARES	PRICE RANGE	SHARES	PRICE RANGE
Outstanding at beginning of period........	78,053	$ 1-$37	68,330	$ 1-$37	68,916	$ 2-37
Granted or issued in connection with mergers................................	5,676	$19-$28	13,445	$17-$28	8,093	$16-28
Exercised................................	(7,016)	$ 3-$28	(1,915)	$ 3-$17	(7,881)	$ 1-13
Cancelled................................	(1,060)	$ 5-$28	(1,807)	$ 6-$37	(798)	$ 6-18
Outstanding at end of period.............	75,653	$ 1-$28	78,053	$ 1-$28	68,330	$ 1-37
Options exercisable......................	58,591	$ 1-$28	52,082	$ 1-$37	44,697	$ 1-37

The weighted average exercise prices during the year ended December 31, 2001, were $22.87, $8.93 and $20.62 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $9.69.

The weighted average exercise prices during the year ended December 31, 2000, were $20.92, $9.69 and $20.13 for options granted, options exercised and options cancelled, respectively. The weighted average fair value of options granted during the year was $8.10.

NOTE 11--STOCK OPTION PLANS (CONTINUED)

The weighted average exercise prices during the year ended December 31, 1999, were $23.77, $6.05 and $11.56 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $9.52.

OPTIONS OUTSTANDING OPTIONS EXERCISABLE ----- WEIGHTED AVERAGE WEIGHTED WEIGHTED

RANGE OF EXERCISE PRICE	OUTSTANDING AT DECEMBER 31, 2000	AVERAGE REMAINING CONTRACTUAL LIFE	AVERAGE EXERCISE PRICE	EXERCISABLE AT DECEMBER 31, 2000	AVERAGE EXERCISE PRICE
	(IN THOUSANDS)				
$0.01 to $5.00..................	18,043	3.9	$ 4.72	18,043	$ 4.72
$5.01 to $10.00.................	30,088	5.0	8.43	30,085	8.43
$10.01 to $15.00................	4,008	6.5	12.46	2,795	12.42
$15.01 to $20.00................	8,422	7.2	18.74	3,748	18.71
$20.01 to $25.00................	11,462	8.4	22.81	2,294	22.50
$25.01 to $27.91................	3,630	8.1	27.71	1,626	27.90
	75,653	5.7	10.27	58,591	7.53

Pro forma information regarding net income and earnings per share is required SFAS 123. The information is determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair market value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2001, 2000 and 1999: risk-free interest rates of 5.0%; a dividend yield of zero; a volatility factor of .72, .62, and .44, respectively, based on the expected market price of USA Common Stock based on historical trends; and a weighted-average expected life of the options of five years.

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

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Pro forma net income (loss)......................	$(13,873)	$3,826	$48,111

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

NOTE 12--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2001:

For the twelve months ended December 31, 2001, the Company incurred non-cash compensation expense of $9.8 million, including $4.9 million related to an agreement with and executive.

In 2001 the Company realized pre-tax losses of $30.7 million on equity losses in unconsolidated subsidiaries, resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In 2001 the Company realized pre-tax losses of $7.9 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2000:

As of January 1, 2000 the Company began to consolidate the accounts of HOT Germany, an electronic retailer operating principally in Germany, whereas its investment in HOT Germany was previously accounted for under the equity method of accounting.

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USA common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

For the twelve months ended December 31, 2000, the Company incurred non-cash compensation expense of $9.7 million, including $3.8 million related to a consulting agreement with an executive.

In 2000 the Company realized pre-tax losses of $7.9 million on equity losses in unconsolidated subsidiaries resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In d 2000 the Company also realized pre-tax losses of $35.9 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 1999:

For the twelve months ended December 31, 1999, the Company incurred non-cash compensation expense of $6.5 million.

NOTE 12--STATEMENTS OF CASH FLOWS (CONTINUED)

In 1999, the Company acquired post-production equipment through a capital lease totaling $2.5 million Supplemental disclosure of cash flow information:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Cash paid during the period for:			
Interest	$35,856	$35,688	$47,112
Income tax payments	12,499	5,680	3,935
Income tax refund	1,053	1,250	--

NOTE 13--RELATED PARTY TRANSACTIONS

As of December 31, 2001, the Company was involved in several agreements with related parties as follows:

Universal provides certain support services to the Company under a

Transition Services agreement entered into in connection with the Universal Transaction. For these services, which include use of pre-production, production and post-production facilities, information technology services, physical distribution, contract administration, legal services and office space, Universal charged the Company $7.1 million, $8.2 million and $12.5 million for the years ended December 31, 2001, 2000 and 1999, respectively, of which $5.7 million, $4.7 million and $8.0 million was capitalized to production costs, respectively.

Universal and the Company entered into an International Television Distribution Agreement under which the Company pays to Universal a distribution fee of 10% on all programming owned or controlled by the Company distributed outside of the United States. For the years ended December 31, 2001, 2000 and 1999, the fee totaled $13.6 million, $14.0 million and $9.0 million, respectively.

In addition, the Company and Universal entered into a Domestic Television Distribution Agreement under which the Company distributes in the United States certain of Universal's television programming. For the years ended December 31, 2001, 2000 and 1999, Universal paid the Company $4.1 million, $1.5 million and $1.5 million, respectively.

Home Shopping has affiliation agreements with USA Broadcasting ("USAB"), a wholly owned subsidiary of USA which provides for the USAB's broadcast of Home Shopping's electronic retailing programming on a full-time basis. Expense related to these affiliation agreements with USAB for the years ended December 31, 2001, 2000 and 1999 was $17.1 million, $35.0 million and $38.1 million, respectively.

Under the USANi LLC Operating Agreement, USANi LLC is obligated to make a distribution to each of the LLC members in an amount equal to each member's share of USANi LLC's taxable income at a specified tax rate. The estimated amount for 2001 is $153.5 and is expected to be paid on February 28, 2002. In March 2000, the Company made a mandatory tax distribution payment to the partners in the amount of $118.1 million related to the year ended December 31, 1999, of which $50.1 was paid to USA. In March 1999, the Company paid $52.8 million, of which $24.0 million was paid to USA.

NOTE 13--RELATED PARTY TRANSACTIONS (CONTINUED)

In connection with the settlement of its interest in an international joint venture, the Company received $24.0 million from Universal during 2001.

NOTE 14--TRANSACTIONS WITH USA AND SUBSIDIARIES

Advances to USA and subsidiaries generally represent net amounts transferred from the Company to USA and its subsidiaries to fund operations and other related items. Pursuant to the Investment Agreement, all excess cash held at USA and subsidiaries is transferred to the Company no less frequently than monthly and the Company may transfer funds to USA to satisfy obligations of USA and its subsidiaries. Under the Investment Agreement, transfers of cash are evidenced by a demand note and accrue interest at the Company's borrowing rate under the credit facility.

During the year ended December 31, 2001, net transfers from USA to USANi LLC totaled approximately $547.0 million, principally due to the proceeds of $589.6 from the sale of all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc., and net receipts of $67.4 million and $23.8 million from USA Films and PRC, respectively. The receipts were offset by $77.8 million to fund two acquisitions by PRC and $40.9 million to fund the operations of USA's television broadcast operations, as USA continued to air HSN programming on a majority of the stations until January 2002.

During the year ended December 31, 2000, net transfers from USANi LLC to USA totaled approximately $350.4 million, including $70.8 million related to contingent purchase price payments on the Hotel Reservations Network transaction, $69.2 million to fund the operations of USA's television broadcast operations, $50.7 million to fund the operations and acquisitions of Ticketmaster, $26.9 million to fund the operations and acquisition of PRC and $32.3 million to pay off outstanding debt of PRC at the date of acquisition, offset partially by net receipts of $25.1 million from USA Films.

During the year ended December 31, 1999, net transfers from USANi LLC to USA totaled approximately $429.1 million, including $372.2 million related to the Hotel Reservations Network Transaction and the October Films/PFE Transaction (including $200 million advanced to Universal pursuant to an eight year, full recourse, interest-bearing note in connection with the acquisition of October Films, in which Universal owned a majority interest, and the domestic film distribution and development business of Universal previously operated by Polygram Filmed Entertainment, Inc.), $50.9 million to fund the operations of USA's television broadcast operations, $98.6 million to repay a portion of the outstanding borrowings assumed in the October Films/PFE Transaction and $8.8 million to fund the operations of USA Films. Funds were also transferred to USA to purchase shares of treasury stock. These amounts were offset by $79.4 million and $40.0 million of funds transferred to USANi LLC from the Ticketing operations business and the Hotel reservations business, respectively. During the year ended December 31, 1998 net cash transfers totaling approximately $118.2 million were made to repay USA's revolving credit facility, repay Ticketmaster's bank credit facility, and fund the operations of USA's broadcast operation, offset by proceeds from the sale of the assets of SF Broadcasting and USA's Baltimore television station. The interest incurred on the net transfers for the years ended December 31, 2000, 1999 and 1998 was approximately $2.9 million, $7.2 million and $9.5 million, respectively.

The Company allocates certain overhead expenses to the USA parent company based upon the fair value of services performed. Expenses allocated for the periods ended December 31, 2001, 2000 and 1999 were $8.6 million, $11.6 million and $8.6 million, respectively.

NOTE 15--QUARTERLY RESULTS (UNAUDITED)

	QUARTER ENDED DECEMBER 31,	QUARTER ENDED SEPTEMBER 30,	QUARTER ENDED JUNE 30,	QUARTER ENDED MARCH 31,
	(IN THOUSANDS)			
Year Ended December 31, 2001				
Net revenues	$942,687	$862,646	$912,803	$904,782
Operating profit	96,097	92,412	107,697	114,917
Net earnings(a)(b)	(2,391)	18,023	24,361	26,465
Year Ended December 31, 2000				
Net revenues	$970,939	$776,881	$799,806	$807,166
Operating profit	(34,826)	81,347	99,769	117,984
Net earnings(a)(c)	(13,546)	34,197	22,585	21,790

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(a) The Company recorded losses of $7.5 million and $0.4 million during the fourth and second quarters of 2001, respectively, related to the write-down of equity investments to fair value. The Company recorded losses of $5.4 million and $30.5 million during the fourth and third quarters of 2000, respectively, related to the write-down of equity investments to fair value.

(b) During the first quarter of 2001, the Company adopted Statement of Position 00-2, "Accounting By Producers or Distributors of Films." The Company recorded income of $1.9 million related to the cumulative effect of adoption.

(c) The quarterly results include the operations of Styleclick.com since its acquisition on July 27, 2000, and PRC since its acquisition on April 5, 2000. During the third quarter of 2000, the Company recorded a pre-tax gain of $104.6 million related to the Styleclick Transaction. During the fourth quarter of 2000, the Company recorded a pre-tax charge of $145.6 million related to the impairment of Styleclick goodwill.

