

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

USA NETWORKS, INC.
(Exact name of Registrant as Specified in its Charter)

DELAWARE	4833	59-2712887
(State or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

152 WEST 57TH STREET
NEW YORK, NEW YORK 10019
(212) 314-7300
(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

JULIUS GENACHOWSKI, ESQ.
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
USA NETWORKS, INC.
152 WEST 57TH STREET
NEW YORK, NEW YORK 10019
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(Name, Address, Including Zip Code, and Telephone Number, Including Area
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WITH COPIES TO:

PETER D. LYONS, ESQ. Shearman & Sterling 555 California Street Suite 2000 San Francisco, California 94104 (415) 616-1100	PAMELA S. SEYMON, ESQ. Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10019-6150 (212) 403-1000	RICHARD B. DODD, ESQ. Preston Gates & Ellis LLP 701 Fifth Avenue, Suite 5000 Seattle, Washington 98104 (206) 623-7580
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective and all other conditions to the acquisition of a controlling interest in Expedia, Inc. by the Registrant pursuant to the agreement and plan of recapitalization and merger described in the joint prospectus/proxy and information statement have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Post-Effective Amendment to the Registration Statement includes a joint prospectus/proxy and information statement supplement, which amends and supplements the joint prospectus/proxy and information statement dated November 13, 2001 of Expedia, Inc. and USA Networks, Inc. This supplement contains information regarding the agreement between Vivendi Universal, S.A. and USA to create a joint venture that will hold all of USA's entertainment businesses, which we refer to throughout this supplement as the "USA ENTERTAINMENT GROUP," as well as the businesses of Universal Studios Group.

[LOGO OF EXPEDIA, INC.]

January , 2002

Dear Shareholder:

We previously mailed to you a joint prospectus/proxy and information statement dated November 13, 2001 relating to the annual meeting of shareholders of Expedia, Inc. that was scheduled for December 17, 2001. One of the purposes of that meeting was to consider and vote on a number of proposals relating to the proposed merger of a wholly owned subsidiary of USA Networks, Inc. into Expedia, with Expedia surviving as a public company controlled by USA. We refer to the merger as well as the transactions contemplated in connection with the merger collectively as the "USA/EXPEDIA MERGER."

On December 17, 2001, prior to the time of the annual meeting, USA announced that it had entered into an agreement with Vivendi Universal, S.A. Under that agreement, USA agreed to contribute its entertainment businesses to a joint venture that would also hold the businesses of Universal Studios Group. Upon completion of the USA/Vivendi Universal transaction, which is expected to occur following consummation of the USA/ Expedia merger, USA will be renamed "USA Interactive" and will be focused on integrating interactive assets across multiple lines of business. After giving effect to both transactions, USA's businesses would consist of Expedia, Home Shopping Network (including HSN International and HSN Interactive), Ticketmaster (Nasdaq: TMCS), which operates Citysearch and Match.com, Hotel Reservations Network (Nasdaq: ROOM), Electronic Commerce Solutions, Styleclick (Nasdaq: IBUY), and Precision Response Corporation. Although the USA/ Vivendi Universal transaction is subject to limited conditions and is not expected to close until spring of 2002, we determined that the Expedia shareholders should be made aware of this development prior to voting on the proposals related to the USA/Expedia merger. As a result, following the election of our directors at our annual meeting on December 17, 2001, we adjourned our annual meeting.

The annual meeting will reconvene on , 2002 at a.m., local time, at . At the reconvened annual meeting you will be asked to consider and vote upon all of the proposals previously described in the joint prospectus/proxy and information statement (other than the election of directors, which was completed on December 17, 2001). We are enclosing a supplement to the joint prospectus/proxy and information statement, which supplement provides important information about the USA/Vivendi Universal transaction.

The terms of the USA/Expedia merger remain as described in the joint prospectus/proxy and information statement mailed to you in November 2001. You will continue to have the choice of either (1) retaining your shares of Expedia common stock and in addition receiving warrants to acquire Expedia common stock, or (2) exchanging your shares of Expedia common stock for a package of USA securities consisting of USA common stock, USA cumulative convertible preferred stock and warrants to acquire USA common stock, subject to proration as described in the joint prospectus/proxy and information statement previously mailed to you. If you have not already made your election (or if you want to change your election), you may do so by following the instructions described on the election form and letter of transmittal included in the joint prospectus/proxy and information statement previously mailed to you and submitting those forms together with your certificates prior to the election deadline, which has been extended to 5:00 p.m., eastern time, on , 2002, the date of the reconvened Expedia annual meeting.

We have enclosed a proxy card with the supplement. If you have previously voted and do not wish to change your vote, your previous proxy will be voted as you directed. If you have not previously voted or wish to revoke or change your vote, please complete, date, sign and return the enclosed proxy card before the reconvened annual meeting.

Please note that Microsoft Corporation, which beneficially owns 33,722,710 shares, or approximately 66%, of Expedia's common stock, has granted to USA or Expedia an irrevocable proxy to vote in favor of each of the proposals relating to the USA/Expedia merger to be presented at the reconvened annual meeting. The vote of Microsoft's shares is sufficient to ensure approval of all these matters.

We thank you for your continuing support.

Sincerely,

/s/ Richard N. Barton

Richard N. Barton
CHIEF EXECUTIVE OFFICER

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED ANY OF THE USA SECURITIES OR EXPEDIA SECURITIES TO BE ISSUED IN THE USA/EXPEDIA MERGER, OR DETERMINED IF THIS JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT SUPPLEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE ILLEGAL.

This supplement to the joint prospectus/proxy and information statement is dated January , 2002. It is first being mailed to Expedia shareholders on or about January , 2002.

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INTRODUCTION

EXCEPT AS DESCRIBED IN THIS SUPPLEMENT, THE INFORMATION WE PROVIDED IN THE JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT THAT WE PREVIOUSLY MAILED TO YOU CONTINUES TO APPLY. TO THE EXTENT INFORMATION IN THIS SUPPLEMENT DIFFERS FROM OR CONFLICTS WITH INFORMATION CONTAINED IN THE JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT, THIS SUPPLEMENT SUPERCEDES AND REPLACES THE INFORMATION IN THE JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT. IF YOU NEED ANOTHER COPY OF THE JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT, PLEASE CALL OUR PROXY SOLICITOR, MACKENZIE PARTNERS, INC. AT (800) 322-2885 (TOLL-FREE).

