AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 14, 2001

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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001
OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-20570
USA NETWORKS, INC.
(Exact name of registrant as specified in its charter)

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

152 WEST 57TH STREET, NEW YORK, NEW YORK 10019
(Address of Registrant's principal executive offices)
(212) 314-7300
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

As of July 20, 2001, the following shares of the Registrant's capital stock were outstanding:

Common Stock	312,613,952
Class B Common Stock	63,033,452
Total	375,647,404
Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity	361,152,846
Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity	736,800,250

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of July 20, 2001 was $6,389,895,477. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Assuming the exchange, as of July 20, 2001, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 736,800,250 shares of Common Stock with an aggregate market value of $19,856,766,738.

PART I--FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

USA NETWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30, 2001	THREE MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2001	SIX MONTHS ENDED JUNE 30, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)				
NET REVENUES				
USA ENTERTAINMENT				
Cable and studios	$ 444,203	$ 390,688	$ 881,854	$ 769,641
Emerging networks	6,179	3,709	12,341	4,271
Filmed entertainment	62,561	20,773	113,567	51,080
USA ELECTRONIC RETAILING				
Electronic retailing	455,726	398,048	910,801	818,265
USA INFORMATION AND SERVICES				
Ticketing operations	163,898	143,019	314,007	270,980
Hotel reservations	138,302	78,082	243,588	133,345
Teleservices	75,624	70,212	156,316	70,212
Citysearch, Match.com and related	23,054	20,239	43,982	37,214
Electronic commerce solutions	5,994	3,794	10,743	8,460
Styleclick	2,438	5,792	6,457	12,409
Intersegment elimination	(6,531)	--	(6,531)	--
Total net revenues	1,371,448	1,134,356	2,687,125	2,175,877
Operating costs and expenses:				
Cost of sales	630,611	502,929	1,229,319	948,467
Program costs	201,041	173,173	402,506	339,037
Selling and marketing	144,882	130,124	292,028	253,482
General and administrative	115,975	104,228	225,823	194,463
Other operating costs	29,635	24,308	57,712	43,666
Amortization of cable distribution fees	10,642	8,267	19,398	16,490
Amortization of non-cash distribution and marketing expense	6,631	1,271	14,648	1,874
Amortization of non-cash compensation expense	1,308	4,823	4,163	6,156
Depreciation and amortization	146,530	127,968	284,129	232,958
Total operating costs and expenses	1,287,255	1,077,091	2,529,726	2,036,593
Operating profit	84,193	57,265	157,399	139,284
Other income (expense):				
Interest income	6,027	14,410	12,302	23,996
Interest expense	(18,942)	(22,158)	(36,633)	(39,773)
Other, net	(13,731)	(1,929)	(20,253)	(2,560)
	(26,646)	(9,677)	(44,584)	(18,337)
Earnings from continuing operations before income taxes, minority interest and cumulative effect of accounting change	57,547	47,588	112,815	120,947
Income tax expense	(22,828)	(23,998)	(49,290)	(59,071)
Minority				

interest..
(44,997) (36,910) (91,186) (82,295) ----------- ---------
- ---------- ---------- LOSS FROM CONTINUING
OPERATIONS............................ $ (10,278) $
(13,320) $ (27,661) $ (20,419) DISCONTINUED OPERATIONS:
Discontinued operations, net of
tax........................ -- (15,235) -- (27,008) Gain
on disposal of Broadcasting stations, net of tax.......
49,829 -- 49,829 -- ----------- ---------- ---------- ---
------- Earnings (loss) before cumulative effect of
accounting change, net of
tax...................................... 39,551
(28,555) 22,168 (47,427) Cumulative effect of accounting
change, net of tax.......... -- -- (9,187) -- -----------
---------- ---------- ---------- NET EARNINGS
(LOSS)....................................... $ 39,551
$ (28,555) $ 12,981 $ (47,427) =========== ==========
========== ========== LOSS PER SHARE FROM CONTINUING
OPERATIONS: Basic and diluted
loss................................. $ (.03) $ (.04)
$ (.07) $ (.06) GAIN (LOSS) PER SHARE BEFORE CUMULATIVE
EFFECT OF ACCOUNTING CHARGE: Basic gain (loss) per common
share....................... $ .11 $ (.08) $ .06 $ (.14)
Diluted gain (loss) per common
share..................... .09 (.08) .06 (.14) NET
EARNINGS (LOSS) PER SHARE: Basic gain (loss) per common
share....................... $ .11 $ (.08) $ .03 $ (.14)
Diluted gain (loss) per common
share..................... $ .09 $ (.08) $ .03 $ (.14)

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

JUNE 30, DECEMBER 31, 2001 2000 ------------- -------------
- (IN THOUSANDS, EXCEPT SHARE DATA) ASSETS CURRENT ASSETS
Cash and cash
equivalents................................. $ 632,316 $
244,223 Restricted cash
equivalents.............................. 3,173 2,021
Marketable
securities.................................... 101,334
126,352 Accounts and notes receivable, net of allowance of
$95,712 and $61,141,
respectively.............................. 727,494
646,196 Inventories,
net... 388,312
404,468 Investments held for
sale................................. 380 750 Deferred
tax assets...................................... 114,210
43,975 Other current assets,
net................................. 69,617 52,631 Net
current assets of discontinued operations.............. --
7,788 ----------- ----------- Total current
assets.................................. 2,036,836
1,528,404 PROPERTY, PLANT AND EQUIPMENT Computer and
broadcast equipment.......................... 358,882
322,140 Buildings and leasehold
improvements...................... 139,049 132,874
Furniture and other
equipment............................ 113,298 100,734
Land...
15,660 15,658 Projects in
progress.................................... 35,547
45,084 ----------- ----------- 662,436 616,490 Less
accumulated depreciation and amortization.........
(235,631) (172,496) ----------- ----------- 426,805 443,994
OTHER ASSETS Intangible assets,
net................................... 7,419,236
7,461,862 Cable distribution fees,
net............................ 156,890 159,473 Long-
term investments....................................
47,693 49,355 Notes and accounts receivable, net of current

portion ($57,564 and $22,575 from related parties)................ 80,925 38,301 Advance to Universal....................................... 44,808 95,220 Inventories, net.. 487,624 485,941 Deferred charges and other, net........................... 110,440 83,239 Net non-current assets of discontinued operations........... -- 128,081 ----------- ----------- $10,811,257 $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

(UNAUDITED)

JUNE 30, DECEMBER 31, 2001 2000 ------------- ------------- (IN THOUSANDS, EXCEPT SHARE DATA) LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES Current maturities of long-term obligations................. $ 35,657 $ 25,457 Accounts payable, trade.................................... 231,604 283,066 Accounts payable, client accounts......................... 125,027 97,687 Obligations for program rights and film costs.............. 257,411 283,812 Cable distribution fees payable........................... 34,886 33,598 Deferred revenue.. 143,492 93,125 Other accrued liabilities................................. 450,383 356,502 ----------- ----------- Total current liabilities................................ 1,278,460 1,173,247 LONG-TERM OBLIGATIONS (net of current maturities).......... 552,572 552,501 OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current... 277,365 295,210 OTHER LONG-TERM LIABILITIES................................ 131,215 97,526 DEFERRED INCOME TAXES...................................... 113,005 98,378 MINORITY INTEREST.. 4,915,889 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, 309,277,867 and 305,436,198 shares, respectively......................... 3,126 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................................ 3,891,934 3,793,764 Accumulated deficit... (189,360) (202,341) Accumulated other comprehensive loss....................... (18,269) (10,825) Treasury stock.. (140,312) (139,414) Note receivable from key executive for common stock issuance... (4,998) (4,998) ----------- ----------- Total stockholders' equity............................... 3,542,751 3,439,871 ----------- ----------- $10,811,257 $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

(UNAUDITED)

	TOTAL	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDIT. PAID-IN CAPITAL	ACCUM. DEFICIT	ACCUM. OTHER COMP. INCOME	TREASURY STOCK	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE
	(IN THOUSANDS)							
BALANCE AT DECEMBER 31, 2000	$3,439,871	$3,055	$630	$3,793,764	$(202,341)	$(10,825)	$(139,414)	$(4,998)
Comprehensive income:								
Net earnings for the six months ended June 30, 2001	12,981	--	--	--	12,981	--	--	--
Decrease in unrealized gains in available for sale securities	(308)	--	--	--	--	(308)	--	--
Foreign currency translation	(7,136)	--	--	--	--	(7,136)	--	--
Comprehensive income	5,537							
Issuance of common stock upon exercise of stock options	60,026	70	--	59,956	--	--	--	--
Income tax benefit related to stock options exercised	35,575	--	--	35,575	--	--	--	--
Issuance of stock in connection with other transactions	2,640	1	--	2,639	--	--	--	--
Purchase of Treasury Stock	(898)	--	--	--	--	--	(898)	--
BALANCE AT JUNE 30, 2001	$3,542,751	$3,126	$630	$3,891,934	$(189,360)	$(18,269)	$(140,312)	$(4,998)

Accumulated other comprehensive income is comprised of unrealized (losses) gains on available for sale securities of $(5,869) and $(5,561) at June 30, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(12,400) and $(5,264) at June 30, 2001 and December 31, 2000, 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

(UNAUDITED)

SIX MONTHS ENDED JUNE 30,	2001	2000
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Earnings (loss) from continuing operations	$ (27,661)	$ (20,419)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	284,129	232,958
Amortization of cable distribution fees	19,398	16,490
Amortization of program rights and film costs	397,612	325,534
Amortization of deferred financing costs	807	2,179
Amortization of non-cash distribution and marketing	14,648	1,874
Amortization of non-cash compensation expense	4,163	6,156
Deferred income taxes	9,453	(4,493)
Equity in losses of unconsolidated affiliates	9,068	7,007
Gain on sale of subsidiary stock	--	(3,718)
Non-cash interest income	(3,021)	(4,907)
Minority interest expense	91,186	82,344
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(80,286)	9,314
Inventories	17,349	6,498
Accounts payable	(22,669)	(32,891)
Accrued liabilities and deferred revenue	65,094	46,036
Payment for program rights and film costs	(461,949)	(374,644)
Increase in cable distribution fees	(16,933)	(27,296)
Other, net	(12,057)	16,823
NET CASH PROVIDED BY OPERATING ACTIVITIES	288,331	284,845
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(161,129)	(151,445)
Capital expenditures	(58,510)	(62,235)
Advance to Styleclick	--	(9,000)
Recoupment of advance to Universal	53,640	35,792
Increase in long-term investments and notes receivable	(49,223)	(15,071)
Redemption (purchase) of marketable securities	24,927	(64,535)
Proceeds from sale of broadcasting stations	294,069	--
Other, net	(4,244)	(14,127)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	99,530	(280,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	16,368	35,951
Principal payments on long-term obligations	(8,572)	(69,158)
Purchase of treasury stock	(898)	(110,532)
Payment of mandatory tax distribution to LLC partners	(17,369)	(68,065)
Proceeds from sale of subsidiary stock	5,395	90,969
Proceeds from issuance of common stock and LLC shares	60,026	199,402
Other, net	(11,783)	(6,330)
NET CASH PROVIDED BY FINANCING ACTIVITIES	43,167	72,237
NET CASH USED IN DISCONTINUED OPERATIONS	(40,220)	(38,180)
Effect of exchange rate changes on cash and cash equivalents	(2,715)	(1,029)
NET INCREASE IN CASH AND CASH EQUIVALENTS	388,093	37,252
Cash and cash equivalents at beginning of period	244,223	423,176
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 632,316	$ 460,428

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

NOTE 1--ORGANIZATION

USA Networks, Inc. (the "Company" or "USA") is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

On January 31, 2001, Ticketmaster Online-Citysearch, Inc. ("TMCS") 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. As of January 31, 2001, USA beneficially owned 68% of the outstanding Ticketmaster common stock, representing 85% of the total voting power of Ticketmaster's outstanding common stock.

On July 27, 2000, USA and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

On April 5, 2000, the Company acquired Precision Response Corporation ("PRC") (the "PRC Transaction"). See Note 3.