NOTE 16--INDUSTRY SEGMENTS

The Company operates principally in five industry segments: Cable and studios, HSN-US, ECS/ Styleclick, Emerging networks and HSN-International and other.

Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") is defined as operating income plus (1) depreciation and amortization, (2) amortization of cable distribution fees of $44.0 million, $36.3 million and $26.7 million in fiscal years 2001, 2000 and 1999, respectively (3) amortization of non-cash distribution and marketing expense and (4) disengagement expenses (described below) of $4.1 million in 2001. Adjusted EBITDA is presented here as a tool and as a valuation methodology used by management in evaluating the business. Adjusted EBITDA does not purport to represent cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA may not be comparable to calculations of similarly titled measures presented by other companies.

NOTE 16--INDUSTRY SEGMENTS (CONTINUED)

The following is a reconciliation of Operating Income to Adjusted EBITDA for 2001, 2000 and 1999.

	TWELVE MONTHS ENDED DECEMBER 31,		
	2001	2000	1999
Operating income	$411,123	$264,274	$343,595
Depreciation and amortization	236,819	376,791	175,539
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non cash compensation expense	9,799	9,704	6,314
Disengagement expenses	4,052	--	--
Adjusted EBITDA	$705,768	$687,091	$552,128

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
REVENUES			
Cable and studios	$1,633,130	$1,525,124	$1,304,683
HSN--U.S.(a)	1,658,904	1,533,271	1,332,911
Electronic Commerce Solutions/Styleclick	34,229	30,350	31,886
Trio, NWI, Crime, other emerging media	24,086	20,332	1,188
HSN--International and other(b)	272,569	245,715	8,917
Other	--	--	6,894
TOTAL	$3,622,918	$3,354,792	$2,686,479
OPERATING PROFIT (LOSS)			
Cable and studios	$ 486,667	$ 435,116	$ 320,878
HSN--U.S.(a)(c)	86,825	105,152	104,963
Electronic Commerce Solutions/Styleclick	(73,145)	(230,021)	(46,588)
Trio, NWI, Crime, other emerging media	(20,133)	(13,244)	(2,989)
HSN--International and other(b)	(34,907)	4,641	(4,517)
Corporate & other	(34,184)	(37,370)	(28,152)
TOTAL			

$ 411,123 $ 264,274 $ 343,595 ---------- ---------- ---------- ADJUSTED EBITDA Cable and studios....................... $ 613,587 $ 547,684 $ 434,084 HSN--U.S. (a)............................ 213,239 211,462 188,984 Electronic Commerce Solutions/Styleclick.................. (58,364) (50,163) (43,421) Trio, NWI, Crime, other emerging media... (11,467) (7,120) (2,989) HSN--International and other(b).......... (25,306) 10,740 (4,505) Corporate & other....................... (25,921) (25,512) (20,025) ---------- ---------- ---------- TOTAL.................................. $ 705,768 $ 687,091 $ 552,128 ---------- ---------- ----------

NOTE 16--INDUSTRY SEGMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, ------------------------------------ 2001 2000 1999 ---------- ---------- ---------- (IN THOUSANDS) ASSETS Cable and studios....................... $6,189,380 $5,885,301 $5,524,236 HSN--U.S................................ 1,849,946 1,855,512 1,771,560 Electronic Commerce Solutions/Styleclick.................. (42,751) 36,726 28,623 Trio, NWI, Crime, other emerging media... 97,376 100,943 200 HSN--International and other............ 212,549 133,654 37,840 Corporate & other....................... (482,125) (469,086) (130,815) ---------- ---------- ---------- TOTAL.................................. 7,824,375 $7,543,050 $7,231,644 ---------- ---------- ---------- DEPRECIATION AND AMORTIZATION OF INTANGIBLES AND CABLE DISTRIBUTION FEES Cable and studios....................... $ 122,008 $ 112,568 $ 113,034 HSN--U.S................................ 122,115 106,059 83,796 Electronic Commerce Solutions/Styleclick.................. 14,589 179,858 3,167 Trio, NWI, Crime, other emerging media... 8,666 6,124 -- HSN--International and other............ 9,601 6,099 12 Corporate & other....................... 3,815 2,405 2,210 ---------- ---------- ---------- TOTAL.................................. $ 280,794 $ 413,113 $ 202,219 ---------- ---------- ---------- CAPITAL EXPENDITURES Cable and studios....................... $ 12,907 $ 15,229 $ 6,771 HSN--U.S................................ 42,615 34,122 33,412 Electronic Commerce Solutions/Styleclick.................. 2,292 5,047 13,657 Trio, NWI, Crime, other emerging media... 61 600 -- HSN--International and other............ 6,031 18,105 13,746 Corporate &

other	4,590	21,723	3,095
TOTAL	$ 68,496	$ 94,826	$ 70,681

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(a) Includes estimated revenue in 2000 generated by homes lost by HSN following the sale of USA Broadcasting to Univision, which is estimated to be $6.2 million. Adjusted EBITDA for these homes is estimated at $0.9 million.

(b) Includes impact of foreign exchange fluctuations, which reduced revenue by $44.0 million and $36.3 million in 2001 and 2000, respectively, if the results are translated from Euros to U.S. dollars at a constant exchange rate, using 1999 as the base year.

(c) 2001 includes $4.1 million of costs incurred related to the disengagement of HSN from USA Broadcasting stations. Amounts primarily related to payments to cable operators and related marketing expenses in the disengaged markets.

NOTE 17--FINANCIAL INSTRUMENTS

The additional disclosure below of the estimated fair value of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies when available. The carrying value of all current assets and current liabilities approximates fair value due to their short-term nature.

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS)			
Cash and cash equivalents	$ 779,592	$ 779,592	$ 71,816	$ 71,816
Long-term investments	39,485	39,485	29,187	29,187
Long-term obligations	(532,424)	(532,424)	(524,116)	(524,116)

NOTE 18--EQUITY INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

At December 31, 2001, USA beneficially owned 46.7% of the outstanding common stock of Hot Networks AG, a German stock corporation, the subsidiaries of which operate electronic retailing operations in Europe. This investment is accounted for using the equity method. Due to the significance of the results of Hot Networks, AG, in relation to USA's results, summary financial information for Hot Networks AG is presented below. There were no significant operations in 1999.

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Current assets	$ 17,597	$ 6,943
Noncurrent assets	157,274	42,784
Current liabilities	46,085	37,531
Noncurrent liabilities	194,249	23,668
Net sales	8,215	6,242
Gross profit	277	1,301
Net loss	(51,453)	(20,254)

To date, the Company has contributed approximately $125.3 million, including $105.5 million in 2001, and recorded equity losses in unconsolidated subsidiaries of $30.5 million, including $27.6 million in 2001.

NOTE 19--PROGRAM RIGHTS AND FILM COSTS

As of December 31, 2001, the liability for program rights, representing future payments to be made under program contract agreements amounted to $510.1 million. Annual payments required are $259.3 million in 2002, $156.6 million in 2003, $70.8 million in 2004, $17.0 million in 2005, $3.9 million in 2006 and $2.5 million in 2007 and thereafter. Amounts representing interest are $48.1 million and the present value of future payments is $462.0 million.

As of December 31, 2001, the liability for film costs amounted to $95.9 million. Annual payments are $51.6 million in 2002, $42.4 million in 2003 and $1.9 million in 2004.

NOTE 20--GUARANTEE OF NOTES

USA issued $500.0 million 6 3'4% Senior Notes due 2005 (the "Notes"). USANi LLC is a co-issuer and co-obligor of the Notes. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of USA, including the Company and all of the subsidiaries of USANi LLC (other than subsidiaries that are, individually and in the aggregate, inconsequential to USANi LLC on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than the Company) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by the Company or USANi LLC, as the case may be.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because the Company's management has determined that the information contained in such documents would not be material to investors.

EXHIBIT 99.4

REPORT OF INDEPENDENT AUDITORS

The Members of USANi LLC

We have audited the accompanying consolidated balance sheets of USANi LLC and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, members' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USANi LLC and subsidiaries at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2001, the Company adopted AICPA Statement of Position 00-2, "Accounting by Producers or Distributors of Films."

/s/ ERNST & YOUNG LLP

New York, New York
January 29, 2002

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Product sales	$1,935,542	$1,799,932	$1,370,790
Service revenue	1,687,376	1,554,860	1,315,689
Net revenues	3,622,918	3,354,792	2,686,479
Operating costs and expenses:			
Cost of sales--product sales	1,287,630	1,178,369	900,896
Cost of sales--service revenue	16,823	6,360	4,446
Program costs	726,549	684,992	630,956
Selling and marketing	421,259	383,722	277,257
General and administrative	336,140	284,800	231,003
Other operating costs	132,801	129,458	89,793
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non-cash compensation expense	9,799	9,704	6,314
Depreciation and amortization	236,819	376,791	175,539
Total operating costs and expenses	3,211,795	3,090,518	2,342,884
Operating profit	411,123	264,274	343,595
Other income (expense):			
Interest income	43,675	61,336	37,573
Interest expense			

(73,183) (69,659) (73,106) Gain on sale of securities............................ -- -- 89,721 Gain on sale of subsidiary stock...................... -- 104,625 -- Loss in unconsolidated subsidiaries and other.......... (40,395) (45,859) 2,103 ---------- ---------- ---------- (69,903) 50,443 56,291 ---------- ---------- ---------- Earnings before income taxes and minority interest and cumulative effect of accounting change................ 341,220 314,717 399,886 Income tax expense...................................... (13,133) (26,437) (5,501) Minority interest....................................... 9,782 41,597 603 ---------- ---------- ---------- Earnings before cumulative effect of accounting change... 337,869 329,877 394,988 Cumulative effect of accounting change.................. 6,470 -- -- ---------- ---------- ---------- NET EARNINGS.. $ 344,339 $ 329,877 $ 394,988 ---------- ---------- ----------