QUESTIONS & ANSWERS ABOUT THE USA/EXPEDIA MERGER AND THE USA/VIVENDI UNIVERSAL TRANSACTION

Q: WHY WAS THE ANNUAL MEETING OF EXPEDIA SHAREHOLDERS ADJOURNED WITHOUT A VOTE OF THE EXPEDIA SHAREHOLDERS ON THE PROPOSALS RELATING TO THE USA/EXPEDIA MERGER?

A: On December 17, 2001, shortly before the time of the annual meeting, USA publicly announced its proposed transaction with Vivendi Universal. Expedia determined that it would be appropriate to adjourn the annual meeting's consideration of, and vote on, the proposals relating to the USA/Expedia merger to give Expedia shareholders the opportunity to receive additional information about and to consider this development.

Q: WHAT HAS CHANGED IN THE EXPEDIA/USA MERGER?

A: There have been no changes in the terms of the USA/Expedia merger since you received the joint prospectus/proxy and information statement dated November 13, 2001, other than the changes in timing as described in this supplement. You are still being asked to vote on the USA/Expedia merger and to make an election as to whether to exchange your shares of Expedia common stock for the package of USA securities or to remain as a shareholder of Expedia and receive warrants to acquire additional shares of Expedia common stock.

Q: HOW DOES THE USA/VIVENDI UNIVERSAL TRANSACTION AFFECT ME?

A: You now have until 5:00 p.m., eastern time, on _____, 2002 to complete your election form with regard to the USA/Expedia merger.

If you elect to receive the package of USA securities in the USA/Expedia merger, you will become a USA stockholder. If you continue to own USA shares at the time of the USA/Vivendi Universal transaction, your shares will effectively represent a larger equity interest in a smaller company since USA will have contributed all of its entertainment businesses, which we refer to as the "USA ENTERTAINMENT GROUP," to the joint venture with Vivendi Universal, and USA will have cancelled approximately 320.9 million shares of USANi LLC, which are exchangeable for USA common stock. Following the USA/Vivendi Universal transaction, USA will be a company focused on integrating interactive assets across multiple lines of business and its businesses will consist of Expedia (if the USA/Expedia merger is consummated), Home Shopping Network (including HSN International and HSN Interactive), Ticketmaster (Nasdaq: TMCS), which operates Citysearch and Match.com, Hotel Reservations Network (Nasdaq: ROOM), Electronic Commerce Solutions, Styleclick (Nasdaq: IBUY) and Precision Response Corporation.

If you do not elect to receive the package of USA securities in the USA/Expedia merger, you will not be affected by the USA/Vivendi Universal transaction. You will remain as a shareholder of Expedia and will receive warrants to acquire Expedia common stock in the USA/Expedia merger.

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Q: WHAT WILL HAPPEN TO MY USA SECURITIES I RECEIVE IN THE USA/EXPEDIA MERGER AS A RESULT OF THE USA/VIVENDI UNIVERSAL TRANSACTION?

A: Nothing will happen to the USA securities that you receive in the USA/Expedia merger as a result of the USA/Vivendi Universal transaction. Your shares of USA common stock, USA preferred stock and USA warrants outstanding immediately prior to the transaction will continue to remain outstanding following the transaction.

Q: WHAT WILL HAPPEN IF THE USA/VIVENDI UNIVERSAL TRANSACTION DOES NOT CLOSE?

A: If you elect to receive the package of USA securities and the USA/Vivendi Universal transaction does not close, you will continue to own USA securities, and USA will continue in existence in its present form, without regard to the changes described in this supplement.

Q: WILL USA SHAREHOLDERS HAVE THE OPPORTUNITY TO VOTE ON THE USA/VIVENDI UNIVERSAL TRANSACTION?

A: Yes. The affirmative vote of at least 66 2/3% of the outstanding USA voting stock that is not owned by Vivendi Universal, Liberty Media Corporation, Mr. Barry Diller or any of their affiliates will be required to approve the USA/Vivendi Universal transaction. Immediately following the consummation of the USA/Expedia merger, the former Expedia shareholders who have received USA securities in the merger will own between 14.5% and 15.9% of the outstanding USA voting stock that is not owned by Vivendi Universal, Liberty Media, Mr. Diller or any of their affiliates.

Q: WILL I BE ENTITLED TO VOTE ON THE USA/VIVENDI UNIVERSAL TRANSACTION?

A: If the USA/Expedia merger is consummated and you elected to receive USA securities in the merger and continue to hold those securities received as of the record date for the vote on the USA/Vivendi Universal transaction, you will be entitled to vote. Each share of USA common stock will be entitled to one vote per share and each share of USA preferred stock will be entitled to two votes per share. It is contemplated that USA will designate as the record date for the purpose of determining the USA stockholders entitled to vote on the USA/Vivendi Universal transaction a date following the anticipated date of the closing of the USA/Expedia merger.

Q: WHEN WILL THE USA/VIVENDI UNIVERSAL TRANSACTION OCCUR?

A: Because the transaction is subject to limited conditions, including USA stockholder approval, USA expects to complete the USA/Vivendi Universal transaction sometime during the spring of 2002, which is after the date we anticipate completing the USA/Expedia merger.

Q: IS THE RECORD DATE FOR THE RECONVENED EXPEDIA ANNUAL MEETING DIFFERENT FROM THE RECORD DATE FOR THE EXPEDIA ANNUAL MEETING?

A: No, the record date for the reconvened meeting continues to be October 15, 2001.

Q: WHAT DO I NEED TO DO NOW?

A: SEND IN YOUR PROXY CARD IF YOU HAVE NOT ALREADY DONE SO: If you already have delivered a properly executed proxy, you do not need to do anything unless you wish to change your vote. If you are a registered holder as of the record date and you have not already delivered a properly executed proxy, or if you wish to change your vote, please complete, sign and date the enclosed proxy card and return it in the accompanying prepaid envelope to ensure that your shares will be represented at the reconvened annual meeting. If your shares are held in "street name" by your broker, and you have not already delivered a properly executed proxy, or wish to change your vote, you should instruct your broker how to vote your shares by following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted (which will have the effect of voting against the USA/Expedia merger).

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SEND IN YOUR ELECTION FORM AND LETTER OF TRANSMITTAL AND EXPEDIA STOCK CERTIFICATES ONLY IF YOU HAVE NOT ALREADY DONE SO AND WANT TO RECEIVE USA SECURITIES IN THE USA/EXPEDIA MERGER OR IF YOU WANT TO REVOKE YOUR PREVIOUSLY MADE ELECTION: If you hold Expedia common stock and you wish to receive the package of USA securities in the merger, you must elect to exchange some or all of your shares of Expedia common stock for shares of Expedia Class B common stock in the recapitalization. If you have not already made your election, you must complete the election form and letter of transmittal included in the joint prospectus/proxy and information statement dated November 13, 2001 and submit the election form and letter of transmittal with the stock certificates covered by the election by the new election deadline of 5:00 p.m., eastern time, on _____, 2002, the date the Expedia annual meeting will be reconvened.