On July 16, 2001, USA announced an agreement to acquire a controlling interest in Expedia, Inc. (NASDAQ: EXPE), a leading provider of branded online travel services for leisure and small business travelers. Under the terms of the definitive agreement, USA will acquire up to 37,500,000 shares of Expedia common stock, with Expedia shareholders having the option to elect to exchange in a tax-free merger transaction each share of Expedia common stock for:

(a) a fraction of a share of USA Class A common stock ranging in value from $15.54 to $17.50 (subject to a collar between $23 and $31 per USA share), depending on the number of Expedia shares converted into USA securities in the transaction;

(b) a fraction of a share of a new series of USA convertible redeemable preferred stock ranging from 0.3892 to 0.3500, depending on the number of Expedia shares converted into USA securities in the transaction; and

(c) a fraction of a warrant to acquire one share of USA common stock ranging from 0.3873 to 0.4524, depending on the USA common stock price in a pricing period ending two business days before the Expedia shareholder meeting. If the average USA common stock price in the pricing period is $27, for example, each exchanging shareholder will receive 0.4176 of such warrants for each Expedia share exchanged.

Each share of USA convertible redeemable preferred stock has a face value of $50.00, a 1.99% annual dividend and an initial conversion price of $33.75 for each share of USA common stock, which conversion price reduces as the market price of USA common stock exceeds $35.10 per share. Each USA warrant has a 7-year term and entitles its holder to acquire a share of USA common stock at an exercise price of $35.10 per share. After the transaction, Expedia will also hold certain travel and media-related assets contributed by USA.

Microsoft Corporation, which currently beneficially owns 33,722,710 shares of Expedia common stock, has agreed to exchange all of its Expedia shares for USA securities in the transaction. Expedia shareholders who do not receive USA securities in the transaction will retain their Expedia shares and

NOTE 1--ORGANIZATION (CONTINUED)
receive for each Expedia share held 0.1920 of a new Expedia warrant with a 7-year term and an exercise price of $52.00 per share. Following the transaction, USA will own approximately 67% to 75% of the equity and in excess of 90% of the voting power of Expedia, based on the number of shares of Expedia common stock outstanding on July 13, 2001 and after giving effect to the transaction. Expedia will remain a publicly traded company following the transactions.

The acquisition of Expedia is subject to regulatory approval and customary closing conditions.

USA's segments are organized into three units, USA Entertainment, USA Electronic Retailing and USA Information and Services. The units and segments are as follows:

USA ENTERTAINMENT

- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

- EMERGING NETWORKS, consists primarily of the cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

- FILMED ENTERTAINMENT, consisting primarily of USA Films, which is in the film distribution and production businesses.

USA ELECTRONIC RETAILING

- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

USA INFORMATION AND SERVICES

- TICKETING OPERATIONS, consisting primarily of Ticketmaster and Ticketmaster.com, which provide offline and online automated ticketing services.

- HOTEL RESERVATIONS, which includes Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market.

- TELESERVICES, consisting of Precision Response Corporation, a leader in outsourced customer care for both large corporations and high-growth internet-focused companies.

- CITYSEARCH, MATCH.COM AND RELATED, which primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users, and Match.com, which consists of an online personals business.

- ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications.

NOTE 1--ORGANIZATION (CONTINUED)
BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2000.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

ACCOUNTING ESTIMATES

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. 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

FILM ACCOUNTING

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the six months ended June 30, 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 benefit is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

NOTE 1--ORGANIZATION (CONTINUED)
GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002, and is presently in the process of evaluating the potential impacts of the new rules.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

The following unaudited pro forma condensed consolidated financial information for the six months ended June 30, 2001 and 2000, is presented to show the results of the Company, as if the PRC Transaction and the Styleclick Transaction and the merger of Ticketmaster and Ticketmaster Online-Citysearch, which did not impact revenues or operating profit, but rather minority interest and income taxes, had occurred at the beginning of the periods presented. The pro forma results include certain adjustments, including increased amortization related to goodwill, 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, the sale of which was announced in December 2000 and is now presented as a discontinued operation.

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net revenues	$2,687,125	$2,247,272
Loss from continuing operations	(29,804)	(67,161)
Basic and diluted loss from continuing operations per common share	$(.08)	$(.19)

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2001:

For the six months ended June 30, 2001, interest accrued on the $200.0 million advance to Universal amounted to $2.7 million.

For the six months ended June 30, 2001, the Company incurred non-cash distribution and marketing expense of $14.6 million and non-cash compensation expense of $4.2 million.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2000:

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 USA 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 of the outstanding stock of Ticketweb, for a total value of approximately $35.3 million.

For the six months ended June 30, 2000, interest accrued on the $200.0 million advance to Universal amounted to $5.0 million.

For the six months ended June 30, 2000, the Company incurred non-cash distribution and marketing expense of $1.9 million and non-cash compensation expense of $6.2 million.

NOTE 5--INDUSTRY SEGMENTS

The Company operates principally in the following industry segments: Cable and studios, Emerging networks, Filmed entertainment, Electronic retailing, Ticketing operations, Hotel reservations, Teleservices, Citysearch, Match.com and related, Electronic commerce solutions and Styleclick. The Cable and studios segment consists of the cable networks USA Network and Sci Fi Channel and

Studios USA, which produces and distributes television programming. The Emerging networks segment consists primarily of the cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site. The Filmed entertainment segment consists primarily of USA Films, which engages in the film distribution and production businesses. The Electronic retailing segment consists principally of the Home Shopping Network, America's Store, HSN International and HSN Interactive, including HSN.com, which are engaged in the sale of merchandise through electronic retailing. The Ticketing operations segment primarily consists of Ticketmaster and Ticketmaster.com, which provide offline and online automated ticketing services. The Hotel reservations segment consists of Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market. The Teleservices segment was formed

on April 5, 2000 in conjunction with the acquisition of PRC, which handles outsourced customer care for both large corporations and high-growth internet-focused companies. The Citysearch, Match.com and related segment primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users, and Match.com, which consists of an online personals business. The Electronic commerce solutions segment primarily represents the Company's electronic

solutions business. The Styleclick segment represents Styleclick, a facilitator of e-commerce websites and Internet enabled applications.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
REVENUE				
USA ENTERTAINMENT				
Cable and studios	$ 444,203	$ 390,688	$ 881,854	$ 769,641
Emerging networks	6,179	3,709	12,341	4,271
Filmed entertainment	62,561	20,773	113,567	51,080
USA ELECTRONIC RETAILING				
Electronic retailing	455,726	398,048	910,801	818,265
USA INFORMATION AND SERVICES				
Ticketing operations	163,898	143,019	314,007	270,980
Hotel reservations	138,302	78,082	243,588	133,345
Teleservices	75,624	70,212	156,316	70,212
Citysearch, Match.com and related	23,054	20,239	43,982	37,214
Electronic commerce solutions	5,994	3,794	10,743	8,460
Styleclick	2,438	5,792	6,457	12,409
Intersegment Elimination	(6,531)	--	(6,531)	--
	$1,371,448	$1,134,356	$2,687,125	$2,175,877
OPERATING PROFIT (LOSS)				
USA ENTERTAINMENT				
Cable and studios	$ 138,519	$ 111,190	$ 273,122	$ 221,977
Filmed entertainment	(1,855)	(4,638)	(5,368)	(4,550)
Developing				

networks.......................... (4,782) (2,528) (9,138) (4,794) USA ELECTRONIC RETAILING Electronic retailing........................ 18,713 28,431 39,141 64,809 USA INFORMATION AND SERVICES Ticketing operations......................... 15,375 16,139 25,960 33,364 Hotel reservations........................... 4,084 885 4,679 1,751 Teleservices................................. (5,822) (2,989) (11,459) (2,989) Citysearch, Match.com and related............ (42,054) (51,131) (89,342) (105,723) Electronic commerce solutions................. (8,737) (6,294) (15,327) (12,510) Styleclick................................... (17,923) (11,355) (30,971) (19,226) Other.. (11,325) (20,445) (23,898) (32,825) ---------- ---------- ---------- ---------- $ 84,193 $ 57,265 $ 157,399 $ 139,284 ========== ========== ========== ==========

The Company operates principally within the United States.

NOTE 6--GAIN ON SALE OF BROADCAST STATIONS

In December 2000, the Company announced that Univision Communications Inc. ("Univision") will 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 June 2001, the Company completed the sale of capital stock of USAB entities that own three full-power television stations, which principally aired general entertainment programming, and minority interests in four full-power stations, certain of which aired Home Shopping programming. The gain on the sale of the stations sold to date was $49.8 million. The remaining stations are expected to be sold by year-end.

NOTE 7--SAVOY SUMMARIZED FINANCIAL INFORMATION (UNAUDITED)

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.

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, ------------------- 2001 2000 -------- -------- (IN THOUSANDS) Net sales... $3,211 $3,851 Operating expenses... 2,789 1,389 Operating income... 422 2,462 Net income... 2,255 3,045

SUMMARY CONSOLIDATED BALANCE SHEETS

JUNE 30, DECEMBER 31, 2001 2000 -------- ---------- -- (IN THOUSANDS) Current assets... $ 741 $ -- Non-current assets... 163,679 158,561 Current liabilities.. 14,779 17,021 Non-current liabilities.................................... 38,812 38,902

NOTE 8-- 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

NOTE 8-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

unconditionally guaranteed by certain subsidiaries of the Company, including Home Shopping Network, Inc. ("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 three and six months ended June 30, 2001 and 2000 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.

(IN THOUSANDS)	USA	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Balance Sheet as of June 30, 2001:							
Current Assets................	$ 75,214	$ --	$ 367,744	$ 878,622	$ 715,256	$ --	$ 2,036,836
Property and equipment, net...	--	--	23,555	196,651	206,599	--	426,805
Goodwill and other intangible assets, net.................	72,646	--	544	4,836,942	2,506,426	--	7,416,558
Investment in subsidiaries....	3,606,931	1,297,918	6,953,884	101,355	--	(11,960,088)	--
Other assets..................	44,808	--	--	694,036	246,490	(56,954)	928,380
Total assets..................	$3,799,599	$1,297,918	$7,345,727	$6,707,606	$3,674,771	$(12,017,042)	

$10,808,579 ========== ========== ========== ========== ========== ============ ===========
Current liabilities........... $ 118,166 $ -- $ 6,731 $ 595,263 $ 572,242 $ (13,942) $ 1,278,460 Long-term debt, less current portion..................... -- -- 498,364 (37,067) 91,275 -- 552,572 Other liabilities............. 106,790 -- 620,615 299,454 452,060 (960,012) 518,907 Minority interest............. -- -- (141,202) 172,878 405,009 4,479,204 4,915,889 Interdivisional equity........ 31,892 -- -- 5,538,678 2,631,778 (8,202,348) -- Stockholders' equity.......... 3,542,751 1,297,918 6,361,219 138,400 (477,593) (7,319,944) 3,542,751 ---------- ---------- ---------- ---------- ---------- ------------ ----------- Total liabilities and stockholders equity......... $3,799,599 $1,297,918 $7,345,727 $6,707,606 $3,674,771 $(12,017,042) $10,808,579 ========== ========== ========== ========== ========== ============ ===========
Statement of operations for the three months ended June 30, 2001
Revenue....................... $ -- $ -- $ -- $ 831,043 $ 547,529 $ (7,124) $ 1,371,448 Operating expenses............ (2,551) -- (8,249) (676,359) (607,220) 7,124 (1,287,255) Interest expense, net......... (6,012) -- (18) (8,210) 1,325 -- (12,915) Other income, expense......... (1,715) 24,361 99,072 (8,904) (4,827) (121,718) (13,731) Income tax expense............ -- -- -- (16,215) (6,613) -- (22,828)

NOTE 8-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

WHOLLY OWNED USANI SUBSIDIARY NON-GUARANTOR USA USA HOLDCO LLC GUARANTORS SUBSIDIARIES ELIMINATIONS CONSOLIDATED ---------- ---------- ---------- ----------- -------------- ------------ ------------ (IN THOUSANDS) Minority interest............. -- -- -- (56,501) 11,504 -- (44,997)