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, ---------------------- 2001 2000 ---------- ---------- (IN THOUSANDS) ASSETS CURRENT ASSETS Cash and cash equivalents................................ $ 779,592 $ 71,816 Accounts and notes receivable, net of allowance of $30,586 and $50,646, respectively................................. 533,869 519,365 Inventories, net.. 404,155 396,523 Investments held for sale................................. -- 750 Other current assets, net................................. 26,120 18,024 ---------- ---------- Total current assets.................................... 1,743,736 1,006,478 PROPERTY, PLANT AND EQUIPMENT Computer and broadcast equipment.......................... 132,712 143,559 Buildings and leasehold improvements...................... 79,043 71,979 Furniture and other equipment............................. 96,941 76,623 Land.. 10,386 10,281 Projects in progress...................................... 40,032 32,747 ---------- ---------- 359,114 335,189 Less accumulated depreciation and amortization............ (120,468) (83,549) ---------- ---------- 238,646 251,640 OTHER ASSETS Intangible assets, net.................................... 4,970,259 5,099,476 Cable distribution fees, net............................... 158,880 159,473 Long-term investments.................................... 39,485 29,187 Notes and accounts receivable, net ($99,819 and $22,575, respectively, from related parties)...................... 130,368 33,571 Inventories, net.. 484,679 430,215 Advances to USA and subsidiaries.......................... 581,367 918,817 Deferred charges and other, net........................... 58,475 44,011 ---------- ---------- $8,405,895 $7,972,868 LIABILITIES AND MEMBERS' EQUITY CURRENT LIABILITIES Current maturities of long-term obligations................ $ 32,911 $ 20,053 Accounts payable, trade................................... 233,063 201,484 Obligations for program rights and film costs............... 272,601 283,812 Cable distribution fees payable........................... 32,795 33,598 Deferred revenue.. 58,949 41,335 Other accrued

liabilities.................................. 409,286
342,995 ---------- ---------- Total current
liabilities.................................. 1,039,605
923,277 LONG-TERM OBLIGATIONS (NET OF CURRENT
MATURITIES)........... 499,513 504,063 OBLIGATIONS FOR
PROGRAM RIGHTS AND FILM COSTS, NET OF
CURRENT...
285,378 295,210 OTHER LONG-TERM
LIABILITIES................................ 28,783 81,925
MINORITY
INTEREST.. 12,939
28,662 COMMITMENTS AND
CONTINGENCIES.............................. -- -- MEMBERS'
EQUITY Class A (261,947,704 and 252,679,887 shares,
respectively)...
2,090,818 2,007,736 Class B (282,161,530
shares)............................... 2,978,635 2,978,635
Class C (45,774,708
shares)............................... 466,252 466,252
Retained
earnings...
1,009,585 695,986 Accumulated other comprehensive
income...................... (5,613) (8,878) ---------- ---
------- Total members'
equity.................................... 6,539,677
6,139,731 ---------- ---------- $8,405,895 $7,972,868 -----
----- ----------

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

ACCUMULATED OTHER CLASS
A LLC CLASS B LLC CLASS
C LLC RETAINED
COMPREHENSIVE UNEARNED
TOTAL SHARES SHARES
SHARES EARNINGS INCOME
COMPENSATION ----------
----------- ----------
-- ----------- -------
--- ------------- ----
--------- (IN
THOUSANDS) BALANCE AT
DECEMBER 31,
1998....................
$5,115,405 $1,753,618
$2,736,363 $466,252 $
142,045 $ 17,850 $(723)
Comprehensive income:
Net earnings for the
year ended December 31,
1999..... 394,988 -- --
-- 394,988 -- --
Decrease in unrealized
gains in available for
sale securities.......
(17,850) -- -- -- --
(17,850) -- ----------
Comprehensive
income.... 377,138 -- -
- -- -- -- -- ---------
- Issuance of LLC
Shares................
410,545 168,273 242,272
-- -- -- -- Repurchase
of LLC
shares................
(8,934) (8,934) -- -- -
- -- -- Mandatory tax
distribution to LLC
partners..............
(52,755) -- -- --
(52,755) -- --
Cancellation of

employee equity
program........ 280
(443) -- -- -- -- 723 -
--------- ---------- --
-------- -------- -----
----- --------- -----
BALANCE AT DECEMBER 31,
1999....................
5,841,679 1,912,514
2,978,635 466,252
484,278 -- --
Comprehensive income:
Net earnings for the
year ended December 31,
2000..... 329,877 -- --
-- 329,877 -- --
Decrease in unrealized
gains in available for
sale securities.......
(9,291) -- -- -- --
(9,291) -- Foreign
currency
translation...........
413 -- -- -- -- 413 --

Comprehensive
income.... 320,999 -- -
- -- -- -- -- ---------
- Issuance of LLC
shares................
225,129 225,129 -- -- -
- -- -- Repurchase of
LLC
shares................
(129,907) (129,907) --
-- -- -- -- Mandatory
tax distribution to LLC
partners.............
(118,169) -- -- --
(118,169) -- -- -------
--- ---------- --------
-- -------- ----------
--------- ----- BALANCE
AT DECEMBER 31,
2000....................
6,139,731 2,007,736
2,978,635 466,252
695,986 (8,878) --
Comprehensive income:
Net earnings for the
year ended December 31,
2001..... 344,339 -- --
-- 344,339 -- --
Decrease in unrealized
gains in available for
sale securities.......
9,291 -- -- -- -- 9,291
-- Foreign currency
translation...........
(6,026) -- -- -- --
(6,026) -- ----------
Comprehensive
income...... 347,604 --
-- -- -- -- -- --------
-- Issuance of LLC
shares.... 85,010
85,010 -- -- -- -- --
Repurchase of LLC
shares.. (1,928)
(1,928) -- -- -- -- --
Mandatory tax
distribution to LLC
partners.........
(30,740) -- -- --
(30,740) -- -- --------
-- ---------- ---------
- -------- ---------- -
-------- ----- BALANCE
AT DECEMBER 31,
2001....................
$6,539,677 $2,090,818

$2,978,635 $466,252
$1,009,585 $ (5,613) $
-- ---------- ---------
- ---------- -------- -
--------- --------- ---
--

Accumulated other comprehensive income is comprised of unrealized (losses) gains on available for sale securities of $0 and $(9,291) for December 31, 2001 and 2000, respectively and foreign currency translation adjustments of $(5,613) and $413 for December 31, 2001 and 2000 respectively. There were no foreign currency translation adjustments for December 31, 1999.

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

USANI LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, ------------------------------
----- 2001 2000 1999 ---------- ---------- ----------
(IN THOUSANDS) CASH FLOWS FROM OPERATING ACTIVITIES: Net earnings.. $ 344,339 $ 329,877 $ 394,988 ADJUSTMENTS TO RECONCILE NET EARNINGS (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Depreciation and amortization......................... 236,819 376,791 175,539 Amortization of cable distribution fees................ 43,975 36,322 26,680 Amortization of program rights and film costs.......... 658,328 597,659 532,900 Cumulative effect of accounting change................ (6,470) -- -- Gain on sale of subsidiary stock...................... -- (104,625) -- Gain on sale of securities............................ -- -- (89,721) Amortization of deferred financing costs.............. -- 2,457 5,035 Non-cash stock compensation.......................... 9,799 9,704 6,314 Equity in (earnings) losses of unconsolidated affiliates.. 38,155 46,025 (1,866) Minority interest.................................... (9,782) (41,597) (603) CHANGES IN CURRENT ASSETS AND LIABILITIES: Accounts receivable................................. (40,545) (105,835) (33,879) Inventories... 30,210 (44,687) (16,805) Accounts payable.................................... 25,118 34,425 (11,233) Accrued liabilities and deferred revenue.............. 1,530 41,136 28,738 Payment for program rights and film costs............. (764,625) (739,066) (555,383) Increase in cable distribution fees................... (47,393) (64,876) (42,887) Other, net.. (17,319) (13,471) 9,881 ---------- ---------- ---------- NET CASH PROVIDED BY OPERATING ACTIVITIES............. 502,139 360,239 427,698 CASH FLOWS FROM INVESTING ACTIVITIES: Acquisitions, net of cash acquired...................... (35,845) (110,780) (7,500) Capital expenditures.................................. (68,496) (94,826) (70,681) Increase in long-term investments and notes receivable... (110,871) (40,220) (54,478) Proceeds from sale of securities........................ -- 2,194 107,231 Payment of merger and financing costs.................. -- -- -- Other, net... 21,627 (2,168) 8,654 ---------- ---------- ---------- NET CASH USED IN INVESTING ACTIVITIES................. (193,585) (245,800) (16,774) CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings.. 22,494 64,611 -- Payment of mandatory tax distribution to LLC partners.... (30,740) (118,169) (52,755) Principal payments on long-term obligations............. (14,842) (60,981) (253,224)

Repurchase of LLC
shares.................................. (1,928)
(129,907) (8,934) Proceeds from issuance of LLC
shares..................... 80,931 210,455 410,545
Advances from (to) USA and
subsidiaries.................. 351,239 (246,775)
(493,985)
Other...
(5,821) (10,531) -- ---------- ---------- ---------- NET
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES....
401,333 (291,297) (398,353) Effect of exchange rate
changes on cash and cash
equivalents..
(2,111) 1,200 -- ---------- ---------- ---------- NET
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....
707,776 (175,658) 12,571 Cash and cash equivalents at
beginning of period......... 71,816 247,474 234,903 ----
------ ---------- ---------- CASH AND CASH EQUIVALENTS
AT END OF PERIOD............... $ 779,592 $ 71,816 $
247,474 ---------- ---------- ----------

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

USANI LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--ORGANIZATION

GENERAL

USANi LLC (the "Company" or "LLC"), a Delaware limited liability company, was formed on February 12, 1998 and is a subsidiary of Home Shopping Network, Inc. ("Home Shopping" or "Holdco"), which is a subsidiary of USA Networks, Inc. ("USA"). At its formation, USA and Home Shopping contributed substantially all of the operating assets and liabilities of Home Shopping to the Company in exchange for Class A LLC Shares of the Company. On February 12, 1998, the Company acquired USA Networks, a New York general partnership consisting of USA Network and Sci Fi Channel, as well as the domestic television production and distribution businesses of Universal Studios (the "Universal Transaction"). LLC is organized into two groups, the Interactive Group and the Entertainment Group. The Interactive Group consists of Home Shopping Network (including HSN International and HSN.com); Electronic Commerce Solutions; and Styleclick (OTC: IBUY). The Entertainment Group consists of USA Cable, including USA Network and Sci Fi Channel and Emerging networks TRIO, Newsworld International, and Crime; and Studios USA, which produces and distributes television programming.

On December 17, 2001, USA and Vivendi Universal, S.A. ("Vivendi") announced a transaction (the "Vivendi Transaction") in which USA's Entertainment Group, consisting of USA Cable, Studios USA, and USA Films, would be contributed to Vivendi Universal Entertainment, a new joint venture controlled by Vivendi. See below for further discussion under "Subsequent Events".