Please note that because Expedia will only issue a maximum of 37,500,000 shares of Expedia Class B common stock in the recapitalization, even if you make a valid election to receive Expedia Class B common stock, you may not receive shares of Expedia Class B common stock for all of the shares of Expedia common stock surrendered with the election form and letter of transmittal. You will, however, receive your proportional allocation, as further described in the joint prospectus/proxy and information statement previously mailed to you.

Q: WHAT IS THE DEADLINE FOR MAKING AN ELECTION TO EXCHANGE MY SHARES OF EXPEDIA COMMON STOCK FOR SHARES OF EXPEDIA CLASS B COMMON STOCK?

A: The deadline has been extended to 5:00 p.m., eastern time, on _____, 2002, the date of the reconvened Expedia annual meeting. You can call our proxy solicitor, MacKenzie Partners, Inc., toll-free at (800) 322-2885, for the final average trading price of USA common stock during the ten-day pricing period that ends on the second trading day prior to the date of the reconvened annual meeting.

Q: WHAT DO I DO IF I WANT TO CHANGE MY VOTE AND/OR REVOKE MY ELECTION?

A: You can change your vote by delivering a later-dated, signed proxy card to Expedia's secretary before the Expedia annual meeting is reconvened, or by attending the annual meeting and voting in person. You may change your election by delivering a later-dated, signed election form and letter of transmittal (together with Expedia stock certificates, or other documentation, as required) to Mellon Investor Services, the exchange agent for the USA/Expedia merger, prior to the new election deadline. If you revoke an earlier made election, your Expedia stock certificates will be returned to you by the exchange agent. If, however, you are an Expedia warrant holder or option holder, you cannot revoke your exercise of the warrant or option. You can only revoke your election to exchange the shares of Expedia common stock that you receive upon exercise of your warrant or option for shares of Expedia Class B common stock.

Q: WHOM CAN I CALL WITH QUESTIONS OR TO REQUEST ADDITIONAL COPIES OF DOCUMENTS?

A: If you have any questions about the USA/Expedia merger or the USA/Vivendi

Universal transaction, or would like copies of the joint prospectus/proxy and information statement or any of the other documents we refer to in this supplement, please call MacKenzie Partners, Inc., the proxy solicitor, at (800) 322-2885.

THE USA/VIVENDI UNIVERSAL TRANSACTION

GENERAL

On December 17, 2001, USA announced that it had entered into an agreement with Vivendi Universal pursuant to which USA would contribute the USA Entertainment Group to a joint venture with Vivendi Universal, which joint venture would also hold all of the businesses of Universal Studios Group. Mr. Diller would be Chairman and chief executive officer of the joint venture as well as of USA. Upon consummation of the USA/Vivendi Universal transaction, the joint venture would be controlled by Vivendi Universal and its subsidiaries, with the common interests owned 93.06% by Vivendi Universal, 5.44% by USA and its affiliates and 1.5% by Mr. Diller. In exchange for its contribution, USA would receive:

- approximately \$1.62 billion in cash structured to be tax deferred for 15 years;
- a \$750 million face value Class A preferred interest in the joint venture, accruing at an annual rate of 5.0%, which preferred interest has a 20-year term and will be settled at maturity at its then face value for cash;
- a \$1.75 billion face value Class B preferred interest in the joint venture, accruing at an annual rate of 1.4% and providing for cumulative cash distributions at a rate of 3.6% per annum. The Class B preferred interest would be callable and puttable commencing on the 20th anniversary of completion of the USA/Vivendi Universal transaction for up to approximately 56.6 million shares of USA common stock and USA Class B common stock held by Vivendi Universal and its affiliates. At the election of Vivendi Universal, USA common stock to be received by USA pursuant to the put or call can be substituted with cash equal to the market value of such shares; and
- a 5.44% common interest in the joint venture, which is generally callable by Vivendi Universal commencing on the 5th anniversary, and puttable by USA commencing on the eighth anniversary, of completion of the USA/Vivendi Universal transaction, in either case at an "appraised value" for cash or Vivendi Universal shares, at Vivendi Universal's election.

In addition, approximately 320.9 million shares of USANi LLC, a subsidiary of USA (which shares are exchangeable on a one-for-one basis into shares of USA common stock or USA Class B common stock and represent approximately 43.4% of USA's outstanding common stock, assuming full exchange of USA Class B common stock and exchangeable subsidiary equity, including USANi LLC), currently owned by Vivendi Universal or Liberty Media Corporation will be cancelled in connection with the transaction. As a result, and after giving effect to the exchange of the remaining shares of USANi LLC held by Liberty Media into shares of USA common stock, USANi LLC will be wholly owned by USA and its subsidiaries. USA has also agreed to issue to Vivendi Universal at the completion of the USA/Vivendi Universal transaction warrants to acquire 60,467,735 shares of USA Common Stock, comprised of (a) 24,187,094 warrants at an exercise price of \$27.50, (b) 24,187,094 warrants at an exercise price of \$32.50 and (c) 12,093,547 warrants at an exercise price of \$37.50. All of the warrants would have a term of ten years and would not be exercisable during the first six months after their issuance.

USA AFTER THE USA/VIVENDI UNIVERSAL TRANSACTION

USA INTERACTIVE

Upon completion of the USA/Vivendi Universal transaction, USA will be renamed "USA Interactive" and will be a leader in integrated interactivity focused on integrating interactive assets across multiple lines of business. USA's businesses will consist of Home Shopping Network (including

HSN International and HSN Interactive), Ticketmaster (Nasdaq: TMCS), which operates Citysearch and Match.com, Hotel Reservations Network (Nasdaq: ROOM), Electronic Commerce Solutions, Styleclick (Nasdaq: IBUY), Precision Response Corporation, and following completion of the USA/ Expedia merger, Expedia.