---------- ---------- ---------- ---------- ---------- ------------ ----------- Net income (loss) from continuing operations....... $ (10,278) $ 24,361 $ 90,805 $ 64,854 $ (58,302) $ (121,718) $ (10,278) Gain on disposal of Broadcasting Stations....... 49,829 -- -- -- -- -- 49,829 ---------- ---------- ---------- ---------- ---------- ------------ ----------- Net earnings (loss)........... $ 39,551 $ 24,361 $ 90,805 $ 64,854 $ (58,302) $ (121,718) $ 39,551 ========== ========== ========== ========== ========== ============ ===========

Statement of operations for the six months ended June 30, 2001

Revenue....................... $ -- $ -- $ -- 1,663,697 $1,030,693 $ (7,265) $ 2,687,125 Operating expenses............ (5,070) -- (18,014) (1,363,275) (1,150,632) 7,265 (2,529,726) Interest expense, net......... (12,942) -- 3,210 (16,374) 1,775 -- (24,331) Other income, expense......... (9,649) 50,826 211,696 (7,405) (12,848) (252,873) (20,253) Provision for income taxes.... -- -- -- (35,992) (13,298) -- (49,290) Minority interest............. -- -- -- (121,740) 30,554 -- (91,186) ---------- ---------- ---------- ---------- ---------- ------------ ----------- Net earnings (loss) from continuing operations....... $ (27,661) $ 50,826 $ 196,892 $ 118,911 $ (113,756) $ (252,873) $ (27,661) Gain on disposal of Broadcasting Stations....... 49,829 -- -- -- -- -- 49,829 Cumulative effect of accounting change........... (9,187) -- -- 2,438 (11,625) 9,187 (9,187) ---------- ---------- ---------- ---------- ---------- ------------ ----------- Net earnings (loss)........... $ 12,981 $ 50,826 $ 196,892 $ 121,349 $ (125,381) $ (243,686) $ 12,981 ========== ========== ========== ========== ========== ============ =========== Cash flow for the six months ended June 30, 2001 Cash flow from (used in) operations................. $ (9,808) $ -- $ (15,958) $ 221,293 $ 92,804 $ -- $ 288,331 Cash flow provided (used in) investing activities........ 51,132 -- (1,343) (62,244) 111,985 -- 99,530 Cash flow from financing activities................. (41,324) -- 336,197 (126,083) (125,623) -- 43,167 Net Cash used by Discontinued Operations................. -- -- -- (40,220) -- -- (40,220) Effect of exchange rate....... -- -- (139) 174 (2,750) -- (2,715) Cash at beginning of period... -- -- 78,079 (28,949) 195,093 -- 244,223 ---------- ---------- ---------- ---------- ---------- ------------ -----------

Cash at end of period......... $ -- $ -- $ 396,836 $ (36,029) $ 271,509 $ -- $ 632,316 ========== ========== ========== ========== ========== ============ ===========

Statement of operations for the three months ended June 30, 2000

Revenue....................... $ -- $ -- $ -- $ 742,753 $ 391,603 $ -- $ 1,134,356 Operating expenses............ (5,418) -- (15,028) (623,956) (432,689) -- (1,077,091) Interest expense, net......... (6,281) -- 5,664 (6,971) (160) -- (7,748) Other income, expense......... (1,621) 22,585 98,147 (23,000) (1,610) (96,430) (1,929) Income tax expense............ -- -- (13,113) (10,885) -- (23,998) Minority interest............ -- -- -- (2,395) 19,968 (54,483) (36,910) ---------- ---------- ---------- ---------- ---------- ------------ -----------

Earnings (loss) from continuing operations....... (13,320) 22,585 88,783 73,318 (33,773) (150,913) (13,320) Earnings (loss) from discontinued operations..... (15,235) -- -- (15,235) -- 15,235 (15,235) ---------- ---------- ---------- ---------- ---------- ------------ -----------

Net earnings (loss)........... $ (28,555) $ 22,585 $ 88,783 $ 58,083 $ (33,773) $ (135,678) $ (28,555) ========== ========== ========== ========== ========== ============ ===========

NOTE 8-- NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

WHOLLY OWNED USANI SUBSIDIARY NON-GUARANTOR USA USA HOLDCO LLC GUARANTORS SUBSIDIARIES ELIMINATIONS CONSOLIDATED ---------- ---------- ---------- ---------- ------------ --

---------- ------------ (IN THOUSANDS) Statement of operations for the six months ended June 30, 2000 Revenue...................... $ -- $ -- $ -- $1,487,287 $ 688,474 $ 116 $ 2,175,877 Operating expenses........... (8,811) -- (23,863) (1,240,739) (762,983) (197) (2,036,593) Interest expense, net......... (10,781) -- 9,789 (14,188) (597) -- (15,777) Other income, expense......... (2,169) 44,375 235,327 (26,007) (3,456) (250,630) (2,560) Provision for income taxes.... 1,342 -- (27,351) (18,161) (14,901) -- (59,071) Minority interest............ -- -- -- (4,691) 43,689 (121,293) (82,295) -- -- -- -- -- -- -- ---------- ---------- ---------- ---------- ---------- ------------ ----------- Earnings (loss) from continuing operations....... (20,419) 44,375 193,902 183,501 (49,774) (372,004) (20,419) Earnings (loss) from discontinued operations..... (27,008) -- -- (27,008) -- 27,008 (27,008) ---------- ---------- ---------- ---------- ---------- ------------ ----------- Net earnings (loss)........... $ (47,427) $ 44,375 $ 193,902 $ 156,493 $ (49,774) $ (344,996) $ (47,427) ========== ========== ========== ========== ========== ============ =========== Cash flow for the six months ended June 30, 2000 Cash flow from (used in) operations................. $ (12,806) $ -- $ (9,919) $ 251,263 $ 56,307 $ -- $ 284,845 Cash flow provided (used in) investing activities........ 23,153 -- (12,604) (144,041) (147,129) -- (280,621) Cash flow from financing activities................. (10,347) -- (25,632) (65,077) 173,293 -- 72,237 Net Cash used by discontinued operations................. -- -- -- (38,180) -- -- (38,180) Effect of exchange rate....... -- -- -- -- (1,029) -- (1,029) Cash at beginning of period... -- -- 276,678 (25,067) 171,565 -- 423,176 ---------- ---------- ---------- ---------- ---------- ------------ ----------- Cash at end of period........ $ -- $ -- $ 228,523 $ (21,102) $ 253,007 $ -- $ 460,428 ========== ========== ========== ========== ========== ============ ===========

ITEM 2. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

USA is a holding company, with subsidiaries focused on the new convergence of entertainment, information and direct selling. USA adopted its present corporate structure in 1998 when it acquired USA Networks (consisting of USA Networks and Sci Fi Channel Cable television networks) and the domestic television production and distribution business of Universal Studios, Inc. (the "Universal Transaction"). USA maintains control and management of Home Shopping Network, Inc. ("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.

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. As of January 31, 2001, USA beneficially owned 68% of the outstanding Ticketmaster common stock, representing 85% of the total voting power of Ticketmaster's outstanding common stock.

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"). Styleclick class A common stock is quoted on the Nasdaq Stock Market under the symbol "IBUY."

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 16, 2001, USA announced an agreement to acquire a controlling interest in Expedia, Inc. (NASDAQ: EXPE), a leading provider of branded online travel services for leisure and small business travelers. Under the terms of the definitive agreement, USA will acquire up to 37,500,000 shares of Expedia common stock, with Expedia shareholders having the option to elect to exchange in a tax-free merger transaction each share of Expedia common stock for:

(a) a fraction of a share of USA Class A common stock ranging in value from $15.54 to $17.50 (subject to a collar between $23 and $31 per USA share), depending on the number of Expedia shares converted into USA securities in the transaction;

(b) a fraction of a share of a new series of USA convertible redeemable preferred stock ranging from 0.3892 to 0.3500, depending on the number of Expedia shares converted into USA securities in the transaction; and

(c) a fraction of a warrant to acquire one share of USA common stock ranging from 0.3873 to 0.4524, depending on the USA common stock price in a pricing period ending two business days before the Expedia shareholder meeting. If the average USA common stock price in the pricing period is $27, for example, each exchanging shareholder will receive 0.4176 of such warrants for each Expedia share exchanged.

Each share of USA convertible redeemable preferred stock has a face value of $50.00, a 1.99% annual dividend and an initial conversion price of $33.75 for each share of USA common stock, which conversion price reduces as the market price of USA common stock exceeds $35.10 per share. Each USA warrant has a 7-year term and entitles its holder to acquire a share of USA common stock at an exercise price of $35.10 per share. After the transaction, Expedia will also hold certain travel and media-related assets contributed by USA.

Microsoft Corporation, which currently beneficially owns 33,722,710 shares of Expedia common stock, has agreed to exchange all of its Expedia shares for USA securities in the transaction. Expedia shareholders who do not receive USA securities in the transaction will retain their Expedia shares and receive for each Expedia share held 0.1920 of a new Expedia warrant with a 7-year term and an exercise price of $52.00 per share. Following the transaction, USA will own approximately 67% to 75% of the equity and in excess of 90% of the voting power of Expedia, based on the number of shares of Expedia common stock outstanding on July 13, 2001 and after giving effect to the transaction. Expedia will remain a publicly traded company following the transactions.

The acquisition of Expedia is subject to regulatory approval and customary closing conditions.

USA's segments are organized into three units, USA Entertainment, USA Electronic Retailing and USA Information and Services. The units and segments are as follows:

USA ENTERTAINMENT

- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

- EMERGING NETWORKS, consists primarily of the cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

- FILMED ENTERTAINMENT, consisting primarily of USA Films, which is in the film distribution and production businesses.

USA ELECTRONIC RETAILING

- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

USA INFORMATION AND SERVICES

- TICKETING OPERATIONS, consisting primarily of Ticketmaster and Ticketmaster.com, which provide offline and online automated ticketing services.

- HOTEL RESERVATIONS, which includes Hotel Reservations Network, a leading consolidator of hotel rooms for resale in the consumer market.

- TELESERVICES, consisting of Precision Response Corporation, a leader in outsourced customer care for both large corporations and high-growth internet-focused companies.

- CITYSEARCH, MATCH.COM AND RELATED, which primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users, and Match.com, which consists of an online personals business.

- USA ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications.

EBITDA

Earnings before interest, income taxes, depreciation and amortization ("EBITDA") is defined as net income plus (1) provision for income taxes, (2) minority interest, (3) interest income and expense, (4) depreciation and amortization, (5) amortization of cable distribution fees, and (6) amortization of non-cash distribution and marketing expense and non-cash compensation expense. EBITDA is presented here as a management tool and as a valuation methodology for companies in the media, entertainment and communications industries. EBITDA does not purport to represent cash provided by operating activities. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

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 IN THE MARKETS SERVED BY THE COMPANY; FUTURE REGULATORY 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; AND OBTAINING AND RETAINING KEY EXECUTIVES AND

EMPLOYEES.

TRANSACTIONS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the past years, we have augmented our media and electronic commerce businesses by acquiring and developing several new businesses. As a result, the PRC Transaction and the Styleclick Transaction should be considered when comparing our results of operations and financial position. These acquisitions caused an increase in net revenues, operating costs and expenses and a decrease in operating profit. To enhance comparability, the discussion of consolidated results of operations is supplemented, where appropriate, with separate pro forma financial information that gives effect to the above transactions as if they had occurred at the beginning of the respective periods presented.

The pro forma information is not necessarily indicative of the revenues and cost of revenues which would have actually been reported had the Styleclick Transaction and the PRC Transaction occurred at the beginning of the respective periods, nor is it necessarily indicative of future results.