SUBSEQUENT EVENTS (UNAUDITED)

CONTRIBUTION OF THE USA ENTERTAINMENT GROUP TO VUE

On December 17, 2001, USA announced it had entered into an agreement with Vivendi pursuant to which USA would contribute USA's Entertainment Group to a limited liability entity (Vivendi Universal Entertainment, "VUE") to be controlled by Vivendi, to which Vivendi would contribute the film, television and theme park businesses of Universal Studios, Inc. ("Universal"). Upon consummation of the Vivendi transaction, the joint venture will be controlled by Vivendi and its subsidiaries, with the common interests owned 93.06% by Vivendi, 5.44% by USA and 1.5% by Mr. Diller, Chairman and CEO of USA.

In connection with the Vivendi Transaction, USA and its subsidiaries will receive the following at the closing of the transactions: (i) approximately $1.62 billion in cash, debt-financed by VUE, subject to tax-deferred treatment for a 15-year period, (ii) a $750 million face value Class A preferred interest in VUE, with a 5% annual paid-in-kind dividend and a 20-year term, to be settled in cash at its then face value at maturity; (iii) a $1.75 billion face value Class B preferred interest in VUE, with a 1.4% annual paid-in-kind dividend, a 3.6% annual cash dividend, callable and puttable after 20 years, to be settled by Universal at its then face value with a maximum of approximately 56.6 million USA common shares, provided that Universal may substitute cash in lieu of shares of USA common stock (but not USA Class B common stock), at its election; (iv) a

5.44% common interest in VUE, generally callable by Universal after five years and puttable by USA after eight years, which may be settled in either Vivendi stock or cash, at Universal's election, and (v) a cancellation of Universal's USANi LLC interests currently exchangeable into USA common shares including USANi LLC interests obtained from Liberty in connection with a related transaction (see immediately below).

Related to the transaction, Liberty will exchange 7,079,726 shares of USANi LLC for shares of USA common stock, and subsequently transfer to Universal 25,000,000 shares of USA common stock,

NOTE 1--ORGANIZATION (CONTINUED)

its remaining 38,694,982 shares of USANi LLC, as well as the assets and liabilities of Liberty Programming France (which consist primarily of 4,921,250 shares of multiThematiques S.A., a French entity), in exchange for 37,386,436 Vivendi ordinary shares.

In addition, USA will issue to Universal ten-year warrants to acquire shares of USA common stock as follows: 24,187,094 shares at $27.50 per share; 24,187,094 shares at $32.50 per share; and 12,093,547 shares at $37.50 per share. Barry Diller, USA's chairman and chief executive officer, will receive a common interest in VUE with a 1.5% profit sharing percentage, with a minimum value of $275.0 million, in return for his agreeing to specified non-competition provisions and agreeing to serve as chairman and chief executive officer of VUE. USA and Mr. Diller have agreed that they will not compete with Vivendi's television and filmed entertainment businesses (including VUE) for a minimum of 18 months.

In February 2002, Mr. Diller assigned to three executive officers of USA, the right to receive economic interests in a portion of the common interests in VUE that Mr. Diller will receive upon closing of the transactions.

The Vivendi Transaction is subject to USA shareholder vote, including the approval of 66 2/3% of the outstanding USA common stock and USA preferred stock, voting together as a single class, and excluding shares held by Vivendi, Liberty, Mr. Diller and their respective affiliates, as well as other customary regulatory approvals, and there can be no assurance that the transaction will be completed.

BASIS OF PRESENTATION

The contribution of assets by USA and Home Shopping to the Company was accounted for in the accompanying consolidated financial statements in a manner similar to the pooling-of-interests for business combinations due to the common ownership of Home Shopping and USANi LLC. Accordingly, the assets and liabilities were transferred to the LLC at Home Shopping's historical cost.

Given that equity interests in limited liability companies are not in the form of common stock, earnings per share data is not presented.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all wholly-owned and voting-controlled subsidiaries. The Company consolidates HSN--Germany based upon a Pooling Agreement allowing for the Company to elect a majority of the Board of Directors and to control the operations of HSN--Germany. Significant intercompany transactions and accounts have been eliminated.

Investments in which the Company owns a 20%, but not in excess of 50%, interest and where it can exercise significant influence over the operations of the investee, are accounted for using the equity method. In addition, partnership interests are recorded using the equity method. All other investments are accounted for using the cost method. The Company periodically evaluates the recoverability of investments recorded under the cost method and recognizes losses if a decline in value is determined to be other than temporary.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
REVENUES

CABLE AND STUDIOS

Television production revenues are recognized as completed episodes are delivered. Generally, television programs are first licensed for network exhibition and foreign syndication, and subsequently for domestic syndication, cable television and home video. Certain television programs are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video. Television production advertising revenues (i.e., sales of advertising time received by Studios USA in lieu of cash fees for the licensing of program broadcast rights to a broadcast station ("barter syndication")) are recognized upon both the commencement of the license period of the program and the sale of advertising time pursuant to non-cancelable agreements, provided that the program is available for its first broadcast. Foreign minimum guaranteed amounts are recognized as revenues on the commencement date of the license agreement, provided the program is available for exhibition.

USA Cable advertising revenue is recognized in the period in which the advertising commercials are aired on the cable networks. Certain contracts with advertisers contain minimum commitments with respect to advertising viewership. In the event that such minimum commitments are not met, the contracts require additional subsequent airings of the advertisement. As a result, provisions are recorded against advertising revenues for audience under deliveries ("makegoods") until such subsequent airings are conducted. Affiliate fees are recognized in the period during which the programming is provided.

ELECTRONIC RETAILING

Revenues from Home Shopping primarily consist of merchandise sales and are reduced by incentive discounts and sales returns to arrive at net sales. Revenues for domestic sales are recorded for credit card sales upon transaction authorization, which occurs only if the goods are in stock, and for check sales upon receipt of customer payment, which does not vary significantly from the time goods are shipped. Revenues for international sales are recorded upon shipment. Home Shopping's sales policy allows merchandise to be returned at the customer's discretion within 30 days of the date of delivery. Allowances for returned merchandise and other adjustments are provided based upon past experience.

OTHER

Revenues from all other sources are recognized either upon delivery or when the service is provided.

FILM COSTS

Film costs consist of direct production costs and production overhead, less accumulated amortization. Prior to the adoption of SOP 00-2 on January 1, 2001 (see below for further information), development roster (and related costs), abandoned story and development costs were charged to production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value on a production-by-production basis.

Generally, the estimated ultimate costs of completed film costs are amortized, and participation expenses are accrued, for each production in the proportion that current period revenue recognized

bears to the estimated future revenue to be received from all sources. Amortization and accruals are made under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value are made as required.

Film costs, net of amortization, are classified as non-current assets.

PROGRAM RIGHTS

License agreements for program material are accounted for as a purchase of program rights. The asset related to the program rights acquired and the liability for the obligation incurred are recorded at their net present value when the license period begins and the program is available for its initial broadcast. The asset is amortized primarily based on the estimated number of airings. Amortization is computed generally on the straight-line basis as programs air; however, when management estimates that the first airing of a program has more value than subsequent airings, an accelerated method of amortization is used. Other costs related to programming, which include program assembly, commercial integration and other costs, are expensed as incurred. Management periodically reviews the carrying value of program rights and records write-offs, as warranted, based on changes in programming usage.

ADVERTISING BARTER TRANSACTIONS

Barter transactions represent the exchange of commercial air-time for programming, merchandise or services. The transactions are recorded at the estimated fair market value of the asset or services received or given in accordance with Emerging Issues Task Force Issue No. 99-17, "Accounting for Advertising Barter Transactions." Barter revenue for the year ended December 31, 2001 was $42.2 million. Barter revenues for the year ended December 31, 2000 and 1999 are not material to the Company's statement of operations.

MERCHANDISE INVENTORIES, NET

Merchandise inventories are valued at the lower of cost or market, cost being determined using the first-in, first-out method. Cost includes freight, certain warehouse costs and other allocable overhead. Market is determined on the basis of net realizable value, giving consideration to obsolescence and other factors. Merchandise inventories are presented net of an inventory carrying adjustment of $40.4 million and $37.9 million at December 31, 2001 and 2000, respectively.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments. Short-term investments consist primarily of U.S. Treasury Securities, U.S. Government agencies and certificates of deposit with original maturities of less than 91 days.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including significant improvements, are recorded at cost. Repairs and maintenance and any gains or losses on dispositions are included in operations.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation and amortization is provided for on a straight-line basis to allocate the cost of depreciable assets to operations over their estimated service lives.

ASSET CATEGORY	DEPRECIATION/AMORTIZATION PERIOD -
Computer and broadcast equipment..................	3 to 13 Years
Buildings...	30 to 40 Years
Leasehold improvements...........................	4 to 20 Years
Furniture and other equipment....................	3 to 10 Years

Depreciation and amortization expense on property, plant and equipment was $83.6 million, $65.2 million and $41.0 million for the years ended December 31, 2001, 2000 and 1999, respectively.

LONG-LIVED ASSETS INCLUDING INTANGIBLES

The Company's accounting policy regarding the assessment of the recoverability of the carrying value of long-lived assets, including goodwill and other intangibles and property, plant and equipment, is to review the carrying value of the assets if the facts and circumstances suggest that they may be impaired. If this review indicates that the carrying value will not be recoverable, as determined based on the projected undiscounted future cash flows, the carrying value is reduced to its estimated fair value. See below under "New Accounting Pronouncements" for further information related to goodwill and other intangible assets. The Company amortizes goodwill and other intangible assets over their estimated useful lives, which range from 3 to 40 years for goodwill and 1 to 5 years for intangibles.

CABLE DISTRIBUTION FEES

Cable distribution fees relate to upfront fees paid in connection with multi-year cable contracts for carriage of Home Shopping's programming. These fees are amortized to expense on a straight line basis over the terms of the respective contracts.

ADVERTISING

Advertising costs are primarily expensed in the period incurred. Advertising expense for the years ended December 31, 2001, 2000 and 1999 were $137.3 million, $127.5 million and $95.5 million, respectively.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation issued to employees in accordance with APB 25, "Accounting for Stock Issued to Employees." In cases where exercise prices are less than fair value as of the grant date, compensation is recognized over the vesting period. For stock-based compensation issued to non-employees, the Company accounts for the grants in accordance with FASB Statement No. 123, "Accounting for Stock Based Compensation."

MINORITY INTEREST

Minority interest represents the ownership interests of third parties in the net assets and results of operations of certain consolidated subsidiaries. Minority interest primarily represents the public's ownership interest in Styleclick since July 27, 2000 and the public's ownership interest in HSN--Germany since its consolidation as of January 1, 2000.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
FOREIGN CURRENCY TRANSLATION

The financial position and operating results of all foreign operations are consolidated using the local currency as the functional currency. Local currency assets and liabilities are translated at the rates of exchange on the balance sheet date, and local currency revenues and expenses are translated at average rates of exchange during the period. Resulting translation gains or losses, which have not been material, are included as a component of accumulated other comprehensive income (loss) in accumulated deficit.