After the completion of the USA/Vivendi Universal transaction, USA will no

longer be engaged in the general entertainment businesses, and the transaction agreements include a noncompetition provision, for a specified period, regarding USA's participation in businesses similar to those being contributed to the joint venture. We describe these provisions in this supplement below under "--Corporate Governance--Agreement Not to Compete with the Joint Venture." USA's business will be primarily focused on its electronic commerce and interactive/information service businesses, and USA expects that it will actively seek to grow those businesses, including through acquisitions. Any such acquisitions could involve the issuance of additional USA securities or cash or a combination of securities and cash. In addition, as described in this supplement, following the completion of the USA/Vivendi Universal transaction, USA generally will no longer be required to obtain the consent of Vivendi Universal, Liberty Media or Mr. Diller as USA stockholders for any such acquisitions regardless of the size of such acquisitions. USA is continually reviewing, and often in discussions with third parties regarding, such possible growth opportunities, including transactions in the online and offline travel services and commerce-related areas. As previously disclosed in the joint prospectus/proxy and information statement, it is possible that such transactions would involve entities that compete with the businesses of Expedia.

Following completion of the USA/Vivendi Universal transaction, USA will continue to be controlled by Mr. Diller, who will control between 68.1% and 68.4% of USA's voting power, including shares of USA common stock and Class B common stock held by Vivendi Universal, Liberty Media and their affiliates. However, there will be substantial changes to the governance and stockholders agreements among USA, Mr. Diller, Vivendi Universal and Liberty Media, as described below.

CORPORATE GOVERNANCE

In connection with the USA/Vivendi Universal transaction, each of the Governance Agreement and the Stockholders Agreement, which agreements were entered into in 1997 in connection with USA's original acquisition of the television production and distribution businesses and cable networks of Universal Studios, have been amended and restated. The amended and restated agreements will generally be effective upon the closing of the USA/Vivendi Universal transaction. Each of the amended and restated agreements have been filed as exhibits to USA's amended registration statement of which this supplement is a part.

AMENDED AND RESTATED GOVERNANCE AGREEMENT

GENERAL. On December 16, 2001, USA, Vivendi Universal, Universal, Liberty Media and Mr. Diller entered into an Amended and Restated Governance Agreement (the "AMENDED AND RESTATED GOVERNANCE AGREEMENT"). The Amended and Restated Governance Agreement will be effective as of the completion of the USA/Vivendi Universal transaction and sets forth restrictions on the acquisition of additional equity securities of USA and other conduct restrictions, in each case applicable to Vivendi Universal and its affiliates. In addition, the Amended and Restated Governance Agreement governs Vivendi Universal's and Liberty Media's rights of representation on USA's Board of Directors and Liberty Media's and Mr. Diller's rights to approve certain actions by USA. If the USA/Vivendi Universal transaction does not occur, the Governance Agreement currently in effect will continue in place without change.

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The Amended and Restated Governance Agreement eliminates preemptive rights held by Universal with respect to issuances of USA stock, but retains these rights for Liberty Media, as described in further detail below.

RESTRICTIONS ON UNIVERSAL'S ACQUISITION OF ADDITIONAL EQUITY SECURITIES AND OTHER CONDUCT RESTRICTIONS. Under the Amended and Restated Governance Agreement, Vivendi Universal agrees that neither it nor its affiliates will acquire the beneficial ownership of any additional equity securities of USA until such time (the "TRIGGER DATE") that the equity securities beneficially owned by Vivendi Universal and its affiliates represent less than 20% of the total equity securities of USA. Following the Trigger Date, Vivendi Universal will not acquire beneficial ownership of any additional equity securities of USA if following such acquisition Vivendi Universal and its affiliates would beneficially own equity securities that represent more than 20% of the total equity securities of USA. Notwithstanding any of the foregoing, Vivendi Universal and its affiliates may continue to beneficially own any shares of USA common stock currently owned by them and any shares of USA common stock issuable upon exercise of their USA equity securities. These restrictions will cease to apply upon the later of (a) the "CEO Termination Date" (as defined in the Amended and Restated Governance Agreement) or the date Mr. Diller becomes disabled and (b) the date following which Vivendi Universal ceases to have the right to appoint a director to the Board of Directors of USA.

During the same period, Vivendi Universal and its affiliates have agreed not

to: (a) act, alone or in concert with others, to seek to affect or influence the management, business or operations of USA; (b) enter into any kind of arrangement (E.G., a voting trust) with respect to the voting of equity securities of USA; (c) propose any merger or other business combination involving USA, PROVIDED that discussions to that effect are not prohibited if Mr. Diller participates; (d) make or participate in a solicitation of proxies to vote equity securities in USA; (e) act, alone or in concert with others, for the purpose of acquiring voting or selling equity securities in USA, or (f) request any amendment to or waiver of any of these covenants.

Except in connection with open market transactions, Vivendi Universal and its affiliates are not entitled to transfer to any single third party transferee, in the aggregate, 10% or more of the total equity securities of USA, unless Vivendi Universal and its affiliates cause such third party transferee to agree to the acquisition and conduct restrictions described above.

REPRESENTATION ON THE BOARD OF DIRECTORS AND CEO. Under the terms of the Amended and Restated Governance Agreement, immediately following the completion of the USA/Vivendi Universal transaction:

- the Board of Directors of USA will include the following Liberty Media designees: John C. Malone, Chairman of the Board of Directors of Liberty Media, and Robert R. Bennett, President and Chief Executive Officer of Liberty Media; and the following Vivendi Universal designees: Jean-Marie Messier, Chairman and Chief Executive Officer of Vivendi Universal, and Philippe Germond, Chairman and Chief Executive Officer of Cegetel;
- each of Liberty Media and Vivendi Universal will have the right to nominate up to two directors so long as the number of equity securities beneficially owned by it and its affiliates is at least equal to 75% of the number of equity securities beneficially owned by it and its affiliates immediately following the completion of the USA/Vivendi Universal transaction (so long as its and its affiliates ownership percentage is at least equal to the lesser of (x) 15% of the total equity securities of USA and (y) the percentage that is five percentage points less than the percentage of the total equity securities beneficially owned by it and its affiliates immediately following the completion of the USA/Vivendi Universal transaction);
- Liberty Media and Vivendi Universal each will have the right to nominate one director so long as it and its affiliates beneficially own a number of equity securities at least equal to 50% of the

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number of the equity securities beneficially owned by them immediately following the completion of the USA/Vivendi Universal transaction (so long as the ownership percentage of it and its affiliates is at least equal to, in the case of Liberty Media, 5% and, in the case of Vivendi Universal, 10% of the total equity securities of USA); and

- USA will use reasonable best efforts to cause one of Liberty Media's designees to be a member of a committee of USA's Board of Directors and, to the extent the person designated by Liberty Media qualifies as a member of the Compensation Committee of USA's Board of Directors under applicable tax and securities laws and regulations, USA will seek to have such person appointed to the Compensation Committee.