Reference should be made to the Consolidated Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

CONTINUING OPERATIONS

QUARTER AND SIX MONTHS ENDED JUNE 30, 2001 VS. QUARTER AND SIX MONTHS ENDED JUNE 30, 2000

The PRC Transaction and the Styleclick Transaction resulted in increases in net revenues, operating costs and expenses and minority interest. However, no significant discussion of these fluctuations is presented.

NET REVENUES

For the three months ended June 30, 2001, revenues increased by $237.1 million, or 20.9%, to $1.37 billion from $1.13 billion in 2000 primarily due to increases of $60.2 million, $57.7 million, $53.5 million, $41.8 million and $20.9 million from the Hotel reservations, Electronic retailing, Cable and studios, Filmed entertainment and Ticketing operations, respectively. For the six months ended June 30, 2001, revenues increased by $511.2 million, or 23.5%, to $2.69 billion from $2.18 billion in 2000 primarily due to increases of $112.2 million, $110.2 million, $92.5 million, $86.1 million, $62.5 million and $43.0 million from the Cable and studios, Hotel reservations, Electronic retailing, Teleservices, which was acquired in April 2000, Filmed entertainment and Ticketing operations, respectively. The Hotel Reservations increases resulted from increased room sales through HRN's Internet sites, from significant expansion of affiliate marketing programs to over 20,800 in 2001 from 10,500 in 2000, an increase in the number of hotels in existing cities as well as expansion into 86 new cities and the acquisition of TravelNow in February 2001. The number of room nights sold increased to 1,030,000 in the second quarter of 2001 compared to 587,000 in 2000. The Electronic retailing increases primarily resulted from Home Shopping Network's domestic business, which generated increased sales in the three and six months ended June 30, 2001 of $37.9 million and $64.7 million, respectively, including increased sales of $22.5 million and $36.7 million, respectively, from HSN.com. For the three

months ended June 30, 2001, total units shipped domestically increased to 9.1 million units compared to 8.1 million units in 2000, while the return rate increased slightly to 20.0% from 19.6% in 2000. Electronic retailing operations in Germany generated increased sales in the three and six months ended June 30, 2001 of $15.9 million and $23.2 million, respectively, although sales were hindered by the conversion to a new order management system, which delayed certain shipments, and the negative impact of the Euro exchange rate. The Cable and studios increases resulted from an increase in advertising revenues at USA Network, including the satisfaction of makegood liabilities at a higher level in 2001, offset partially by slightly lower advertising revenues at Sci Fi Channel. The cable networks provided $3.9 million of advertising to Citysearch in the three months ended June 30, 2001. In addition, the networks recognized $5.3 million of barter revenue pursuant to agreements with third parties. Affiliate revenues increased due to a higher number of subscribers as compared to the prior year. Net revenues at Studios USA increased significantly due to increased license fees earned in secondary markets, increased drama productions for the broadcast networks and increased productions for USA Network and Sci Fi Channel. 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. The Filmed entertainment increases is due primarily to increased theatrical, video and DVD revenues generated on TRAFFIC, which has grossed more than $200 million in worldwide box office. The Ticketing operations increases are primarily due to an increase in average per ticket convenience and handling revenue (7% increase from $5.89 to $6.29 for the three months and 8% increase from $5.68 to $6.13 for the six month period), an increase in the number of tickets sold, and, to a lesser extent, the acquisition of ReserveAmerica in February 2001. The number of tickets sold increased to 23.6 million from 22.3 million in the three months and to 47.1 million from 44.1 million in the six months, due primarily to an overall increase in tickets sold within existing markets and the acquisition of Admission Canada in April 2000, TicketWeb in May 2000, and the consolidation of Ticketmaster Ireland. The percentage of tickets sold online for 2001 is approximately 33.2%, as compared to 25.5% in 2000.

OPERATING COSTS AND EXPENSES

For the three months ended June 30, 2001, operating expenses increased by $210.2 million, or 19.5%, to $1.29 billion from $1.08 billion in 2000, primarily due to increases in costs related to revenues and other costs of $187.4 million, including $59.4 million from Electronic retailing, $52.1 million from Hotel reservations, $38.8 million from Filmed entertainment, $21.6 million from Cable and studios and $16.9 million from Ticketing operations. In addition, for the three months ended June 30, 2001, depreciation and amortization increased $18.6 million. For the six months ended June 30, 2001, operating expenses increased by $493.1 million, or 24.2%, to $2.53 billion from $2.04 billion in 2000, primarily due to increases in costs related to revenues and other costs of $428.3 million, including $106.0 million from Electronic retailing, $94.5 million from Hotel reservations, $77.8 million from Teleservices, which was acquired in April 2000, $62.7 million from Filmed entertainment, $55.6 million from Cable and studios and $36.2 million from Ticketing operations. In addition, for the six months ended June 30, 2001, depreciation and amortization increased $51.2 million. The increase in Electronic retailing resulted primarily from higher international costs related to the Company's expansion efforts and increased live broadcasting hours, higher costs related to other lines of business, and the impact of selling goods at a lower margin (33.3% in 2001 as compared to 34.7% in 2000). The increase in Hotel reservations costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agents that earn commissions (sales from affiliate websites accounted for approximately 66% and 65% of the total revenues for the three and six months ended June 30, 2001, as compared to 52% in the comparable periods), 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 for the three months ended June 30, 2001 increased slightly to 31.1% from 30.8% due to the acquisition of TravelNow, which has higher gross margins, which more than offset a decline in gross profit margin to HRN's historical

business. The decline in margin for the historical business resulted from HRN's decision to focus on increasing market share and the absolute amount of gross profit instead of gross profit margin. The increase in Filmed entertainment was due to higher film amortization costs and higher prints and advertising costs, as the Company adopted SOP 00-2, "Accounting by Producers and Distributors of Films" in Q1 2001. The new rules require that prints and advertising costs be expensed as incurred. The increase in Cable and Studios was due primarily from costs associated with the increased revenues of all of the businesses, including the costs of providing increased product to the broadcast networks, for which programs generally run a deficit in the early years, and $5.3 million of higher expense for prints, freight and dubbing in 2001 in relation to the new film accounting rules in Q2 2001, offset partially by efficient use of programming by USA Network, resulting in reduced program amortization, and increased usage of internally developed product. Ticketing operations costs increased primarily from higher ticketing operations costs as a result of higher ticketing volume, including commission expenses and credit card processing fees. Depreciation and amortization increased principally as a result of acquisitions and capital investments.

OTHER INCOME (EXPENSE)

For the three and six months ended June 30, 2001, net interest expense increased by $5.1 million and $8.6 million, respectively, compared to 2000 primarily due to lower short-term investment levels. Other expense, net for the three and six months ended June 30, 2001 increased $11.8 million and $17.7 million, respectively, due primarily to the $3.7 million gain recognized in the three months ended March 31, 2000 related to the initial public offering of its subsidiary, Hotel Reservations Network, Inc. ("HRN"), the write-off of certain investments and increased equity losses in unconsolidated subsidiaries.

INCOME TAXES

USA's effective tax rate, computed before the impact of minority interest, of 39.7% and 43.7% for the three and six months ended June 30, 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

For the periods presented, 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 Ticketmaster, the public's ownership interest in HRN since February 25, 2000 and the public's ownership interest in Styleclick since July 27, 2000.

GAIN ON SALE OF BROADCASTING STATIONS

In December 2000, the Company announced that Univision Communications Inc. ("Univision") will 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 June 2001, the Company completed the sale of capital stock of USAB entities that own three full-power television stations, which principally aired general entertainment programming, and minority interests in four full-power stations, certain of which aired Home Shopping programming. The gain on the sale of the stations sold to date was $49.8 million. The remaining stations are expected to be sold by year-end.

DISCONTINUED OPERATIONS

The loss for USAB for the three and six months ended June 30, 2000 was $15.2 million and $27.0 million, respectively, net of tax benefits of $5.0 million and $8.1 million, respectively, and is presented as a discontinued operation.

PRO FORMA QUARTER AND SIX MONTHS ENDED JUNE 30, 2001
VS. PRO FORMA QUARTER AND SIX MONTHS ENDED JUNE 30, 2000

The following unaudited pro forma operating results of USA present combined results of operations as if the PRC Transaction and the Styleclick Transaction all had occurred on January 1, 2000. The unaudited combined condensed pro forma statements of operations of USA are presented below for illustrative purposes only and are 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.

UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
NET REVENUES:				
USA ENTERTAINMENT				
Cable and Studios	$ 444,203	$ 390,688	$ 881,854	$ 769,641
Filmed entertainment	62,561	20,773	113,567	51,080
Developing networks	6,179	3,709	12,341	4,271
USA ELECTRONIC RETAILING				
Electronic retailing	455,726	398,048	910,801	818,265
USA INFORMATION AND SERVICES				
Ticketing operations	163,898	143,019	314,007	270,980
Hotel reservations	138,302	78,082	243,588	133,345
Teleservices	75,624	70,212	156,316	139,861
Citysearch, Match.com and related	23,054	20,239	43,982	37,214
Electronic commerce solutions	5,994	3,794	10,743	8,460
Styleclick	2,438	6,286	6,457	14,155
Intersegment elimination	(6,531)	--	(6,531)	--
Total net revenues	1,371,448	1,134,850	2,687,125	2,247,272
Operating costs and expenses:				
Cost of				

sales	630,611	503,157	1,229,319	1,002,896
Program costs	201,041	173,173	402,506	339,037
Selling and marketing	144,882	130,124	292,028	253,482
General and administrative	115,975	109,673	225,823	211,488
Other operating costs	29,635	24,308	57,712	43,666
Amortization of non cash distribution and marketing expense	6,631	1,271	14,648	1,874
Amortization of non cash compensation expense	1,308	4,823	4,163	6,156
Amortization of cable distribution fees	10,642	8,267	19,398	16,490
Depreciation and amortization	146,530	142,044	284,129	278,176
Total operating costs and expenses	1,287,255	1,096,840	2,529,726	2,153,265
Operating profit	$ 84,193	$ 38,010	$ 157,399	$ 94,007
EBITDA	$ 249,304	$ 194,415	$ 479,737	$ 396,703

Net revenues for the three months ended June 30, 2001 increased by $236.6 million, or 20.8%, to $1.37 billion from $1.13 billion in 2000. Cost related to revenues and other costs and expenses for the three months ended June 30, 2001 increased by $181.7 million, or 19.3%, to $1.12 billion from $940.4 million in 2000. EBITDA for the three months ended June 30, 2001 increased by $54.9 million, or 28.2%, to $249.3 million from $194.4 million in 2000.

Net revenues for the six months ended June 30, 2001 increased by $439.9 million, or 19.6%, to $2.69 billion from $2.25 billion in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 increased $356.8 million to $2.21 billion from $1.85 billion in 2000. EBITDA for the six months ended June 30, 2001 increased by $83.0 million, or 20.9%, to $479.7 million from $396.7 million in 2000.

The following discussion provides an analysis of the pro forma revenues and costs related to revenues and other costs and expenses by significant business segment.

CABLE AND STUDIOS

Net revenues for the three months ended June 30, 2001 increased by $53.5 million, or 13.7%, to $444.2 million from $390.7 in 2000. Net revenues for the six months ended June 30, 2001 increased by $112.2 million, or 14.6%, to $881.9 million from $769.6 in 2000. The increase resulted from an increase in advertising revenues at USA Network, including the satisfaction of makegood liabilities at a higher level in 2001, offset partially by slightly lower advertising revenues at Sci Fi Channel. The cable networks provided $3.9 million of advertising to Citysearch in the three months ended June 30, 2001. In addition, the networks recognized $5.3 million of barter revenue pursuant to agreements with third parties. Affiliate revenues increased due to a higher number of subscribers as compared to the prior year. Net revenues at Studios USA increased significantly due to increased license fees earned in secondary markets, increased drama productions for the broadcast networks and increased productions for USA Network and Sci Fi Channel. 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 for the three months ended June 30, 2001 increased by $21.6 million, or 8.6%, to $272.9 million from $251.3 million in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 increased by $55.6 million, or 11.3%, to $547.1 million from $491.5 million in 2000.This increase resulted primarily from costs associated with the increased revenues of all of the businesses, including the costs of providing increased product to the broadcast networks, for which programs generally run a deficit in the early years, and $5.3 million of higher expense for prints, freight and dubbing in 2001 in relation to the new film accounting rules in Q2 2001, offset partially by efficient use of programming by USA Network, resulting in reduced program amortization, and increased usage of internally developed product.