ISSUANCES OF SUBSIDIARY STOCK

The Company accounts for issuances of stock by a subsidiary via income statement recognition, recording income or losses as non-operating income/(expense). During the year ended December 31, 2000, the Company recorded a gain of $104.6 million related to the issuance of subsidiary stock. See Note 3 for further discussion.

ACCOUNTING ESTIMATES

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

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

NEW ACCOUNTING PRONOUNCEMENTS

GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, all calendar year companies will be required to adopt Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets." The new rules eliminate amortization of goodwill and other intangible assets with indefinite lives and establish new measurement criterion for these assets. Although it has not completed its assessment, the Company does not anticipate a write-off upon adoption.

The rules are expected to reduce USA's annual amortization by approximately $145.4 million.

FILM ACCOUNTING

The Company adopted SOP 00-2, "Accounting by Producers or Distributors of Films" ("SOP 00-2") during the twelve months ended December 31, 2001. SOP 00-2 established new film accounting standards, including changes in revenue recognition and accounting for advertising, development and overhead costs. Specifically, SOP 00-2 requires advertising costs for theatrical and television product to be expensed as incurred. This compares to the Company's previous policy of first capitalizing these costs and then expensing them over the related revenue streams. In addition, SOP

00-2 requires development costs for abandoned projects and certain indirect overhead costs to be charged directly to expense, instead of those costs being capitalized to film costs, which was required under the previous accounting rules. SOP 00-2 also requires all film costs to be classified in the balance sheet as non-current assets. Provisions of SOP 00-2 in other areas, such as revenue recognition, generally are consistent with the Company's existing accounting policies.

SOP 00-2 was adopted as of January 1, 2001, and the Company recorded a one-time, non-cash benefit of $6.5 million. The benefit is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation.

NOTE 3--BUSINESS ACQUISITIONS

STYLECLICK TRANSACTION

On July 27, 2000, USA and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network, a subsidiary of USA, and Styleclick.com (the "Styleclick Transaction"). The entities were merged with a new company, Styleclick, Inc., which owns and operates the combined properties of Styleclick.com and ISN. Styleclick, Inc. is traded on the OTC under the symbol "IBUY". In accordance with the terms of the agreement, USA invested $40 million in cash and agreed to contribute $10 million in dedicated media, and received warrants to purchase additional shares of the new company. At closing, Styleclick.com repaid $10 million of borrowings outstanding under a bridge loan provided by USA.

The aggregate purchase price, including transaction costs, of $211.9 million was determined as follows:

	(IN THOUSANDS)
Value of portion of Styleclick.com acquired in the merger...	$121,781
Additional cash and promotional investment by USA...........	50,000
Fair value of outstanding "in the money options" and warrants of Styleclick.com...............................	37,989
Transaction costs..	2,144
Total acquisition costs....................................	$211,914

The fair value of Styleclick.com was based on the fair value of $15.78 per share times 7.7 million shares outstanding. Fair value of the shares was determined by taking an average of the opening and closing price of Styleclick.com common stock for the period just before and just after the terms of the transaction were agreed to by the Company and Styleclick.com and announced to the public. In conjunction with the transaction, the Company recorded a pre-tax gain of $104.6 million in accordance with Staff Accounting

Bulletin No. 51, "Accounting for Sales of Stock by a Subsidiary", based upon the 25% of ISN's net book value exchanged for 75% of Styleclick.com's fair value, determined based upon the fair value of Styleclick.com common stock received in the merger.

NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

The Styleclick transaction has been accounted for under the purchase method of accounting. The purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values at the date of purchase. The unallocated excess of acquisition costs over net assets acquired of $170.2 million has been allocated to goodwill, which originally was being amortized over 3 years.

In March 2001, Styleclick announced a new company organization designed to advance its offering of scaleable commerce services. The announcement included Styleclick's acquisition of the MVP.com technology platform. Also in March 2001, the Styleclick Board elected two executives of ECS to top management positions at Styleclick, and certain senior executives of Styleclick left the Company. As of December 31, 2000, as a result of the historical and anticipated operating losses of Styleclick, and the continuing evaluation of the operations and technology, Styleclick determined the goodwill recorded in conjunction with the Styleclick Merger was impaired and recorded a write-down of $145.6 million as goodwill amortization in fiscal 2000. Since the second quarter of 2001, Styleclick has focused on e-commerce services and technology while eliminating its online retail business. During this transition, Styleclick continued to incur significant net losses from operations that raise substantial doubt about Styleclick's ability to continue as a going concern. Styleclick is considering its options with respect to the situation.

BUSINESS ACQUISITION PRO FORMA RESULTS

The following unaudited pro forma condensed consolidated financial information for the twelve months ended December 31, 2000 and 1999 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 2000. The pro forma results reflect certain adjustments, including increased amortization related to goodwill and other intangibles, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 1999.

	YEAR ENDED DECEMBER 31,	
	2000	1999
Net revenues	$3,356,681	$2,692,653
Net income	321,026	351,630

NOTE 4--INTANGIBLE ASSETS

Intangible assets represents goodwill which is amortized using the straight-line method over periods ranging from 3 to 40 years.

Goodwill primarily relates to various transactions, and represents the excess of purchase price over the fair value of assets acquired and is net of accumulated amortization of $573.1 million and $453.6 million at December 31, 2001 and 2000, respectively.

NOTE 5--LONG-TERM OBLIGATIONS

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Unsecured Senior Credit Facility ("New Facility"); with a $40,000,000 sub-limit for letters of credit, entered into February 12, 1998, which matures on December 31, 2002. At the Company's option, the interest rate on borrowings is tied to the London Interbank Offered Rate ("LIBOR") or the Alternate Base Rate ("ABR"), plus an applicable		

margin. Interest rate at December 31, 2000 was 2.9%.......................... $ -- $ -- $500,000,000 6 3/4% Senior Notes (the "Senior Notes") due November 15, 2005; interest payable May 15 and November 15 commencing May 15, 1999. Interest rate at December 31, 2001 was 6.75%.......................... 498,515 498,213 Other long-term obligations maturing through 2005....... 33,909 25,903 -------- -------- Total long-term obligations............................ 532,424 524,116 Less current maturities................................ (32,911) (20,053) -------- -------- Long-term obligations, net of current maturities........ $499,513 $504,063 -------- --------

On February 12, 1998, USA and USANi LLC, as borrower, entered into a credit agreement which provides for a $1.6 billion credit facility. The credit facility was used to finance the Universal Transaction and to refinance USA's then-existing $275.0 million revolving credit facility. The credit facility consists of (1) a $600.0 million revolving credit facility with a $40.0 million sub-limit for letters of credit, (2) a $750.0 million Tranche A Term Loan and, (3) a $250.0 million Tranche B Term Loan. The Tranche A Term Loan and the Tranche B Term Loan have been permanently repaid as of December 31, 1999, as described below.

The existing credit facility is guaranteed by certain of USA's subsidiaries. The interest rate on borrowings under the existing credit facility is tied to an alternate base rate or the London InterBank Rate, in each case, plus an applicable margin, and $595.4 million was available for borrowing as of December 31, 2001 after taking into account outstanding letters of credit. The credit facility includes covenants requiring, among other things, maintenance of specific operating and financial ratios and places restrictions on payment of certain dividends, incurrence of indebtedness and investments. The Company pays a commitment fee of .1875% on the unused portion of the credit facility. Note that with the closing of the Vivendi Transaction, the Company expects that the existing credit facility will expire.

Aggregate contractual maturities of long-term obligations are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 32,911
2003	748
2004	50
2005	498,715
	$532,424

NOTE 6--INCOME TAXES

The Company was formed as a limited liability company on February 12, 1998 and is treated as a partnership for income tax purposes. As such, the individual LLC members are subject to federal and state taxes based on their allocated portion of income and expenses and the Company is not subject to Federal and state income taxation. The Company is subject to taxes in Germany and New York unincorporated business tax.

The Company has Federal income tax returns under examination by the Internal Revenue Service. The Company has received proposed adjustments related to certain examinations. Management believes that the resolution of the proposed adjustments will not have a material adverse effect on the Company's consolidated financial statements.

NOTE 7--COMMITMENTS AND CONTINGENCIES

The Company leases satellite transponders, computers, warehouse and office space, as well as broadcast and production facilities, equipment and services used in connection with its operations under various operating leases and contracts, many of which contain escalation clauses.

Future minimum payments under non-cancelable agreements are as follows:

YEARS ENDING DECEMBER 31,	(IN THOUSANDS)
2002	$ 42,608
2003	23,089
2004	20,088
2005	10,480
2006	7,029
Thereafter	41,384
	$144,678

Expenses charged to operations under these agreements were $61.8 million, $56.4 million and $46.1 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Unrecorded commitments for program rights consist of programs for which the license period has not yet begun or the program is not yet available to air. As of December 31, 2001, the unrecorded commitments amounted to $968.0 million. Annual commitments are $153.8 million in 2002, $173.5 million in 2003, $189.1 million in 2004, $155.0 million in 2005, $112.4 million in 2006 and $184.2 million in 2007 and thereafter.

The Company is required to provide funding, from time to time, for the operations of its investments in joint ventures accounted for under the equity method. To date, HSN has funded $125.3 million to Hot Networks, a company operating electronic retailing operations in Europe in which the Company holds an equity stake.

NOTE 8--INVENTORIES

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT
	(IN THOUSANDS)			
Film costs:				
Released, net of amortization	$ --	$210,325	$ --	$216,656
In process and unreleased	--	25,411	--	34,713
Programming costs, net of amortization	209,798	248,943	172,493	178,846
Sales merchandise, net	194,357	--	224,030	--
Total	$404,155	$484,679	$396,523	$430,215

The Company estimates that approximately 90% of unamortized film costs at December 31, 2001 will be amortized within the next three years.

NOTE 9--MEMBERS' EQUITY

On January 20, 2000, the Board of Directors declared a two-for-one stock split of USANi LLC's members' equity interests, payable in the form of a dividend to shareholders of record as of the close of business on February 10, 2000. The 100% stock dividend was paid on February 24, 2000. All share numbers give effect to such stock split.

In connection with the Universal Transaction, the Company was formed through the authorization and issuance of three classes of shares, Class A LLC Shares, Class B LLC Shares and Class C LLC Shares. In return for LLC Shares (i) USA (and certain of its subsidiaries) contributed its assets and liabilities related to its Electronic retailing and Internet services businesses and (ii) Universal (and certain of its subsidiaries) contributed USA Cable and Studios USA. On June 30, 1998, and in connection with the Universal Transaction, Liberty purchased

30,000,000 Class C LLC Shares for $308.5 million. USA, Home Shopping, Universal and Liberty (and their respective subsidiaries) are collectively referred to herein as the "Members".