USA has agreed to cause each director that Vivendi Universal or Liberty Media nominates, as the case may be, to be included in the slate of nominees recommended by the Board of Directors to USA's stockholders for election as directors at each annual meeting of the stockholders of USA and will use all reasonable efforts to cause the election of each such director including soliciting proxies in favor of the election of such persons.

CONTINGENT MATTERS. The Amended and Restated Governance Agreement eliminates "fundamental matters," which were a list of actions that USA could not take without the prior written consent of Vivendi Universal, Liberty Media and Mr. Diller. As part of the USA/Vivendi Universal transaction, Vivendi Universal surrendered its consent right and each of Liberty Media and Mr. Diller have agreed to a significantly limited number of actions that require their prior consent before USA may take such action. Specifically, USA has agreed that neither USA nor its affiliates will take the following actions ("CONTINGENT MATTERS") without the prior approval of both Liberty Media and Mr. Diller:

- any transaction not in the ordinary course of business, launching new or additional channels or engaging in any new field of business which will result in or is reasonably likely to result in such stockholder's being required under law to divest itself of all or any part of its USA securities, or any material assets or render any such ownership illegal or

subject such stockholder to any fines, penalties or material additional restrictions or limitations, based only on the equity securities of USA or other material assets Liberty Media or Mr. Diller or any of their respective affiliates hold as of the completion of the USA/Vivendi Universal transaction; or

- if USA's Total Debt Ratio (as defined in the Amended and Restated Governance Agreement) equals or exceeds 4:1 over a twelve-month period, then (and only then) the following become additional Contingent Matters (currently "Fundamental Matters" requiring the approval of Liberty Media, Vivendi Universal and Mr. Diller under all circumstances under the Governance Agreement as currently in effect),
 - any combination of the following, in any case, in one transaction or a series of transactions during a six-month period, with a value of 10% or more of the market value of USA's outstanding equity securities at the time of such transaction:
 - (A) acquiring or disposing (including pledges) of any assets or business;
 - (B) granting or issuing any debt or equity securities of USA or any of its subsidiaries other than as contemplated by, among other things, existing agreements between USA, Vivendi Universal and Liberty Media;
 - (C) redeeming, repurchasing or reacquiring any debt or equity securities of USA or any of its subsidiaries other than as contemplated by, among other things, existing agreements between USA, Vivendi Universal and Liberty Media; or
 - (D) incurring any indebtedness;
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- voluntarily commencing any liquidation, dissolution or winding up of USA or any material subsidiary;
 - making any material amendments to the certificate of incorporation or bylaws of USA;
 - engaging in any line of business other than media, communications and entertainment products, services and programming, and electronic retailing, or other businesses engaged in by USA as of the date of determination of the Total Debt Ratio;
 - adopting any stockholder rights plan (or any other plan or arrangement that could reasonably be expected to disadvantage any stockholder on the basis of the size or voting power of its shareholding) that would adversely affect Liberty Media or Mr. Diller; or
 - entering into any agreement with any holder of USA's equity securities in such stockholder's capacity as such which grants such stockholder with approval rights similar in type and magnitude to the Contingent Matters provisions of the Amended and Restated Governance Agreement.

Liberty Media's right to approve Contingent Matters continues so long as Liberty Media beneficially owns at least two-thirds of the number of equity securities of USA beneficially owned by it immediately after the completion of the USA/Vivendi Universal transaction. Mr. Diller's right to approve Contingent Matters continues so long as Mr. Diller beneficially owns 20,000,000 shares of USA common stock (including options to purchase USA common stock, whether or not then exercisable), the CEO Termination Date has not occurred and Mr. Diller has not become disabled.

LIBERTY MEDIA'S PREEMPTIVE RIGHTS. Liberty Media (but not Vivendi Universal) will continue to have certain preemptive rights that entitle it to purchase or cause one of its affiliates to purchase for cash a number of shares so that Liberty Media shall maintain the identical percentage equity beneficial ownership in USA that Liberty Media owned immediately prior to that issuance.

REGISTRATION RIGHTS. Vivendi Universal, Liberty Media and Mr. Diller will continue to be entitled to customary registration rights with respect to shares of USA common stock (and in the case of Vivendi Universal, warrants to acquire USA common stock) owned by them as of the completion of the USA/Vivendi Universal transaction or acquired from USA in the future. Vivendi Universal, Liberty Media and Mr. Diller will be entitled to demand registration rights but no more than four in the case of Vivendi Universal and its affiliates, four in the case of Liberty Media, and three in the case of Mr. Diller. The costs of

such registration will be paid by USA. USA will not be required to register shares if a stockholder would be permitted to sell the shares in the quantities proposed to be sold at the time in one transaction under Rule 144 of the Securities Act or under another comparable exemption from registration.

TERMINATION OF AMENDED AND RESTATED GOVERNANCE AGREEMENT. Unless otherwise provided in the agreement, the Amended and Restated Governance Agreement terminates:

- as to Vivendi Universal at the time that it no longer beneficially owns at least 5% of the total equity securities of USA;
- as to Liberty Media at the time that it no longer beneficially owns at least 5% of the total equity securities of USA; and
- as to Mr. Diller at the time that the CEO Termination Date has occurred or the time he becomes disabled.

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AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

GENERAL. On December 16, 2001, Vivendi Universal, Universal, Liberty Media and Mr. Diller entered into an Amended and Restated Stockholders Agreement (the "AMENDED AND RESTATED STOCKHOLDERS AGREEMENT"), which will become effective at the completion of the USA/Vivendi Universal transaction and supersede the Stockholders Agreement among Universal, Liberty Media, Mr. Diller and Seagram, dated as of October 19, 1997. If the USA/Vivendi Universal transaction does not occur, the Stockholders Agreement currently in effect will continue in place without change.

CORPORATE GOVERNANCE. Vivendi Universal, Liberty Media and Mr. Diller each have agreed to vote against any Contingent Matter not approved by Mr. Diller and Liberty Media. Vivendi Universal, Liberty Media and Mr. Diller have also agreed to vote all USA securities over which they have voting control in favor of the respective designees of Vivendi Universal and Liberty Media to USA's Board of Directors.