EBITDA for the three months ended June 30, 2001 increased by $32.0 million, or 22.9%, to $171.3 million from $139.4 million in 2000. EBITDA for the six months ended June 30, 2001 increased by $56.6 million, or 20.3%, to $334.7 million from $278.1 million in 2000.

EMERGING NETWORKS

Net revenues increased by $2.5 million to $6.2 million from $3.7 million for the three months ended June 30, 2001 as compared to 2000. Net revenues increased by $8.1 million to $12.3 million from $4.2 million for the six months ended June 30, 2001 as compared to 2000. Revenue comparisons in each period were impacted by 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 $2.8 million for the three months ended June 30, 2001 as compared to 2000. Cost related to revenue increased by $7.9 million for the six months ended June 30, 2001 as compared to 2000. The increases

are primarily related to the increased revenues as well as start-up initiatives. EBITDA loss for the three months ended June 30, 2001 increased by $.4 million, to a loss of $2.4 million for the three months ended June 30, 2001. EBITDA loss for the six months ended June 30, 2001 decreased by $.2 million, to a loss of $4.1 million for the six months ended June 30, 2001.

FILMED ENTERTAINMENT

Net revenues for the three months ended June 30, 2001 increased by $41.8 million, or 201.2%, to $62.6 million compared to $20.8 million in 2000. Net revenues for the six months ended June 30, 2001 increased by $62.5 million, or 122.3%, to $113.6 million compared to $51.1 million in 2000. The increase in revenues is 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 for the three months and six ended June 30, 2001 increased by $38.8 million and $62.7 million, respectively, due to higher film amortization costs and higher prints and advertising costs, as the Company adopted SOP 00-2, "Accounting by Producers and Distributors of Films" in Q1 2001. The new rules require that prints and advertising costs be expensed as incurred. EBITDA for the three months ended June 30, 2001 was $.6 million, compared to a loss of $2.3 million in 2000. EBITDA loss for the six months ended June 30, 2001 was $.4 million, compared to a loss of $.2 million in 2000.

ELECTRONIC RETAILING

Net revenues for the three months ended June 30, 2001 increased by $57.7 million, or 14.5%, to $455.7 million from $398.0 million in 2000. Net revenues for the six months ended June 30, 2001 increased by $92.5 million, or 11.3%, to $910.8 million from $818.3 million in 2000. The increase primarily resulted from Home Shopping Network's domestic business, which generated increased sales in the three and six months ended June 30, 2001 of $37.9 million and 64.7 million, respectively, including increased sales of $22.5 million and $36.7 million, respectively, from HSN.com. For the three months ended June 30, 2001, total units shipped domestically increased to 9.1 million units compared to 8.1 million units in 2000, while the return rate increased slightly to 20.0% from 19.6% in 2000. Electronic retailing operations in Germany generated increased sales in the three and six months ended June 30, 2001 of $15.9 million and $23.2 million, respectively, although sales were hindered by the conversion to a new order management system, which delayed certain shipments, and the negative impact of the Euro exchange rate.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2001 increased by $59.4 million, or 17.3%, to $403.1 million from $343.8 million in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 increased by $106.0 million, or 15.1%, to $808.2 million from $702.2 million in 2000. The increases resulted primarily from higher international costs related to the Company's expansion efforts and increased live broadcasting hours, higher costs related to other lines of business, and the impact of selling goods at a lower margin (33.3% in 2001 as compared to 34.7% in 2000).

EBITDA for the three months and six months ended June 30, 2001 for domestic electronic retailing, increased $2.7 million and $5.0 million (excluding the impact of $6.3 million of one-time credits recognized in Q1 2000), respectively, to $55.2 million and $106.9 million, respectively. EBITDA for electronic retailing in Germany increased $.7 million in the three months ended June 30, 2001 due to higher sales volume, offset partially by higher operating costs and the conversion to a new order management system, which delayed certain shipments, and the negative impact of the Euro exchange rate. For the six months ended June 30, 2001, EBITDA for the German operations decreased $2.2 million. EBITDA for other international locations and other for the three and six months ended June 30, 2001, decreased $5.0 million and $10.0 million, respectively, due to higher costs related to expansion efforts and increased live broadcasting hours.

TICKETING OPERATIONS

Net revenues for the three months ended June 30, 2001 increased by $20.9 million, or 14.6%, to $163.9 million from $143.0 million in 2000. Net revenues for the six months ended June 30, 2001 increased by $43.0 million, or 15.9%, to $314.0 million from $271.0 million in 2000. The increases are primarily due to an increase in average per ticket convenience and handling revenue (7% increase from $5.89 to $6.29 for the three months and 8% increase from $5.68 to $6.13 for the six month period), an increase in the number of tickets sold, and, to a lesser extent, the acquisition of ReserveAmerica in February 2001. The number of tickets sold increased to 23.6 million from 22.3 million in the three months and to 47.1 million from 44.1 million in the six months, due primarily to an overall increase in tickets sold within existing markets and the acquisition of Admission Canada in April 2000, TicketWeb in May 2000, and the consolidation of Ticketmaster Ireland. The percentage of tickets sold online for 2001 is approximately 33.2%, as compared to 25.5% in 2000.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2001 increased by $16.9 million, or 15.2%, to $128.4 million from $111.5 million in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 increased by $36.2 million, or 17.1%, to $248.3 million from $212.1 million in 2000. The increase resulted primarily from higher ticketing operations costs as a result of higher ticketing volume, including commission expenses and credit card processing fees.

EBITDA for the three months ended June 30, 2001 increased by $4.0 million, or 12.5%, to $35.5 million from $31.5 million in 2000. EBITDA for the six months ended June 30, 2001 increased by $6.8 million, or 11.5%, to $65.8 million from $58.9 million in 2000.

HOTEL RESERVATIONS

Net revenues for the three months ended June 30, 2001 increased by $60.2 million, or 77.1%, to $138.3 million from $78.1 million in 2000. Net revenues for the six months ended June 30, 2001 increased by $110.2 million, or 82.7%, to $243.6 million from $133.4 million in 2000. The increases resulted from increased room sales through HRN's Internet sites, from significant expansion of affiliate marketing programs to over 20,800 in 2001 from 10,500 in 2000, an increase in the number of hotels in existing cities as well as expansion into 86 new cities and the acquisition of TravelNow in February 2001. The number of room nights sold increased to 1,030,000 in the second quarter of 2001 compared to 587,000 in 2000.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2001 increased by $52.1 million, or 80.0%, to $117.3 million from $65.2 million in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 increased by $94.5 million, or 84.2%, to $206.8 million from $112.3 million in 2000. The increase in costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agents that earn commissions (sales from affiliate websites accounted for approximately 66% and 65% of the total revenues for the three and six months ended June 30, 2001, as compared to 52% in the comparable periods), 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 for the three months ended June 30, 2001 increased slightly to 31.1% from 30.8% due to the acquisition of TravelNow, which has higher gross margins, which more than offset a decline in gross profit margin to HRN's historical business. The decline in margin for the historical business resulted from HRN's decision to focus on increasing market share and the absolute amount of gross profit instead of gross profit margin.

EBITDA for the three months ended June 30, 2001 increased by $8.1 million, or 62.5%, to $21.0 million from $12.9 million in 2000. EBITDA for the six months ended June 30, 2001 increased by

$15.7 million, or 74.5%, to $36.8 million from $21.1 million in 2000. EBITDA for the three months ended June 30, 2001 excludes non-cash distribution and marketing expense of $4.7 million as compared to $1.3 million in 2000 related to the amortization of stock-based warrants issued to affiliates in consideration of exclusive affiliate distribution and marketing agreements. The company 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 the Company's stock price rises, the value of the warrants also increases.

TELESERVICES

Net revenues for the three months ended June 30, 2001 increased by $5.4 million, or 7.7%, to $75.6 million from $70.2 million in 2000. Net revenues for the six months ended June 30, 2001 increased by $16.5 million, or 11.8%, to $156.3 million from $139.9 million in 2000. The increase resulted primarily from the addition of new clients and expansion of certain existing relationships, offset partially by a decrease in services provided to certain clients. Overall, PRC is suffering from the general economic downturn. Revenue for the three months ended June 30, 2001 includes $2.5 million for services provided to other USA segments.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2001 increased by $7.2 million, or 12.3%, to $65.4 million from $58.2 million in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 increased by $17.6 million, or 14.9%, to $136.1 million from $118.5 million in 2000. The increases resulted primarily from increased operations and costs associated with obtaining new clients.

EBITDA for the three months ended June 30, 2001 decreased by $1.7 million to $10.2 million from $11.9 million in 2000. EBITDA for the six months ended June 30, 2001 decreased by $1.2 million to $20.2 million from $21.4 million in 2000.

CITYSEARCH, MATCH.COM AND RELATED

Net revenues for the three months ended June 30, 2001 increased by $2.8 million, or 13.9%, to $23.1 million compared to $20.3 million in 2000. Net revenues for the six months ended June 30, 2001 increased by $6.8 million, or 18.2%, to $44.0 million compared to $37.2 million in 2000. The increase is due to increased subscription revenue related to the personals business, partially offset in the three months ended June 30, 2001 by a slight decrease in revenues related to city guides.

Cost related to revenues and other costs and expenses for the three months ended June 30, 2001 decreased by $4.2 million to $31.3 million from $35.5 million in 2000. Cost related to revenues and other costs and expenses for the six months ended June 30, 2001 decreased by $6.2 million to $63.7 million from $69.9 million in 2000. The decreases resulted primarily from initiatives enacted in 2000, which resulted in decreased operating costs, including reduced headcount, for the city guides business.

EBITDA loss for the three months ended June 30, 2001 decreased by $7.0 million to $8.2 million from $15.3 million in 2000. EBITDA loss for the six months ended June 30, 2001 decreased by $12.9 million to $19.7 million from $32.6 million in 2000. EBITDA for the three months ended June 30, 2001 excludes non-cash distribution and marketing expense of $3.9 million in 2001 related to cross promotion advertising provided by USA Cable and $1.9 million related to barter arrangements for distribution secured from third parties, for which advertising is also provided by USA Cable.

ELECTRONIC COMMERCE SOLUTIONS

Net revenues for the three and six months ended June 30, 2001 were $6.0 million and $10.7 million, respectively, compared to $3.8 million and $8.5 million, respectively, in 2000 due

primarily to increases in revenue for the transactional sites that ECS manages, offset partially by a decrease in ECS teleservices. Cost related to revenues and other costs and expenses for the three and six months ended June 20, 2001 increased by $4.5 million and $5.5 million, respectively, due primarily to higher operating expenses. EBITDA loss for the three and six months ended June 30, 2001 increased by $2.3 million and $3.2 million, respectively.

STYLECLICK

Net revenues for the three and six months ended June 30, 2001 decreased by $3.8 million and $7.7 million, respectively, to $2.4 million and $6.5 million, respectively. Revenue from the auction sites decreased due to the shut-down of the First Jewelry and Firstauction websites. Cost related to revenues and other costs and expenses for the three and six months ended June 30, 2001 decreased by $8.4 million and $12.5 million, respectively, to $13.1 million and

$27.5 million, respectively. Note that the three months ended June 30, 2001 included a restructuring charge primarily consisting of costs related to consolidating Styleclick's operations in Chicago and write-offs related to closing the Firstauction.com website. In addition, primarily in conjunction with the shut down of First Jewelry, Styleclick recorded a $2 million write-down of its inventory in Q1 2001. EBITDA loss for the three and six months ended June 30, 2001 was $10.6 million and $21.1 million, respectively, compared to $15.2 million and $25.9 million, respectively, in 2000.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $288.3 million for the six months ended June 30, 2001 compared to $284.8 million for the six months ended June 30, 2000. These cash proceeds and available cash and borrowings were used to pay for acquisitions of $156.6 million, to make capital expenditures of $58.5 million, and to make mandatory tax distribution payments to the LLC partners of $17.4 million.