In connection with various equity transactions at USA in 1998, Universal completed its mandatory purchase obligation in exchange for total consideration of $539.3 million in the form of $234.7 million in cash and $304.6 million applied against the deferred purchase obligations (including accrued interest).

In 1998, Liberty exercised certain of its preemptive rights and acquired 9,394,900 shares of USA Common Stock in exchange for $93.9 million. USA contributed $93.9 million to the LLC in exchange for 9,394,900 Class A LLC Shares. In addition, Liberty exercised certain of its preemptive rights and acquired 15,774,708 Class C LLC Shares in exchange for $157.7 million in cash.

On December 30, 1998, USA acquired from Universal an entity which owned 3,411,308 Class B LLC shares in exchange for issuing to Universal 670,000 shares of USA Class B Common Stock and 2,741,308 shares of USA Common Stock. The transaction resulted in those Class B LLC Shares being converted into Class A LLC Shares.

In 2000, in connection with Liberty's exercise of certain of its preemptive rights, USA acquired 7,920,274 Class A LLC shares in exchange for $179.1 million. In addition, USA sold 5,836,950 Class A LLC shares back to the LLC in exchange for $129.9 million.

NOTE 9--MEMBERS' EQUITY (CONTINUED)

In 1999, USA acquired 7,277,290 Class A LLC shares in exchange for $120.3 million. In addition, USA acquired 11,244,900 Class A LLC shares in exchange for $48.0 million and sold 477,892 Class A LLC shares back to the LLC in exchange for $8.9 million.

In 1999, Universal exercised certain of its preemptive rights and acquired 14,781,752 Class B LLC shares in exchange for $242.3 million.

Each of the classes of the LLC Shares are identical in all material respects. The business and affairs of the Company are managed by Mr. Barry Diller and USA in accordance with the Governance Agreement among USA, Universal, Liberty and Mr. Diller.

By various methods, Universal and Liberty hold the right, from time to time, to exchange Class B LLC Shares and Class C LLC Shares of the Company for either USA Common Stock or USA Class B Common Stock.

In connection with the Vivendi Transaction, the Company expects to cancel 282,161,530 Class B LLC Shares and 45,774,708 Class C LLC Shares of the Company. In total, 327,936,238 are expected to be cancelled, with 7,079,726 exchanged for USA Common Stock.

NOTE 10--LITIGATION

In the ordinary course of business, the Company is engaged in various lawsuits, including a certain class action lawsuit initiated in connection with the Vivendi Transaction. In the opinion of management, the ultimate outcome of the various lawsuits should not have a material impact on the liquidity, results of operations or financial condition of the Company.

NOTE 11--BENEFIT PLANS

The Company offers various plans pursuant to Section 401(k) of the Internal Revenue Code covering substantially all full-time employees who are not party to collective bargaining agreements. The Company's share of the matching employer contributions is set at the discretion of the Board of Directors or the applicable committee thereof.

NOTE 12--STOCK OPTION PLANS

The following describes the stock option plans. Share numbers, prices and earnings per share reflect USA's two-for-one stock split to holders of record at the close of business on February 10, 2000.

USA has outstanding options to employees of the Company under several plans (the "Plans") which provide for the grant of options to purchase USA's common stock at not less than fair market value on the date of the grant. The options under the Plans vest ratably, generally over a range of three to five years from the date of grant and generally expire not more than 10 years from the date of grant. Five of the Plans have options available for future grants.

USA also has outstanding options to outside directors under one plan (the "Directors Plan") which provides for the grant of options to purchase USA's common stock at not less than fair market value on the date of the grant. The options under the Directors Plan vest ratably, generally over three years from the date of grant and expire not more than 10 years from the date of grant. A summary of

NOTE 12--STOCK OPTION PLANS (CONTINUED)
changes in outstanding options under the stock option plans following the Company's two-for-one stock split, is as follows:

DECEMBER 31, ------------------------

2001 2000 1999 ------------------ ---
--------------- ------------------
PRICE PRICE PRICE SHARES RANGE SHARES
RANGE SHARES RANGE -------- -------- -
------- ------- -------- --------
(SHARES IN THOUSANDS) Outstanding at
beginning of period..... 78,053 $
1-$37 68,330 $ 1-$37 68,916 $ 2-37
Granted or issued in connection with
mergers.............................
5,676 $19-$28 13,445 $17-$28 8,093
$16-28
Exercised.............................
(7,016) $ 3-$28 (1,915) $ 3-$17
(7,881) $ 1-13
Cancelled.............................
(1,060) $ 5-$28 (1,807) $ 6-$37 (798)
$ 6-18 ------- ------- -------
Outstanding at end of
period........... 75,653 $ 1-$28
78,053 $ 1-$28 68,330 $ 1-37 ------- -
------- ------- ------- ------- ------
-- Options
exercisable................... 58,591
$ 1-$28 52,082 $ 1-$37 44,697 $ 1-37 -
------ ------- -------

The weighted average exercise prices during the year ended December 31, 2001, were $22.87, $8.93 and $20.62 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $9.69.

The weighted average exercise prices during the year ended December 31, 2000, were $20.92, $9.69 and $20.13 for options granted, options exercised and options cancelled, respectively. The weighted average fair value of options granted during the year was $8.10.

The weighted average exercise prices during the year ended December 31, 1999, were $23.77, $6.05 and $11.56 for options granted, exercised and cancelled, respectively. The weighted average fair value of options granted during the year was $9.52.

OPTIONS OUTSTANDING -----

------------ OPTIONS
EXERCISABLE WEIGHTED ----

AVERAGE WEIGHTED WEIGHTED
REMAINING AVERAGE
EXERCISABLE AT AVERAGE
OUTSTANDING AT
CONTRACTUAL EXERCISE
DECEMBER 31, EXERCISE
RANGE OF EXERCISE PRICE
DECEMBER 31, 2000 LIFE
PRICE 2000 PRICE - ------

----- ---------------- -

(IN THOUSANDS)

$ 0.01 to $ 5.00	18,043	3.9	$ 4.72	18,043	$ 4.72
$ 5.01 to $10.00	30,088	5.0	8.43	30,085	8.43
$10.01 to $15.00	4,008	6.5	12.46	2,795	12.42
$15.01 to $20.00	8,422	7.2	18.74	3,748	18.71
$20.01 to $25.00	11,462	8.4	22.81	2,294	22.50
$25.01 to $27.91	3,630	8.1	27.71	1,626	27.90
	75,653	5.7	10.27	58,591	7.53

Pro forma information regarding net income and earnings per share is required SFAS 123. The information is determined as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair market value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following

NOTE 12--STOCK OPTION PLANS (CONTINUED)

weighted-average assumptions for 2001, 2000 and 1999: risk-free interest rates of 5.0%; a dividend yield of zero; a volatility factor of .72 .62, and .44, respectively, based on the expected market price of USA Common Stock based on historical trends; and a weighted-average expected life of the options of five years.

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

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Pro forma net income	$264,008	$268,677	$357,900

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

NOTE 13--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2001:

For the twelve months ended December 31, 2001, the Company incurred non-cash compensation expense of $9.8 million, including $4.9 million related to an agreement with and executive.

In 2001 the Company realized pre-tax losses of $30.7 million on equity losses in unconsolidated subsidiaries, resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In 2001 the Company realized pre-tax losses of $7.9 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2000:

As of January 1, 2000 the Company began to consolidate the accounts of HOT Germany, an electronic retailer operating principally in Germany, whereas its investment in HOT Germany was previously accounted for under the equity method of accounting.

On January 20, 2000, the Company completed its acquisition of Ingenious Designs, Inc. ("IDI"), by issuing approximately 190,000 shares of USA common stock for all the outstanding stock of IDI, for a total value of approximately $5.0 million.

NOTE 13--STATEMENTS OF CASH FLOWS (CONTINUED)

For the twelve months ended December 31, 2000, the Company incurred non-cash compensation expense of $9.7 million, including $3.8 million related to a consulting agreement with an executive.

In 2000 the Company realized pre-tax losses of $7.9 million on equity losses in unconsolidated subsidiaries resulting primarily from HOT Networks, which operates electronic retailing operations in Europe. In d 2000 the Company also realized pre-tax losses of $35.9 million related to the write-off of equity investments to fair value. The write-off in equity investments was based upon management's estimate of the current value of the investments, considering the current business environment, financing opportunities of the investees, anticipated business plans and other factors. Note that the majority of investments were in Internet related companies.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 1999:

For the twelve months ended December 31, 1999, the Company incurred non-cash compensation expense of $6.5 million.

In 1999, the Company acquired post-production equipment through a capital lease totaling $2.5 million.

Supplemental disclosure of cash flow information:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
CASH PAID DURING THE PERIOD FOR:			
Interest..	$35,856	$35,688	$47,112
Income tax payments............................	12,499	5,680	3,935
Income tax refund...............................	1,053	1,250	--

NOTE 14--RELATED PARTY TRANSACTIONS

As of December 31, 2001, the Company was involved in several agreements with related parties as follows:

Universal provides certain support services to the Company under a Transition Services agreement entered into in connection with the Universal Transaction. For these services, which include use of pre-production, production and post-production facilities, information technology services, physical distribution, contract administration, legal services and office space, Universal charged the Company $7.1 million, $8.2 million and $12.5 million for the years ended December 31, 2001, 2000 and 1999, respectively, of which $5.7 million, $4.7 million and $8.0 million was capitalized to production costs, respectively.

Universal and the Company entered into an International Television Distribution Agreement under which the Company pays to Universal a distribution fee of 10% on all programming owned or controlled by the Company distributed outside of the United States. For the years ended December 31, 2001, 2000 and 1999, the fee totaled $13.6 million, $14.0 million and $9.0 million, respectively.

In addition, the Company and Universal entered into a Domestic Television Distribution Agreement under which the Company distributes in the United States certain of Universal's television

NOTE 14--RELATED PARTY TRANSACTIONS (CONTINUED)

programming. For the years ended December 31, 2001, 2000 and 1999, Universal paid the Company $4.1 million, $1.5 million and $1.5 million, respectively.

Home Shopping has affiliation agreements with USA Broadcasting ("USAB"), a wholly owned subsidiary of USA which provides for the USAB's broadcast of Home Shopping's electronic retailing programming on a full-time basis. Expense related to these affiliation agreements with USAB for the years ended December 31, 2001, 2000 and 1999 was $17.1 million, $35.0 million and $38.1 million, respectively.