Each of Vivendi Universal and Liberty Media will continue to grant to Mr. Diller an irrevocable proxy with respect to all USA securities owned by Vivendi Universal and Liberty Media for all matters, except, with respect to the proxy granted by Liberty Media, for Contingent Matters to which Liberty Media has not consented. The proxy will generally remain in effect until the earlier of the CEO Termination Date (as defined in the Amended and Restated Stockholders Agreement) or the date that Mr. Diller becomes disabled, PROVIDED that Mr. Diller still owns at least 20,000,000 shares of USA common stock (including options).

RESTRICTIONS ON TRANSFERS. Until the earlier of the CEO Termination Date or such date that Mr. Diller becomes disabled, subject to the other provisions of the Amended and Restated Stockholders Agreement, neither Liberty Media nor Mr. Diller can transfer shares of USA common stock or USA Class B common stock, other than:

- transfers by Mr. Diller to pay taxes relating to certain USA incentive compensation and stock options;
- transfers to each party's respective affiliates;
- certain pledges relating to financings; and
- transfers of options or USA's stock in connection with "cashless exercises" of Mr. Diller's options.

These restrictions are subject to a number of exceptions (which exceptions are generally subject to the rights of first refusal as described below):

- either stockholder may transfer shares of USA common stock or USA Class B common stock to an unaffiliated third party or Vivendi Universal subject to tag-along rights described below;
- either stockholder may transfer USA common stock or USA Class B common stock so long as, in the case of Mr. Diller, he continues to beneficially own at least 4,400,000 shares of USA common stock or USA Class B common stock (including stock options) and, in the case of Liberty Media, Liberty Media continues to beneficially own 4,000,000 shares of USA securities, and in the case of a transfer of an interest in or shares of USA common stock or USA Class B common stock held by the BDTV entities (which are entities in which the economic interests are held by Liberty Media and the voting interests are held by Mr. Diller), after such transfer, Liberty Media and Mr. Diller collectively control 50.1% of the total voting power

of USA; or

- either stockholder may transfer USA stock so long as it complies with the requirements of Rule 144 or Rule 145 and, in the case of a transfer of an interest in or shares of USA common stock or USA Class B common stock held by the BDTV Entities, after such transfer, Liberty Media and Mr. Diller collectively control 50.1% of the total voting power of USA.

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TAG-ALONG RIGHTS AND RIGHTS OF FIRST REFUSAL. Mr. Diller and Liberty Media are entitled to a right to "tag-along" (I.E., participate on a pro rata basis) on sales of USA common stock or USA Class B common stock by the other to any third party. Liberty Media's tag-along right will not be triggered in case of (a) sales by Mr. Diller of an aggregate of not more than 4,000,000 USA shares within any rolling 12-month period, (b) transfers by Mr. Diller to pay taxes relating to certain USA incentive compensation and stock options or transfers in connection with "cashless exercises" of Mr. Diller's options, (c) market sales or (d) sales and transfers when Mr. Diller is no longer CEO.

Mr. Diller has a right of first refusal with respect to sales by Universal and its affiliates of USA shares. Such right will not be triggered in case of (a) transfers between affiliates of Vivendi Universal, (b) market sales, in aggregate, of not more than 1,000,000 USA shares within any rolling 12-month period, and (c) transfers of an aggregate of not more than 4,000,000 USA shares within any rolling 12-month period. Liberty Media also has a substantially similar right of first refusal on the sales of USA shares by Vivendi Universal and its affiliates, subject to Mr. Diller's right of first refusal.

Each of Mr. Diller and Liberty Media is entitled to a right of first refusal in the case of a transfer by the other of USA shares to a third-party unless (a) such third-party is an affiliate of the selling stockholder, (b) not more than 4,000,000 USA shares in aggregate are transferred within any rolling 12-month period or (c) not more than 1,000,000 USA shares are transferred within any rolling 12-month period through market sales.

TRANSFERS OF SHARES OF USA CLASS B COMMON STOCK. If a party to the Amended and Restated Stockholders Agreement proposes to transfer shares of USA Class B Common Stock, the other parties are entitled to swap any shares of USA common stock they own for those shares, Mr. Diller having the priority over Liberty Media in case of transfers made by Vivendi Universal. To the extent there remain shares of USA Class B common stock that the selling stockholder would otherwise transfer to a third party, those shares must be converted into shares of USA common stock prior to the transfer. This restriction does not apply to, among other transfers, transfers among the parties and their affiliates.

TERMINATION OF AMENDED AND RESTATED STOCKHOLDERS AGREEMENT. Vivendi Universal's rights and obligations under the Amended and Restated Stockholders Agreement generally terminate at such time as Vivendi Universal no longer beneficially owns at least 5% of the total equity securities of USA.

Mr. Diller's and Liberty Media's rights under the Amended and Restated Stockholders Agreement generally terminate at such time as, in the case of Mr. Diller, he no longer beneficially owns at least 4,400,000 USA shares and, in the case of Liberty Media, 4,000,000 USA shares. Liberty Media's tag-along rights terminate at such time as it and its affiliates cease to beneficially own at least 5% of the outstanding USA shares.

Mr. Diller's rights under the Amended and Restated Stockholders Agreement generally terminate if the CEO Termination Date has occurred or if Mr. Diller has become disabled.

AGREEMENT NOT TO COMPETE WITH THE JOINT VENTURE

In connection with the USA/Vivendi Universal transaction, each of USA and Mr. Diller agreed, following the completion of the USA/Vivendi Universal transaction, not to compete with the joint venture on the following terms:

- subject to certain exceptions, USA may not engage in the "Business," as described below, acquire any interest in any person engaged in the Business, solicit, recruit or hire employees of the joint venture or the businesses being contributed to the joint venture or solicit or encourage employees of the joint venture or the businesses being contributed to the joint venture to leave their employment, in each case, for a period commencing with the completion of the USA/Vivendi Universal transaction through the later of (1) 18 months from the completion of the USA/Vivendi Universal transaction and (2) six months after the date that Mr. Diller ceases

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to be the chief executive officer of the joint venture; PROVIDED that the restrictions will cease to apply if at any time after 18 months from the completion of the USA/Vivendi Universal transaction Mr. Diller ceases to be the chief executive officer or another officer of USA but remains the chief executive officer of the joint venture or Mr. Diller resigns as chief executive officer of the joint venture for "good reason" or is terminated without "cause," each as defined in the transaction agreement; and

- subject to certain exceptions, Mr. Diller may not engage in the Business, acquire any interest in any person engaged in the Business, solicit, recruit or hire employees of the joint venture or the businesses being contributed to the joint venture or solicit or encourage employees of the joint venture or the businesses being contributed to the joint venture to leave their employment, in each case, for a period commencing with the completion of the USA/Vivendi Universal transaction through the earlier of (1) the later of 18 months from the completion of the USA/Vivendi Universal transaction and six months after the date that Mr. Diller ceases to be the chief executive officer of the joint venture and (2) three years after the completion of the USA/Vivendi Universal transaction; PROVIDED that the restrictions will cease to apply if at any time after 18 months from the completion of the USA/Vivendi Universal transaction Mr. Diller resigns as chief executive officer of the joint venture for "good reason" or is terminated without "cause".