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 $600.0 million revolving credit facility expires on December 31, 2002. As of June 30, 2001, there was $595.9 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.

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 June 30, 2001, approximately $173.4 million has been offset against the advance, including $53.2 million in 2001. Interest accrued on the loan through June 30, 2001 is approximately $18.2 million, including $2.7 million in 2001.

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 the next 12 months, 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 six months ended June 30, 2001, the Company made no purchases of its common stock through this program.

USA anticipates that it will need to invest working capital towards the development and expansion of its overall operations. Due primarily to the expansion of its Internet businesses, future capital expenditures may be higher than current amounts.

In management's opinion, available cash, internally generated funds and available borrowings will provide sufficient capital resources to meet USA's foreseeable needs.

During the six months ended June 30, 2001, USA did not pay any cash dividends, and none are permitted under USA's existing credit facility. USA's 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. To further mitigate risk, the vast majority of the securities have a maturity date within 60 days. 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 June 30, 2001, the Company's outstanding debt approximated $588.2 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. However, the level of operations in foreign markets is insignificant to the consolidated results.

EQUITY PRICE RISK

The Company has a minimal investment in equity securities of publicly-traded companies. This investment, as of June 30, 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 investments in equity securities as part of its investment strategy.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Home Shopping Network Consumer Class Action litigation, previously reported in the Company's Form 10-K for the year ended December 31, 2000 (the "2000 Form 10-K"), on June 1, 2001, the Court entered an Order granting plaintiffs' motion to voluntarily dismiss plaintiffs Henrietta Buck and Anastasia Kolias from the lawsuit. On July 2, 2001, the HSN Defendants together with certain other defendants filed a consolidated brief in opposition to plaintiffs' motion for class certification. A hearing on the motion for class certification is scheduled to occur August 16, 2001.

In the Urban litigation, previously reported in the 2000 Form 10-K and the Company's Form 10-Q for the quarter ended March 31, 2001 (the "2001 Form 10-Q"), on April 6, 2001, the U.S. Bankruptcy Court for the Eastern District of Virginia approved a sale of Urban Broadcasting Corporation's "Urban" assets for the sum of $60,000,000. On July 13, 2001, the Court entered an Order that requires the closing of the sale to be held on August 15, 2001, unless the debtor and the purchaser agree to some other date. If the sale closes, the proceeds will be sufficient to pay all of Urban's creditors in full, including USA Station Group of Virginia, Inc.'s judgment claim, and leave substantial funds for distribution to Urban's equity holders.

In the Ticketmaster Consumer Class Action litigation, previously reported in the 2000 Form 10-K, on June 11, 2001, the District Court approved the settlement agreement and entered an order concluding the litigation. The time to appeal the final order has expired. USA does not believe that the settlement will have a material impact on its financial results.

In the Ticketmaster Cash Discount litigation, previously reported in the 2000 Form 10-K and 2001 Form 10-Q, on May 11, 2001, the Court granted final approval of the settlement. On May 24, 2001, a purported consumer, Anna Tellez, whose request to intervene the District Court denied as untimely and lacking merit, filed a notice of appeal with the Fifth Circuit Court of Appeals. On July 25, 2001, the parties resolved Ms. Tellez' objections to the settlement. On July 26, 2001, the parties filed an Agreed Motion to Dismiss Ms. Tellez' appeal. USA does not believe that the settlement will have a material impact on its financial results.

In the Tickets.com litigation, previously reported in the 2000 Form 10-K, the sides exchanged proposals concerning the schedule for the case. After considering both side's proposals, the Court issued an Order on April 30, 2001 setting April 1, 2002 as the discovery cut-off date, November 1, 2002 as the date for the final pre-trial conference, and has indicated that the trial will commence in January 2003. The parties currently are actively engaged in document and deposition discovery in the matter.

In the Class Action Litigation Related to Magazine Sales, previously reported in the 2000 Form 10-K, on or about May 30, 2001, the plaintiff filed an amended complaint which purported to add a second consumer as a plaintiff. In response to the amended complaint, Ticketmaster and Time requested that their motion to dismiss be taken off calendar, and on July 23, 2001, Ticketmaster filed an Answer. Discovery is in its beginning stages.

In the Litigation Relating to the Combination of TMCS and TM, previously reported in the 2000 Form 10-K, the Court entered an order on June 2, 2001, dismissing the action without prejudice, in response to a request from the plaintiffs.

In the Marketingworks litigation, previously reported in the 2000 Form 10-K and 2001 Form 10-Q, the parties have reached a settlement and the matter has been concluded. The outcome of this litigation did not have a material impact on the Company's financial results.

In the RTL litigation, previously reported in the 2000 Form 10-K, on July 18, 2001, the Court in The Netherlands permitted USA to join USI as a co-defendant in the proceeding, but not to intervene as an independent party capable of asserting rights on its own behalf.

In the ordinary course of business, the Company and its subsidiaries are parties to litigation involving property, personal injury, contract and other claims. The amounts that may be recovered in these matters may be subject to insurance coverage. Although amounts recovered in litigation are not expected to be material to the financial position or operations of the Company, this litigation, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could materially harm our business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 2, 2001, the annual meeting of stockholders was held. Stockholders present in person or by proxy, representing 272,621,057 shares of Common Stock and 63,033,452 shares of Class B Common Stock, voted on the following matters:

1. The stockholders elected the following fourteen directors of the Company to hold office until the next annual meeting of stockholders or until their successors have been duly elected:

Elected by holders of Common Stock voting as a separate class:

	NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES AGAINST OR FOR WHICH AUTHORITY WITHHELD
Anne M. Busquet..........................	271,995,661	625,396
Donald R. Keough.........................	271,989,165	631,892
William D. Savoy.........................	271,994,231	626,826
Gen. H. Norman Schwarzkopf................	271,988,629	632,428

Elected by holders of Common Stock and Class B Common Stock voting as a single class:

	NUMBER OF SHARES CAST IN FAVOR	NUMBER OF SHARES AGAINST OR FOR WHICH AUTHORITY WITHHELD
Paul G. Allen............................	886,160,092	16,795,485
Edgar Bronfman, Jr.......................	895,420,788	7,534,789
Barry		

Diller.............................
886,912,932 16,042,645 Philippe
Germond.........................
895,438,243 7,517,334 Victor A.
Kaufman.......................
897,627,430 5,328,147 Georg
Kofler.............................
897,649,078 5,306,499 Marie-Josee
Kravis.......................
902,323,389 632,188 Pierre
Lescure...........................
895,440,799 7,514,778 Jean-Marie
Messier.......................
895,435,498 7,520,079 Diane Von
Furstenberg....................
897,611,059 5,344,518

2. The holders of Common Stock and Class B Common Stock, voting as a single class, also ratified the appointment of Ernst & Young LLP as the Company's independent auditors for the year ended December 31, 2001 as follows:

NUMBER OF
SHARES
NUMBER OF
SHARES
NUMBER OF
SHARES
CAST IN
FAVOR CAST
AGAINST
ABSTAINING
- --------

--- ------

899,458,816
3,395,138
101,623

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

EXHIBIT
NUMBER
DESCRIPTION
- ------- --
--------- a.
Restated
Certificate
of
Incorporation
of USA filed
as Exhibit
3.1 to USA's
Quarterly
Report on
Form 10-Q
for the
fiscal
quarter
ended June
30, 2000, is
incorporated
herein by
reference.
b. Amended
and Restated
By-Laws of
USA filed as
Exhibit 3.1
to USA's
Form 8-K,
dated
January 9,

1998, is incorporated herein by reference.

(b) Reports on Form 8-K filed during the quarter ended June 30, 2001.

On April 25, 2001, USA furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching a press release announcing its results for the quarter ended March 31, 2001 and supplemental information.

On June 6, 2001, USA furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching investor presentation materials.

On June 7, 2001, USA furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching investor presentation materials.

On June 27, 2001, USA furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching investor presentation materials.

On July 16, 2001, USA furnished a report on Form 8-K, reporting under Item 5, attaching a press release announcing an agreement to acquire a controlling stake in Expedia, Inc. and to acquire National Leisure Group, Inc. On July 23, 2001, USA furnished a report on Form 8-K, reporting under Item 5, attaching an amended press release.

On July 25, 2001, USA furnished a report on Form 8-K, reporting under Item 9, Regulation FD Disclosure, attaching a press release announcing its results for the quarter ended June 30, 2001 and supplemental information.

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.

August 14, 2001

USA NETWORKS, INC.

By: /s/ BARRY DILLER

Barry Diller
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

NAME TITLE DATE ---- ----- ---- ---------- ---------- ---------- ---------- --- Chairman of the Board and August 14, 2001 Barry Diller Chief Executive Officer Senior Vice President and Chief Financial Officer -- ---------- ---------- ---------- ---------- - (Principal Financial

August 14,
2001
Michael
Sileck
Officer)
Vice
President
and ------

Controller
(Chief
August 14,
2001
William J.
Severance
Accounting
Officer)

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

THREE MONTHS ENDED SIX MONTHS ENDED JUNE 30,
JUNE 30, ------------------- -------------------
-- 2001 2000 2001 2000 -------- -------- -------
-- --------- (IN THOUSANDS) NET REVENUES Cable
and Studios...............................
$444,203 $390,688 $ 881,854 $ 769,641 Electronic
retailing........................... 455,726
398,049 910,801 818,266
Styleclick.....................................
2,438 5,791 6,457 12,408 Electronic commerce
solutions................... 5,994 1,597 10,743
2,597 Emerging
networks.............................. 6,179
3,709 12,341 4,271 -------- -------- --------- -
-------- Total net
revenues............................ 914,540
799,834 1,822,196 1,607,183 Operating costs and
expenses: Cost of
sales..................................
303,911 262,332 613,845 542,876 Program
costs..................................
201,041 173,173 402,506 339,037 Selling and
marketing.......................... 90,530
94,782 188,829 183,375 General and
administrative..................... 93,360
78,932 174,314 150,621 Other operating
costs.......................... 35,948 31,228
70,380 56,952 Amortization of cable distribution
fees......... 10,642 8,267 19,398 16,490
Amortization of non-cash
compensation........... 833 3,195 3,345 4,185
Depreciation and
amortization................... 63,165 48,236
119,552 95,974 -------- -------- --------- -----
---- Total operating costs and
expenses.............. 799,430 700,145
1,592,169 1,389,510 -------- -------- ---------
--------- Operating
profit............................... 115,110
99,689 230,027 217,673 Other income (expense):
Interest
income................................ 1,783
9,163 3,093 13,912 Interest
expense...............................
(10,118) (10,651) (16,306) (18,478) Other,
net....................................
(13,605) (1,498) (20,680) (3,977) -------- -----
--- --------- --------- (21,940) (2,986)
(33,893) (8,543) Earnings before income taxes
and minority interest and cumulative effect of
accounting

change..
93,170 96,703 196,134 209,130 Income tax
expense................................
(18,237) (17,666) (39,141) (42,293) Minority
interest................................
(50,572) (56,452) (108,068) (122,462) -------- -
------- --------- --------- Earnings before
cumulative effect of accounting
change..
24,361 22,585 48,925 44,375 Cumulative effect of
accounting change, net of
tax...
-- -- 1,901 -- -------- -------- --------- -----
---- NET
EARNINGS.......................................
$ 24,361 $ 22,585 $ 50,826 $ 44,375 ========
======== ========= =========