Under the USANi LLC Operating Agreement, USANi LLC is obligated to make a distribution to each of the LLC members in an amount equal to each member's share of USANi LLC's taxable income at a specified tax rate. The estimated amount for 2001 is $153.5 and is expected to be paid on February 28, 2002. In March 2000, the Company made a mandatory tax distribution payment to the partners in the amount of $118.1 million related to the year ended December 31, 1999, of which $50.1 was paid to USA. In March 1999, the Company paid $52.8 million, of which $24.0 million was paid to USA.

In connection with the settlement of its interest in an international joint venture, the Company received $24.0 million from Universal during 2001.

NOTE 15--TRANSACTIONS WITH USA AND SUBSIDIARIES

Advances to USA and subsidiaries generally represent net amounts transferred from the Company to USA and its subsidiaries to fund operations and other related items. Pursuant to the Investment Agreement, all excess cash held at USA and subsidiaries is transferred to the Company no less frequently than monthly and the Company may transfer funds to USA to satisfy obligations of USA and its subsidiaries. Under the Investment Agreement, transfers of cash are evidenced by a demand note and accrue interest at the Company's borrowing rate under the credit facility.

During the year ended December 31, 2001, net transfers from USA to USANi LLC totaled approximately $547.0 million, principally due to the proceeds of $589.6 from the sale of all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations to Univision Communications Inc., and net receipts of $67.4 million and $23.8 million from USA Films and PRC, respectively. The receipts were offset by $77.8 million to fund two acquisitions by PRC and $40.9 million to fund the operations of USA's television broadcast operations, as USA continued to air HSN programming on a majority of the stations until January 2002.

During the year ended December 31, 2000, net transfers from USANi LLC to USA totaled approximately $350.4 million, including $70.8 million related to contingent purchase price payments on the Hotel Reservations Network transaction, $69.2 million to fund the operations of USA's television broadcast operations, $50.7 million to fund the operations and acquisitions of Ticketmaster, $26.9 million to fund the operations and acquisition of PRC and $32.3 million to pay off outstanding debt of PRC at the date of acquisition, offset partially by net receipts of $25.1 million from USA Films.

During the year ended December 31, 1999, net transfers from USANi LLC to USA totaled approximately $429.1 million, including $372.2 million related to the Hotel Reservations Network Transaction and the October Films/PFE Transaction (including $200 million advanced to Universal pursuant to an eight year, full recourse, interest-bearing note in connection with the acquisition of

NOTE 15--TRANSACTIONS WITH USA AND SUBSIDIARIES (CONTINUED)

October Films, in which Universal owned a majority interest, and the domestic film distribution and development business of Universal previously operated by Polygram Filmed Entertainment, Inc.), $50.9 million to fund the operations of USA's television broadcast operations, $98.6 million to repay a portion of the outstanding borrowings assumed in the October Films/PFE Transaction and $8.8 million to fund the operations of USA Films. Funds were also transferred to USA to purchase shares of treasury stock. These amounts were offset by $79.4 million and $40.0 million of funds transferred to USANi LLC from the Ticketing operations business and the Hotel reservations business, respectively. During the year ended December 31, 1998 net cash transfers totaling approximately $118.2 million were made to repay USA's revolving credit facility, repay Ticketmaster's bank credit facility, and fund the operations of USA's broadcast operation, offset by proceeds from the sale of the assets of SF Broadcasting and USA's Baltimore television station. The interest incurred on the net transfers for the years ended December 31, 2000, 1999 and 1998 was approximately $2.9 million, $7.2 million and $9.5 million, respectively.

The Company allocates certain overhead expenses to the USA parent company based upon the fair value of services performed. Expenses allocated for the periods ended December 31, 2001, 2000 and 1999 were $8.6 million, $11.6 million and $8.6 million, respectively.

In accordance with the Investment Agreement, certain transfers of funds between the Company and USA are not evidenced by a demand note and do not accrue interest, primarily relating to the establishment of the operations of the Company and to equity contributions.

NOTE 16--QUARTERLY RESULTS (UNAUDITED)

	QUARTER ENDED DECEMBER 31,	QUARTER ENDED SEPTEMBER 30,	QUARTER ENDED JUNE 30,	QUARTER ENDED MARCH 31,
	(IN THOUSANDS)			
YEAR ENDED DECEMBER 31, 2001				
Net revenues	$942,687	$862,646	$912,803	$904,782
Operating profit	96,097	92,412	107,697	114,917
Net earnings(a)(b)	64,523	82,924	90,805	106,087
YEAR ENDED DECEMBER 31, 2000				
Net revenues	$970,939	$776,881	$799,806	$807,166
Operating profit	(34,826)	81,347	99,769	117,984
Net earnings(a)(c)	(12,045)	148,020	88,783	105,119

- ------------------------

(a) The Company recorded losses of $7.5 million and $0.4 million during the fourth and second quarters of 2001, respectively, related to the write-down of equity investments to fair value. The Company recorded losses of $5.4 million and $30.5 million during the fourth and third quarters of 2000, respectively, related to the write-down of equity investments to fair value.

(b) During the first quarter of 2001, the Company adopted Statement of Position 00-2, "Accounting By Producers or Distributors of Films." The Company recorded income of $6.5 million related to the cumulative effect of adoption.

(c) The quarterly results include the operations of Styleclick.com since its acquisition on July 27, 2000, and PRC since its acquisition on April 5, 2000. During the third quarter of 2000, the Company recorded a pre-tax gain of $104.6 million related to the Styleclick Transaction. During the fourth quarter of 2000, the Company recorded a pre-tax charge of $145.6 million related to the impairment of Styleclick goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 17--INDUSTRY SEGMENTS

The Company operates principally in five industry segments: Cable and studios, HSN-US, ECS/ Styleclick, Emerging networks and HSN-International and other.

Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") is defined as operating income plus (1) depreciation and amortization, (2) amortization of cable distribution fees of $44.0 million, $36.3 million and $26.7 million in fiscal years 2001, 2000 and 1999, respectively (3) amortization of non-cash distribution and marketing expense and (4) disengagement expenses (described below) of $4.1 million in 2001. Adjusted EBITDA is presented here as a tool and as a valuation methodology used by management in evaluating the business. Adjusted EBITDA does not purport to represent cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Adjusted EBITDA may not be comparable to calculations of similarly titled measures presented by other companies.

The following is a reconciliation of Operating Profit to Adjusted EBITDA for 2001, 2000 and 1999.

	TWELVE MONTHS ENDED DECEMBER 31,		
	2001	2000	1999
Operating profit	$411,123	$264,274	$343,595
Depreciation and amortization	236,819	376,791	175,539
Amortization of cable distribution fees	43,975	36,322	26,680
Amortization of non cash compensation expense	9,799	9,704	6,314
Disengagement expenses	4,052	--	--
Adjusted EBITDA	$705,768	$687,091	$552,128

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
REVENUES			
Cable and studios	$1,633,130	$1,525,124	$1,304,683
HSN--U.S. (a)	1,658,904	1,533,271	1,332,911
Electronic Commerce Solutions/Styleclick	34,229	30,350	31,886
Trio, NWI, Crime, other emerging media	24,086	20,332	1,188
HSN--International and other (b)	272,569	245,715	8,917
Other	--	--	6,894
TOTAL	$3,622,918	$3,354,792	$2,686,479

NOTE 17--INDUSTRY SEGMENTS (CONTINUED)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
OPERATING PROFIT (LOSS)			
Cable and studios	$ 486,667	$ 435,116	$ 320,878
HSN--U.S. (a)(c)			

86,825 105,152 104,963 Electronic
Commerce
Solutions/Styleclick..................
(73,145) (230,021) (46,588) Trio, NWI,
Crime, other emerging media...
(20,133) (13,244) (2,989) HSN--
International and other (b).........
(34,907) 4,641 (4,517) Corporate &
other....................... (34,184)
(37,370) (28,152) ---------- ---------
- ----------
TOTAL.................................
$ 411,123 $ 264,274 $ 343,595 --------
-- ---------- ---------- ADJUSTED
EBITDA Cable and
studios....................... $
613,587 $ 547,684 $ 434,084 HSN--U.S.
(a)............................
213,239 211,462 188,984 Electronic
Commerce
Solutions/Styleclick..................
(58,364) (50,163) (43,421) Trio, NWI,
Crime, other emerging media...
(11,467) (7,120) (2,989) HSN--
International and other (b).........
(25,306) 10,740 (4,505) Corporate &
other....................... (25,921)
(25,512) (20,025) ---------- ---------
- ----------
TOTAL.................................
$ 705,768 $ 687,091 $ 552,128 --------
-- ---------- ---------- ASSETS Cable
and studios.......................
$6,189,380 $5,885,301 $5,524,236 HSN--
U.S...............................
1,849,946 1,855,512 1,771,560
Electronic Commerce
Solutions/Styleclick..................
(42,751) 36,726 28,623 Trio, NWI,
Crime, other emerging media... 97,376
100,943 200 HSN--International and
other............ 212,549 133,654
37,840 Corporate &
other....................... 99,395
(39,268) 110,467 ---------- ----------

TOTAL.................................
$8,405,895 $7,972,868 $7,472,926 -----
----- ---------- ----------
DEPRECIATION AND AMORTIZATION OF
INTANGIBLES AND CABLE DISTRIBUTION
FEES Cable and
studios....................... $
122,008 $ 112,568 $ 113,034 HSN--
U.S...............................
122,115 106,059 83,796 Electronic
Commerce
Solutions/Styleclick..................
14,589 179,858 3,167 Trio, NWI, Crime,
other emerging media... 8,666 6,124 --
HSN--International and
other............ 9,601 6,099 12
Corporate &
other....................... 3,815
2,405 2,210 ---------- ---------- ----

TOTAL.................................
$ 280,794 $ 413,113 $ 202,219 --------
-- ---------- ----------

NOTE 17--INDUSTRY SEGMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, -------------
---------------------- 2001 2000 1999

(IN THOUSANDS)			
CAPITAL EXPENDITURES			
Cable and studios	$ 12,907	$ 15,229	$ 6,771
HSN--U.S.	42,615	34,122	33,412
Electronic Commerce Solutions/Styleclick	2,292	5,047	13,657
Trio, NWI, Crime, other emerging media	61	600	--
HSN--International and other	6,031	18,105	13,746
Corporate & other	4,590	21,723	3,095
TOTAL	$ 68,496	$ 94,826	$ 70,681

- ------------------------

(a) Includes estimated revenue in 2000 generated by homes lost by HSN following the sale of USA Broadcasting to Univision of $6.2 million. Adjusted EBITDA for these homes is estimated at $0.9 million.