For purposes of the non-compete, the "Business" is defined to mean the operation, programming or delivery of any general or genre-based entertainment television channel (irrespective of how such channel is delivered to the customer, including delivery by cable, satellite, the internet or other technologies), the production and distribution of entertainment television programming and feature films and any other business to be contributed to the partnership as of the completion of the USA/Vivendi Universal transaction, including any reasonably foreseeable entertainment-focused extensions of such businesses after the closing date that are programming or film-oriented, other than in a transactional context. The term "Business" expressly does not include, however, (1) television channels (irrespective of how such channel is delivered to the customer, including delivery by cable, satellite, the internet or other technologies) which are consumer transaction-oriented, such as Home Shopping Network, America's Store and USA's planned travel network or which provide informational services which lend themselves to commerce (such as Travel Channel, Home & Garden Television, the Food Network, and Do It Yourself) or which otherwise serve as a means of introducing, starting or promoting transactional services, including transaction-oriented television channels whose primary focus is the provision of electronic retailing, auction services or gaming/gambling services or (2) electronic commerce and retailing, information and services.

CORPORATE OPPORTUNITIES

The USA/Vivendi Universal transaction agreements also include provisions relating to corporate opportunities that govern the relationship of USA and its officers and directors, on the one hand, and the joint venture and its affiliates, on the other hand. These corporate opportunity provisions are substantially similar to those contained in the proposed Amended and Restated Articles of Incorporation of Expedia, which are described under "Proposal No. 2--Amendment and Restatement of Expedia's Articles of Incorporation--Conduct of Certain Affairs of Expedia--Corporate Opportunity" in the joint prospectus/proxy and information statement, except that they are subject to USA's and Mr. Diller's agreement not to compete with the joint venture as described immediately above.

USA has filed the transaction agreements relating to the USA/Vivendi Universal transaction as exhibits to its Form 8-K filed on December 18, 2001. See "Where You Can Find More Information" to obtain copies of these agreements.

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WE ARE NOT SOLICITING YOUR VOTE ON THE USA/VIVENDI UNIVERSAL TRANSACTION, NOR IS THE CONSUMMATION OF THE USA/EXPEDIA MERGER CONDITIONED UPON THE CONSUMMATION OF THE USA/VIVENDI UNIVERSAL TRANSACTION. IF THE USA/EXPEDIA MERGER IS CONSUMMATED AND YOU ELECT TO RECEIVE THE PACKAGE OF USA SECURITIES, AND YOU CONTINUE TO HOLD YOUR USA SHARES AS OF THE RECORD DATE TO BE ESTABLISHED IN THE FUTURE FOR DETERMINING THE USA STOCKHOLDERS ENTITLED TO VOTE ON THE USA/VIVENDI UNIVERSAL TRANSACTION, YOU, AS A STOCKHOLDER OF USA, WILL RECEIVE MORE DETAILED INFORMATION, INCLUDING A PROXY STATEMENT SOLICITING YOUR VOTE, FROM USA IN ORDER TO EVALUATE YOUR VOTING DECISION WITH RESPECT TO THE USA/VIVENDI UNIVERSAL TRANSACTION.

OTHER INTERESTS OF OFFICERS AND DIRECTORS IN THE TRANSACTIONS

In addition to the interests of officers and directors described in the

joint prospectus/proxy and information statement dated November 13, 2001, since the joint prospectus/proxy and information statement was mailed to you, the Compensation Committee of USA granted options to acquire USA common stock, which included grants to Expedia executives. Specifically, USA granted, effective upon completion of the USA/Expedia merger, to Messrs. Barton, Stanger, Bishop, Breakwell and Slyngstad options to acquire 100,000, 70,000, 30,000, 30,000 and 30,000 shares of USA common stock, respectively. USA also granted, effective upon completion of the USA/Expedia merger, options to acquire 30,000 shares of USA common stock to each of four other executive officers of Expedia. All of the options will vest in four equal installments on the first four anniversaries of the closing, and the per share exercise price of each option will be the closing sales price of USA common stock on the last market trading day prior to completion of the merger.

OTHER RECENT DEVELOPMENTS

On December 21, 2001, Expedia and Microsoft Corporation entered into a second amended and restated services agreement whereby Microsoft will continue to provide Expedia with specified administrative and operational services. The material terms of this second amended and restated services agreement are as described in the joint prospectus/proxy and information statement dated November 13, 2001 under "Proposal No. 4--Election of Expedia Directors."

WHERE YOU CAN FIND MORE INFORMATION

USA and Expedia file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any reports, statements or other information we file at the SEC's public reference rooms in Washington, D.C., New York, New York, and Chicago, Illinois:

Public Reference Room 450 Fifth Street, N.W. Room 1024 Washington, D.C. 20549	New York Regional Office 2333 Broadway New York, New York 10279	Chicago Regional Office Citicorp Center, Suite 1400 500 West Madison Street Chicago, Illinois 60661-2511
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Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to you free of charge at the SEC's web site at www.sec.gov.

This joint prospectus/proxy and information statement supplement is part of a Registration Statement on Form S-4, as amended by post-effective Amendment No. 2, filed by USA to register with the SEC the USA common stock, USA preferred stock and USA warrants to be issued in the merger. This joint prospectus/proxy and information statement supplement is also part of a Registration Statement on Form S-4, as amended by post-effective Amendment No. 1, filed by Expedia to register with the SEC the Expedia Class B common stock to be issued in the recapitalization and the Expedia warrants to be issued in the merger.

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As allowed by SEC rules, this supplement does not contain all the information you can find in the Registration Statements or the exhibits to the Registration Statements.

The SEC allows us to "incorporate by reference" information into this supplement, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this supplement, except for any information superseded by information contained directly in this supplement. This supplement incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about our companies and their financial condition.