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

JUNE 30, DECEMBER 31, 2001 2000 ---------- ------------ (IN
THOUSANDS) ASSETS CURRENT ASSETS Cash and cash
equivalents................................. $ 368,795 $
71,816 Accounts and notes receivable, net of allowance of
$75,369 and $50,646,
respectively............................... 541,936
519,365 Inventories,
net... 380,927
396,523 Investments held for
sale................................. 380 750 Deferred
income taxes.................................... 5,265
17,448 Other current assets,
net................................. 29,507 18,024 ------
---- ---------- Total current
assets..................................... 1,326,810
1,023,926 PROPERTY, PLANT AND EQUIPMENT Computer and
broadcast equipment.......................... 147,141
143,559 Buildings and leasehold
improvements...................... 76,574 71,979
Furniture and other
equipment............................ 84,740 76,623
Land...
10,302 10,281 Projects in
progress....................................... 32,339
32,747 ---------- ---------- 351,096 335,189 Less
accumulated depreciation and amortization............
(115,326) (83,549) ---------- ---------- 235,770 251,640
OTHER ASSETS Intangible assets,
net.................................... 4,980,912
5,023,735 Cable distribution fees,
net............................. 156,890 159,473 Long-
term investments.....................................
30,374 29,187 Notes and accounts receivable, net ($57,564
and $22,575, respectively, from related
parties).................................. 74,042 33,571
Inventories,
net... 449,931
430,215 Advances to USA and
subsidiaries.......................... 281,647 547,292
Deferred charges and other,
net.......................... 42,124 44,011 ---------- -
--------- $7,578,500 $7,543,050 ========== ==========
LIABILITIES AND STOCKHOLDER'S EQUITY CURRENT LIABILITIES
Current maturities of long-term
obligations................ 35,128 $ 20,053 Accounts
payable, trade................................. 147,688
201,484 Obligations for program rights and film
costs............... 257,411 283,812 Cable distribution
fees payable........................... 34,886 33,598
Deferred
revenue.. 59,618
41,335 Other accrued
liabilities................................ 319,109

351,331 ---------- ---------- Total current liabilities................................. 853,840 931,613 LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES).......... 501,639 504,063 OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current.. 277,365 295,210 OTHER LONG-TERM LIABILITIES................................. 90,337 81,925 DEFERRED INCOME TAXES....................................... 30,008 25,821 MINORITY INTEREST... 4,527,393 4,420,252 COMMITMENTS AND CONTINGENCIES.............................. -- -- STOCKHOLDER'S EQUITY Common stock... 1,221,408 1,221,408 Additional paid-in capital................................. 70,312 70,312 Retained earnings.. 17,766 (2,320) Accumulated other comprehensive loss....................... (11,568) (5,234) ---------- -- -------- Total stockholder's equity............................... 1,297,918 1,284,166 ---------- ---------- $7,578,500 $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 STOCKHOLDER'S EQUITY
(UNAUDITED)

ACCUMULATED ADDITIONAL RETAINED OTHER COMMON PAID-IN EARNINGS COMPREHENSIVE TOTAL STOCK CAPITAL (DEFICIT) INCOME ---------- ---------- ---------- --------- ------------- (IN THOUSANDS) BALANCE AT DECEMBER 31, 2000......... $1,284,166 $1,221,408 $70,312 $(2,320) $ (5,234) Comprehensive Income: Net earnings for the six months ended June 30, 2001.............. 50,826 -- -- 50,826 -- Foreign currency translation....... (6,061) -- -- -- (6,061) Increase in unrealized gains in available for sale securities.... (273) -- -- -- (273) ---------- Comprehensive income............... 44,492 ---------- Mandatory tax distribution to LLC partners......................... (30,740) -- -- (30,740) -- ---------- ---------- ------- ------- -------- BALANCE AT JUNE 30, 2001............ $1,297,918 $1,221,408 $70,312 $17,766 $(11,568) ========== ========== ======= ======= ========

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of $(5,920) and $(5,647) at June 30, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(5,648) and $413 at June 30, 2001 and December 31, 2000, respectively.

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
(UNAUDITED)

SIX MONTHS ENDED JUNE 30,	2001	2000
	(IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 50,826	$ 44,375
ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	119,552	95,974
Amortization of cable distribution fees	19,398	16,490
Amortization of program rights and film costs	359,131	294,026
Cumulative effect of accounting change	(1,901)	--
Non-cash compensation	3,345	4,185
Equity in losses of unconsolidated affiliates	10,009	5,015
Minority interest expense	108,068	122,462
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable	(41,189)	(25,112)
Inventories	16,802	6,012
Accounts payable	(60,255)	(1,089)
Accrued liabilities and deferred revenue	22,427	31,200
Payment for program rights and film costs	(423,595)	(332,891)
Increase in cable distribution fees	(16,933)	(27,296)
Other, net	(10,897)	15,004
NET CASH PROVIDED BY OPERATING ACTIVITIES	154,788	248,355
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(37,252)	(107,654)
Capital expenditures	(35,292)	(28,730)
Increase in long-term investments and notes receivable	(49,223)	(20,322)
Advance to Styleclick	--	(9,000)
Other, net	4,899	(2,224)
NET CASH USED IN INVESTING ACTIVITIES	(116,868)	(167,930)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	15,707	35,769
Intercompany	225,999	(86,768)
Payment of mandatory tax distribution to LLC partners	(30,737)	(118,169)
Principal payments on long-term obligations	(3,371)	(33,057)
Repurchase of LLC shares	(898)	(110,532)
Proceeds from issuance of LLC shares	60,026	208,100
Other	(5,824)	(7,550)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	260,902	(112,207)
Effect of exchange rate changes on cash and cash equivalents	(1,843)	978
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	296,979	(30,804)
Cash and cash equivalents at beginning of period	71,816	247,474
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 368,795	$ 216,670

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

(UNAUDITED)

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

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 July 27, 2000, the Company and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

The Company is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

The five principal areas of business are:

- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

- ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications.

- EMERGING NETWORKS, consists primarily of the cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com. an emerging Internet content and commence site.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2000.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

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.

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

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

FILM ACCOUNTING

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the six months ended June 30, 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.

GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002, and is presently in the process of evaluating the potential impacts of the new rules.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

The following unaudited pro forma condensed consolidated financial information for the six months ended June 30, 2000 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 are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 2000.

	SIX MONTHS ENDED JUNE 30, 2000
Net revenues..	$1,608,929
Net income..	32,046

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE THREE MONTHS ENDED MARCH 31, 2000:

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 5--INDUSTRY SEGMENTS

The Company operates principally in five industry segments: Cable and studios, Electronic retailing, Electronic commerce solutions, Styleclick and Emerging networks. The Cable and studios segment consists of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming. The Electronic-retailing segment consists of Home Shopping Network, America's Store, HSN International and HSN Interactive, including HSN.com, which are engaged in the sale of merchandise through electronic retailing. The Electronic commerce solutions segment primarily represents the Company's customer and e-care businesses. The Styleclick segment represents Styleclick, Inc., a facilitator of e-commerce websites and Internet enabled applications. The Emerging networks segment consists primarily of the cable television properties Trio

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)
and NewsWorld International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)		(IN THOUSANDS)	
REVENUE				
Cable and studios	$444,203	$390,688	$ 881,854	$ 769,641
Electronic retailing	455,726	398,048	910,801	818,265
Styleclick	2,438	5,792	6,457	12,409
Electronic commerce solutions	5,994	1,597	10,743	2,597
Emerging networks	6,179	3,709	12,341	4,271
	$914,540	$799,834	$1,822,196	$1,607,183
OPERATING PROFIT (LOSS)				
Cable and studios	$142,468	$111,190	$ 277,071	$ 221,977
Electronic retailing	12,332	21,515	26,405	51,527
Styleclick	(17,923)	(11,441)	(30,971)	(19,232)
Electronic commerce solutions	(8,737)	(4,026)	(15,327)	(7,949)
Emerging networks	(4,782)	(2,534)	(9,138)	(4,800)
Other	(8,248)	(15,015)	(18,013)	(23,850)
	$115,110	$ 99,689	$ 230,027	$ 217,673

NOTE 6--GUARANTEE OF NOTES

On November 23, 1998, USA and the USANi LLC 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, 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. The Company and its subsidiaries have no material restrictions on their ability to transfer amounts to fund USA's operations.

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
NET REVENUES				
Cable and Studios	$444,203	$390,688	$ 881,854	$ 769,641
Electronic retailing	455,726	398,049	910,801	818,265
Styleclick	2,438	5,791	6,457	12,409
Electronic commerce solutions	5,994	1,597	10,743	2,597
Emerging networks	6,179	3,709	12,341	4,271
Total net revenues	914,540	799,834	1,822,196	1,607,183
Operating costs and expenses:				
Cost of sales	303,911	262,332	613,845	542,876
Program costs	201,041	173,173	402,506	339,037
Selling and marketing	90,530	94,782	188,829	183,375
General and administrative	93,360	78,932	174,314	150,621
Other operating costs	35,948	31,228	70,380	56,952
Amortization of cable distribution fees	10,642	8,267	19,398	16,490
Amortization of non-cash compensation	833	3,195	3,345	4,185
Depreciation and amortization	63,165	48,236	119,552	95,974
Total operating costs and expenses	799,430	700,145	1,592,169	1,389,510
Operating profit	115,110	99,689	230,027	217,673
Other income (expense):				
Interest income	1,783	9,163	3,093	13,912
Interest expense	(10,118)	(10,651)	(16,306)	(18,478)
Other, net	(13,605)	(1,498)	(20,680)	(3,977)
	(21,940)	(2,986)	(33,893)	(8,543)
Earnings before income taxes and minority interest and cumulative effect of accounting change	93,170	96,703	196,134	209,130
Income tax expense	(6,217)	(5,951)	(11,804)	(10,963)
Minority interest	3,852	(1,969)	6,092	(4,265)
Earnings before cumulative effect of accounting change	90,805	88,783	190,422	193,902
Cumulative effect of accounting change	--	--	6,470	--
NET EARNINGS	$ 90,805	$ 88,783	$ 196,892	$ 193,902

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

USANI LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

JUNE 30, DECEMBER 31, 2001 2000 ---------- ------------ (IN THOUSANDS) ASSETS CURRENT ASSETS Cash and cash equivalents................................. $ 368,795 $ 71,816 Accounts and notes receivable, net of allowance of $75,369 and $50,646, respectively................................ 541,936 519,365 Inventories, net.. 380,927 396,523 Investments held for sale................................. 380 750 Other current assets, net................................. 29,507 18,024 ---------- ---------- Total current assets.................................. 1,321,545 1,006,478 PROPERTY, PLANT AND EQUIPMENT Computer and broadcast equipment.......................... 147,141 143,559 Buildings and leasehold improvements...................... 76,574 71,979 Furniture and other equipment............................. 84,740 76,623 Land.. 10,302 10,281 Projects in progress...................................... 32,339 32,747 ---------- ---------- 351,096 335,189 Less accumulated depreciation and amortization........... (115,326) (83,549) ---------- ---------- 235,770 251,640 OTHER ASSETS Intangible assets, net.................................... 5,062,626 5,099,476 Cable distribution fees, net.............................. 156,890 159,473 Long-term investments..................................... 30,374 29,187 Notes and accounts receivable, net ($40,585 and $22,575, respectively, from related parties)..................... 74,042 33,571 Inventories, net.. 449,931 430,215 Advances to USA and subsidiaries.......................... 709,650 918,817 Deferred charges and other, net........................... 42,124 44,011 ---------- ---------- $8,082,952 $7,972,868 ========== ========== LIABILITIES AND MEMBERS' EQUITY CURRENT LIABILITIES Current maturities of long-term obligations................. $ 35,128 $ 20,053 Accounts payable, trade................................... 147,688 201,484 Obligations for program rights and film costs.............. 257,411 283,812 Cable distribution fees payable........................... 34,886 33,598 Deferred revenue.. 59,618 41,335 Other accrued liabilities................................ 312,026 342,995 ---------- ---------- Total current liabilities............................... 846,757 923,277 LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES).......... 501,641 504,063 OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, NET OF CURRENT... 277,365 295,210 OTHER LONG-TERM LIABILITIES............................... 79,104 81,925 MINORITY INTEREST.. 16,866 28,662 COMMITMENTS AND CONTINGENCIES............................. -- -- MEMBERS' EQUITY Class A (259,816,682 and 252,679,887 shares, respectively).. 2,069,504 2,007,736 Class B (282,161,532 shares)............................ 2,978,635 2,978,635 Class C (45,774,708 shares)................................ 466,252 466,252 Retained earnings.. 862,138 695,986 Accumulated other comprehensive loss........................ (15,310) (8,878) ---------- ---------- Total members'

equity.................................... 6,361,219
6,139,731 ---------- ---------- $8,082,952 $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
(UNAUDITED)

ACCUMULATED OTHER CLASS A CLASS B CLASS C RETAINED COMPREHENSIVE TOTAL LLC SHARES LLC SHARES LLC SHARES EARNINGS INCOME ---------- ---------- ---------- ---------- -------- ------------ (IN THOUSANDS) 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 six months ended June 30, 2001.......... 196,892 -- -- -- 196,892 -- Foreign currency translation... (6,061) -- -- -- -- (6,061) Increase in unrealized gains in available for sale securities.................. (371) -- -- -- -- (371) Comprehensive income........... 190,460 Issuance of LLC shares related to option exercises.......... 60,026 60,026 -- -- -- -- Issuance of LLC shares related to other transactions........ 2,640 2,640 -- -- -- -- Repurchase of LLC shares....... (898) (898) -- -- -- -- Mandatory tax distribution to LLC partners................. (30,740) -- -- -- (30,740) -- ---------- ---------- ---------- -------- -------- -------- BALANCE AT JUNE 30, 2001....... $6,361,219 $2,069,504 $2,978,635 $466,252 $862,138 $(15,310) ========== ========== ========== ======== ======== ========

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of $(9,662) and $(9,291) at June 30, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(5,648) and $413 at June 30, 2001 and December 31, 2000, respectively.