(b) Includes impact of foreign exchange fluctuations, which reduced revenue by $44.0 million and $36.3 million in 2001 and 2000, respectively, if the results are translated from Euros to U.S. dollars at a constant exchange rate, using 1999 as the base year.

(c) 2001 includes $4.1 million of costs incurred related to the disengagement of HSN from USA Broadcasting stations. Amounts primarily related to payments to cable operators and related marketing expenses in the disengaged markets.

NOTE 18--FINANCIAL INSTRUMENTS

The additional disclosure below of the estimated fair value of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies when available. The carrying value of all current assets and current liabilities approximates fair value due to their short-term nature.

	DECEMBER 31, 2001		DECEMBER 31, 2000	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS)			
Cash and cash equivalents	$ 779,592	$ 779,592	$ 71,816	$ 71,816
Long-term investments	39,485	39,485	29,187	29,187
Long-term obligations	(532,424)	(532,424)	(524,116)	(524,116)

NOTE 19--EQUITY INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

At December 31, 2001, USA beneficially owned 46.7% of the outstanding common stock of Hot Networks AG, a German stock corporation, the subsidiaries of which operate electronic retailing operations in Europe. This investment is accounted for using the equity method. Due to the

NOTE 19--EQUITY INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES (CONTINUED)
significance of the results of Hot Networks, AG, in relation to USA's results, summary financial information for Hot Networks AG is presented below. There were no significant operations in 1999.

	AS OF AND FOR THE YEARS ENDED DECEMBER 31,	
	2001	2000
Current		

assets....................................... $
17,597 $ 6,943 Noncurrent
assets....................................
157,274 42,784 Current
liabilities..................................
46,085 37,531 Noncurrent
liabilities...............................
194,249 23,668 Net
sales..
8,215 6,242 Gross
profit..
277 1,301 Net
loss...
(51,453) (20,254)

To date, the Company has contributed approximately $125.3 million, including $105.5 million in 2001, and recorded equity losses in unconsolidated subsidiaries of $30.5 million, including $27.6 million in 2001.

NOTE 20--PROGRAM RIGHTS AND FILM COSTS

As of December 31, 2001, the liability for program rights, representing future payments to be made under program contract agreements amounted to $510.1 million. Annual payments required are $259.3 million in 2002, $156.6 million in 2003, $70.8 million in 2004, $17.0 million in 2005, $3.9 million in 2006 and $2.5 million in 2007 and thereafter. Amounts representing interest are $48.1 million and the present value of future payments is $462.0million.

As of December 31, 2001, the liability for film costs amounted to $95.9 million. Annual payments are $51.6 million in 2002, $42.4 million in 2003 and $1.9 million in 2004.

NOTE 21--GUARANTEE OF NOTES

On November 23, 1998, USA and the Company completed an offering of $500.0 million 6 3/4% Senior Notes due 2005 (the "Old Notes"). In May 1999, the Old Notes were exchanged in full for $500.0 million of new 6 3/4% Senior Notes due 2005 (the "Notes") that have terms that are substantially identical to the Old Notes. Interest is payable on the Notes on May 15 and November 15 of each year, commencing May 15, 1999. The Notes are jointly, severally, fully and unconditionally guaranteed by certain subsidiaries of USA, including Holdco, a non-wholly owned, direct subsidiary of USA, and all of the subsidiaries of the Company (other than subsidiaries that are, individually and in the aggregate, inconsequential to the Company on a consolidated basis) (collectively, the "Subsidiary Guarantors"). All of the Subsidiary Guarantors (other than Holdco) (the "Wholly Owned Subsidiary Guarantors") are wholly owned, directly or indirectly, by USA or the Company, as the case may be.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because USA's and the Company's management has determined that the information contained in such documents would not be material to investors. USANi LLC and its subsidiaries have no material restrictions on their ability to transfer amounts to fund USA's operations.

NOTE 21--GUARANTEE OF NOTES (CONTINUED)

During 2000, in conjunction with the Styleclick Transactions, Styleclick became a non-guarantor. The following information is presented as of and for the years ended December 31, 2001 and 2000:

As of and for the year ended December 31, 2001

WHOLLY OWNED USANI
SUBSIDIARY NON-GUARANTOR
LLC LLC GUARANTORS
SUBSIDIARIES ELIMINATIONS
CONSOLIDATED ----------- --
---------- ------------ --
---------- -----------
Current
assets............. $
796,233 $ 926,084 $ 21,419
$ -- $ 1,743,736 Property

and equipment
net.......................
2,666 208,107 27,873 --
238,646 Goodwill and other
intangible assets, net....
2,260 4,881,063 86,936 --
4,970,259 Investment in
subsidiaries..............
5,727,463 101,680 --
(5,829,143) -- Other
assets................
540,368 2,026,746 13,100
(1,126,960) 1,453,254 -----
------ ----------- -------
--- ----------- ----------
-- Total
assets................ $
7,068,990 $ 8,143,680 $
149,328 $ (6,956,103) $
8,405,895 ----------- -----
------- ---------- --------
---- ----------- Current
liabilities......... $
31,135 $ 960,666 $ 47,804 $
-- $ 1,039,605 Long-term
debt, less current
portion...................
498,515 998 -- -- 499,513
Other
liabilities...........
(337) 313,650 848 --
314,161 Minority
interest........... --
10,313 -- 2,626 12,939
Interdivisional
equity...... -- 6,858,053
100,676 (6,958,729) --
Stockholders'
equity........ 6,539,677 --
-- -- 6,539,677 -----------
----------- ---------- ---
--------- -----------
Total liabilities and
shareholders' equity......
$ 7,068,990 $ 8,143,680 $
149,328 $ (6,956,103) $
8,405,895 ----------- -----
------- ---------- --------
---- -----------
Revenue....................
$ -- $ 3,565,664 $ 57,254 $
-- $ 3,622,918 Operating
expenses.......... (34,153)
(3,029,742) (147,900) --
(3,211,795) Interest
expense, net....... 4,668
(34,365) 189 -- (29,508)
Gain on sale of
securities...............
-- -- -- -- -- Other income
(expense),
net.......................
261,200 (15,866) (7,898)
(277,831) (40,395)
Provision for income
taxes.....................
106,154 (13,413) (1,208)
(104,666) (13,133) Minority
interest........... --
(2,948) (1,979) 14,709
9,782 ----------- ---------
--- ---------- -----------
----------- Net (loss)
income before cumulative
effect on accounting
change......... $ 337,869 $
469,330 $ (101,542) $
(367,788) 337,869
Cumulative effect on
accounting change.........
6,470 6,470 -- (6,470)

6,470 ----------- --------- --- ---------- ------------ ------------ Net (loss) income........... $ 344,339 $ 475,800 $ (101,542) $ (374,258) $ 344,339 ------- ---- ----------- ---------- - ----------- ----------- Cash flows from operations................ $ (24,108) $ 603,601 $ (77,354) $ -- $ 502,139 Cash flows used in investing activities................ $ (7,774) $ (192,034) $ 6,223 $ -- $ (193,585) Cash flows from financing activities................ $ 743,684 $ (392,742) $ 50,391 $ -- $ 401,333 Effect of exchange rate..... (417) (1,694) -- -- (2,111) Cash at the beginning of the period.................... 78,079 (22,574) 16,311 -- 71,816 ----------- -------- ---- ---------- ---------- - ------------ Cash at the end of the period.................... $ 789,464 $ (5,443) $ (4,429) $ -- $ 779,592 ---- ------- ----------- ------ ---- ----------- --------- ---

NOTE 21--GUARANTEE OF NOTES (CONTINUED)

As of and for the year ended December 31, 2000

WHOLLY OWNED USANI SUBSIDIARY NON-GUARANTOR LLC LLC GUARANTORS SUBSIDIARIES ELIMINATIONS CONSOLIDATED ----------- -- ---------- ------------ -- ---------- ----------- Current assets.............. $ 80,996 $ 884,464 $ 41,018 $ -- $ 1,006,478 Property and equipment net....................... 24,203 211,137 16,300 -- 251,640 Goodwill and other intangible assets, net.... -- 4,997,365 102,111 -- 5,099,476 Investment in subsidiaries.............. 5,596,407 99,345 -- (5,695,752) -- Other assets................ 966,855 1,653,553 -- (1,005,134) 1,615,274 ----- ------ ----------- ------- --- ----------- --------- -- Total assets................ $ 6,668,461 $ 7,845,864 $ 159,429 $ (6,700,886) $ 7,972,868 ----------- ----- ------- ---------- -------- ---- ----------- Current

liabilities......... $
30,517 $ 873,079 $ 19,681 $
-- $ 923,277 Long-term
debt, less current
portion...................
498,213 5,850 -- -- 504,063
Other
liabilities........... --
374,320 26,230 (23,415)
377,135 Minority
interest........... --
15,082 -- 13,580 28,662
Interdivisional
equity...... -- 6,577,533
113,518 (6,691,051) --
Stockholders'
equity........ 6,139,731 --
-- -- 6,139,731 -----------
------------ ---------- ---
--------- ------------
Total liabilities and
shareholders' equity......
$ 6,668,461 $ 7,845,864 $
159,429 $ (6,700,886) $
7,972,868 ----------- -----
------- ---------- --------
---- ------------
Revenue.....................
$ -- $ 3,308,274 $ 46,518 $
-- $ 3,354,792 Operating
expenses.......... (37,368)
(2,766,943) (286,207) --
(3,090,518) Interest
expense, net....... 22,208
(30,531) -- -- (8,323) Gain
on sale of
securities................
-- -- -- -- -- Other income
(expense),
net.......................
345,037 (5,189) 237
(281,319) 58,766 Provision
for income
taxes.....................
-- (25,132) (1,305) --
(26,437) Minority
interest........... --
(5,196) -- 46,793 41,597 --
--------- ----------- ----
------ ----------- -------
----- Net (loss)
income........... $ 329,877
$ 475,283 $ (240,757) $
(234,526) $ 329,877 -------
---- ----------- ---------
- ----------- -----------
Cash flows from
operations................
$ (9,402) $ 411,291 $
(41,650) $ -- $ 360,239
Cash flows used in
investing
activities................
$ (6,061) $ (232,255) $
(7,484) $ -- $ (245,800)
Cash flows from financing
activities................
$ (128,052) $ (228,323) $
65,078 $ -- $ (291,297)
Effect of exchange
rate..... -- 1,200 -- --
1,200 Cash at the beginning
of the
period....................
221,594 25,513 367 --
247,474 ----------- -------
----- ---------- ----------
-- ------------ Cash at the
end of the
period....................
$ 78,079 $ (22,574) $

16,311 $ -- $ 71,816 ------
----- ------------ --------
-- ------------ -----------
-

1999 is not presented because non-guarantor subsidiaries for these periods were not material.