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

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

SIX MONTHS ENDED JUNE 30, ------------------- 2001 2000 -------- -------- (IN THOUSANDS) CASH FLOWS FROM OPERATING ACTIVITIES: Net earnings.. $196,892 $193,902 ADJUSTMENTS TO RECONCILE NET EARNINGS TO

NET CASH PROVIDED BY OPERATING ACTIVITIES: Depreciation and amortization............................ $119,552 95,974 Amortization of cable distribution fees.................. 19,398 16,490 Amortization of program rights and film costs............ 359,131 294,026 Cumulative effect of accounting change.................... (6,470) -- Non-cash compensation..................................... 3,345 4,185 Equity in losses of unconsolidated affiliates............ 10,009 5,015 Minority interest (benefit) expense...................... (6,092) 4,265 CHANGES IN CURRENT ASSETS AND LIABILITIES: Accounts receivable....................................... (41,189) (25,112) Inventories... 16,802 6,012 Accounts payable.. (60,255) (1,089) Accrued liabilities and deferred revenue.................. (4,910) (130) Payment for program rights and film costs................ (423,595) (332,891) Increase in cable distribution fees...................... (16,933) (27,296) Other, net... (10,897) 15,004 -------- -------- NET CASH PROVIDED BY OPERATING ACTIVITIES.................. 154,788 248,355 -------- -------- CASH FLOWS FROM INVESTING ACTIVITIES: Acquisitions, net of cash acquired......................... (37,252) (107,654) Capital expenditures..................................... (35,292) (28,730) Increase in long-term investments and notes receivable (49,223) (20,322) Advance to Styleclick.................................... -- (9,000) Other, net... 4,899 (2,224) -------- -------- NET CASH USED IN INVESTING ACTIVITIES...................... (116,868) (167,930) -------- -------- CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings.. 15,707 35,769 Intercompany.. 225,999 (86,768) Payment of mandatory tax distribution to LLC partners....... (30,737) (118,169) Principal payments on long-term obligations (3,371) (33,057) Repurchase of LLC shares................................... (898) (110,532) Proceeds from issuance of LLC shares...................... 60,026 208,100 Other... (5,824) (7,550) -------- -------- NET CASH USED IN (PROVIDED BY) FINANCING ACTIVITIES......... 260,902 (112,207) -------- -------- Effect of exchange rate changes on cash and cash equivalents.. (1,843) 978 -------- -------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS........ 296,979 (30,804) Cash and cash equivalents at beginning of period............ 71,816 247,474 -------- -------- CASH AND CASH EQUIVALENTS AT END OF PERIOD................. $368,795 $216,670 ======== ========

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

USANI LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

COMPANY FORMATION

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"), formerly known as HSN, Inc.

On July 27, 2000, the Company and Styleclick.com Inc., an enabler of e-commerce for manufacturers and retailers ("Styleclick.com"), completed the merger of Internet Shopping Network ("ISN") and Styleclick.com (the "Styleclick Transaction"). See Note 3.

COMPANY BUSINESS

The Company is a holding company, the subsidiaries of which are focused on the new convergence of entertainment, information and direct selling.

The five principal areas of business are:

-- CABLE AND STUDIOS, consisting of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming.

-- ELECTRONIC RETAILING, consisting primarily of HSN and America's Store, HSN International and HSN Interactive, including HSN.com.

-- ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.

-- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications.

-- EMERGING NETWORKS, consists primarily of the cable television properties Trio and News World International, which were acquired on May 19, 2000, and SciFi.com. an emerging Internet content and commence site.

BASIS OF PRESENTATION

The interim Condensed Consolidated Financial Statements and Notes thereto of the Company are unaudited and should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto for the twelve months ended December 31, 2000.

In the opinion of the Company, all adjustments necessary for a fair presentation of such Condensed Consolidated Financial Statements have been included. Such adjustments consist of normal recurring items. Interim results are not necessarily indicative of results for a full year. The interim Condensed Consolidated Financial Statements and Notes thereto are presented as permitted by the Securities and Exchange Commission and do not contain certain information included in the Company's audited Consolidated Financial Statements and Notes thereto.

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

FILM ACCOUNTING

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the six months ended June 30, 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.

GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002, and is presently in the process of evaluating the potential impacts of the new rules.

RECLASSIFICATIONS

Certain amounts in the prior years' consolidated financial statements have been reclassified to conform to the 2001 presentation, including all amounts charged to customers for shipping and handling, which are now presented as revenue.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

See the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (the "2000 Form 10-K") for a summary of all significant accounting policies.

NOTE 3--BUSINESS ACQUISITIONS

The following unaudited pro forma condensed consolidated financial information for the six months ended June 30, 2000 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 are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 2000.

	SIX MONTHS ENDED JUNE 30, 2000
Net revenues	$1,608,929
Net income	165,204

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2000:

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 5--INDUSTRY SEGMENTS

The Company operates principally in five industry segments: Cable and studios, Electronic retailing, Electronic commerce solutions, Styleclick, and Emerging networks. The Cable and studios segment consists of the cable networks USA Network and Sci Fi Channel and Studios USA, which produces and distributes television programming. The Electronic retailing segment consists of Home Shopping Network, America's Store, HSN International and HSN Interactive, including HSN.com, which are engaged in the sale of merchandise through electronic retailing. The Electronic commerce solutions segment primarily represents the Company's customer and e-care businesses. The Styleclick segment represents Styleclick, Inc., a facilitator of e-commerce websites and Internet enabled applications. The Emerging networks segment consists primarily of the cable television properties Trio and NewsWorld International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Revenue				
Cable and studios	$444,203	$390,688	$ 881,854	$ 769,641
Electronic retailing	455,726	398,048	910,801	818,265
Styleclick	2,438	5,792	6,457	12,409
Electronic commerce solutions	5,994	1,597	10,743	2,597
Emerging networks	6,179	3,709	12,341	4,271
	$914,540	$799,834	$1,822,196	$1,607,183

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
Operating profit (loss)				
Cable and studios	$142,468	$111,190	$ 277,071	$ 221,977
Electronic retailing	12,332	21,515	26,405	51,527
Styleclick	(17,923)	(11,441)	(30,971)	(19,232)
Electronic commerce solutions	(8,737)	(4,026)	(15,327)	(7,949)
Emerging networks	(4,782)	(2,534)	(9,138)	(4,800)
Other	(8,248)	(15,015)	(18,013)	(23,850)
	$115,110	$ 99,689	$ 230,027	$ 217,673

NOTE 6--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

On November 23, 1998, USA and the USANi LLC 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, 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.

The following tables present condensed consolidating financial information for the three and six months ended June 30, 2001 for (1) the Company, on a stand-alone basis, (2) the combined wholly owned Subsidiary Guarantors of the Company (3) the combined non-guarantor subsidiaries of the Company, and (4) 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 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 6--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (CONTINUED)

During 2000, in conjunction with the Styleclick Transaction, Styleclick became a non-guarantor.

	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	LLC CONSOLIDATED
BALANCE SHEET AS OF JUNE 30, 2001:					
Current assets	$ 401,532	$ 917,789	$ 2,224	$ --	$ 1,321,545
Property and equipment net	23,555	204,276	7,939	--	235,770
Goodwill and other intangible assets, net	--	4,970,526	92,100	--	5,062,626
Investment in subsidiaries	5,705,123	101,355	--	(5,806,478)	--
Other assets	1,079,155	1,799,047	10,567	(1,425,758)	1,463,011
TOTAL ASSETS	$7,209,365	$7,992,993	$112,830	$(7,232,236)	$ 8,082,952
Current liabilities	$ 27,798	$ 801,335	$ 17,624	$ --	$ 846,757
Long-term debt, less current portion	498,364	--	--	3,277	501,641
Other liabilities	321,984	371,536	13,373	(350,424)	356,469
Minority interest	--	12,191	--	4,675	16,866
Interdivisional equity	--	6,807,931	81,833	(6,889,764)	--
Stockholders' equity	6,361,219	--	--	--	6,361,219
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$7,209,365	$7,992,993	$112,830	$(7,232,236)	$ 8,082,952
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2001					
Revenue	$ --	$ 900,271	$ 14,269	$ --	$ 914,540
Operating expenses	(8,248)	(746,349)	(44,833)	--	(799,430)
Interest expense, net	--	(8,419)	84	--	(8,335)
Other income (expense), net	99,053	(5,743)	(7,844)	(99,071)	(13,605)
Provision for income taxes	--	(4,741)	(1,476)	--	(6,217)
Minority interest	--	(1,439)	--	5,291	3,852
NET EARNINGS (LOSS)	$ 90,805	$ 133,580	$(39,800)	$ (93,780)	$ 90,805
STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2001					
Revenue	$ --	$1,793,603	$ 28,593	$ --	$ 1,822,196
Operating expenses	(18,013)				

(1,491,450) (82,706) -- (1,592,169) Interest expense, net........................... 3,228 (16,736) 295 -- (13,213) Other income (expense), net..................... 205,207 (10,846) (9,816) (205,225) (20,680) Provision for income taxes...................... -- (8,128) (3,676) -- (11,804) Minority interest............................... -- (2,950) -- 9,042 6,092 ---------- ---------- -- ------ ----------- ----------- Income (loss) before cumulative effect on accounting change............................ 190,422 263,493 (67,310) (196,183) 190,422 Cumulative effect on accounting change.......... 6,470 6,470 -- (6,470) 6,470 ---------- ---------- -- ------ ----------- ----------- NET EARNINGS (LOSS)............................ 196,892 269,963 (67,310) (202,653) 196,892 ========== ========== ======== =========== =========== CASH FLOW FOR THE SIX MONTHS ENDED JUNE 30, 2001 Cash flows from operations...................... $ (15,384) $ 210,005 $(39,833) $ -- $ 154,788 Cash flows used in investing activities......... (1,343) (120,310) 4,785 -- (116,868) Cash flows from financing activities............ 335,623 (92,720) 17,999 -- 260,902 Effect of exchange rate........................ (139) (1,704) -- -- (1,843) Cash at the beginning of the period............ 78,079 (22,574) 16,311 -- 71,816 ---------- ---------- -------- ----------- ----------- CASH AT THE END OF THE PERIOD.................. $ 396,836 $ (27,303) $ (738) $ -- $ 368,795 ========== ========== ======== =========== ===========