USA SEC FILINGS (FILE NO. 0-20570)	PERIOD/FILING DATE
Annual Report on Form 10-K	Year ended December 31, 2000
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2001, June 30, 2001 and September 30, 2001
Current Reports on Form 8-K	Filed on January 10, 2001, February 1, 2001, March 6, 2001, April 25, 2001, June 6, 2001, June 7, 2001, June 27, 2001, July 16, 2001, July 23, 2001, July 25, 2001, September 18,

2001, October 2, 2001, October 24, 2001, October 30, 2001, October 31, 2001, two filed on November 9, 2001, December 5, 2001, December 17, 2001, December 18, 2001 and January 8, 2002

Proxy Statement

Filed on April 9, 2001

EXPEDIA SEC FILINGS
(FILE NO. 000-27429)

Annual Report on Form 10-K and Form 10-K/A

Year ended June 30, 2001

Quarterly Reports on Form 10-Q

Quarter ended September 30, 2001

Current Reports on Form 8-K

Filed on July 19, 2001, July 27, 2001, October 23, 2001 and December 12, 2001

USA and Expedia also incorporate by reference into this supplement additional documents that may be filed with the SEC from the date of this supplement to the date of the reconvened Expedia annual meeting. These include period reports, such as annual reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

USA has supplied all information contained or incorporated by reference in this supplement relating to USA. Expedia has supplied all such information relating to Expedia and Microsoft has supplied all such information relating to Microsoft.

If you are an Expedia or USA shareholder, we may have sent you some of the documents incorporated by reference, but you can obtain any of them through us, the SEC or through the SEC's website as described above. Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this supplement. Shareholders may obtain documents incorporated by reference in this supplement by

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requesting them in writing or by telephone from the proxy solicitor or the appropriate company at the following addresses:

USA Networks, Inc.
152 West 57th Street
New York, New York 10019
Tel: (212) 314-7300
Attention: Corporate Secretary

Expedia, Inc.
13810 SE Eastgate Way, Suite 400
Bellevue, Washington 98005
Tel: (425) 564-7200
Attention: Corporate Secretary

[LOGO OF MACKENZIE PARTNERS, INC.]

156 Fifth Avenue
New York, NY 10010
(212) 929-5500 (collect)
(800) 322-2885 (toll-free)

If you would like to request documents from us, please do so by ,
2002 to receive them before the Expedia annual meeting is reconvened.

IF YOU ARE AN EXPEDIA SHAREHOLDER, YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THE JOINT PROSPECTUS/PROXY AND INFORMATION STATEMENT AND THIS SUPPLEMENT TO VOTE ON THE USA/EXPEDIA MERGER AND TO DECIDE WHETHER OR NOT TO MAKE AN ELECTION. INFORMATION CONTAINED ON THE WEBSITES OF USA AND/OR EXPEDIA IS NOT INCORPORATED IN THIS SUPPLEMENT, NOR SHOULD YOU RELY ON ANY INFORMATION CONTAINED THEREON TO DETERMINE HOW TO VOTE ON THE USA/EXPEDIA MERGER AND/OR WHETHER OR NOT TO MAKE AN ELECTION. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS SUPPLEMENT. THIS SUPPLEMENT IS DATED JANUARY , 2002. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND NEITHER THE MAILING OF THIS DOCUMENT TO SHAREHOLDERS NOR THE ISSUANCE OF USA COMMON STOCK, USA PREFERRED STOCK, USA WARRANTS, EXPEDIA CLASS B COMMON STOCK OR NEW EXPEDIA WARRANTS IN THE RECAPITALIZATION OR THE MERGER SHALL CREATE ANY IMPLICATION TO THE CONTRARY.

EXPERTS

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements and financial statement schedule of USA as set forth in

their report, included in USA Networks, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, which is incorporated by reference in this joint prospectus/proxy and information statement supplement. USA's consolidated financial statements and financial statement schedule are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

The consolidated financial statements and the related financial statement schedule incorporated in this joint prospectus/proxy and information statement supplement by reference from Expedia, Inc.'s Annual Report on Form 10-K for the year ended June 30, 2001, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This joint prospectus/proxy and information statement supplement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, benefits from new technology, plans and objectives of management, markets for stock of USA and Expedia and other matters. Statements in this document that are not historical facts are hereby identified as "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. Forward-looking statements, including, without limitation, those relating to the future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to USA and Expedia, wherever they occur in this supplement, are necessarily estimates reflecting the best judgement of the senior management of USA and Expedia, and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should, therefore, be considered in light of various important factors, including those set forth in this supplement. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include without limitation:

- material adverse changes in economic conditions generally or in the markets served by our companies;
- a significant delay in the expected closing of the transactions;
- material changes in inflation;
- future regulatory and legislative actions affecting our companies' operating areas;
- competition from others;
- product demand and market acceptance;
- the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms;
- the ability to expand into and successfully operate in foreign markets; and
- obtaining and retaining skilled workers and key executives.

The words "estimate," "project," "intend," "expect," "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this supplement and other documents incorporated in this supplement by reference, including, but not limited to, the December 31, 2000 Annual Report on Form 10-K of USA, including any amendments, and the June 30, 2001 Annual Report on Form 10-K of Expedia, including any amendments. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this supplement. Neither USA nor Expedia undertakes any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this supplement or to reflect the occurrence of unanticipated events.

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SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

SELECTED HISTORICAL FINANCIAL INFORMATION

USA

In the table below, USA provides you with selected historical consolidated financial data of USA. USA prepared this information using the consolidated financial statements of USA for each of the years in the five-year period ended December 31, 2000 and for the nine-month periods ended September 30, 2001 and 2000. The financial statements for each of the five years in the period ended December 31, 2000 have been audited by Ernst & Young LLP, independent auditors. The financial statements for the nine-month periods ended September 30, 2001 and 2000 have not been audited. USA has not declared any cash dividends on USA common stock.

When you read the selected historical financial information, you should consider reading along with it the historical financial statements and accompanying notes that USA has included in its December 31, 2000 Annual Report on Form 10-K. You can obtain this report by following the instructions we provide under "Where You Can Find More Information" on page 12.

As used in this document, the term "EBITDA" refers to net income plus (1) extraordinary items and cumulative effect of accounting changes, (2) provision for income taxes, (3) interest expense, (4) depreciation and amortization, (5) minority interest and (6) amortization of non-cash distribution and marketing expense and non-cash compensation expense. EBITDA is presented because USA believes it is a widely accepted indicator of its ability to service debt as well as a valuation methodology for companies in the media, entertainment and communication industries. EBITDA should not be considered in isolation or as a substitute for measures of financial performance or liquidity prepared in accordance with generally accepted accounting principles. EBITDA may not be comparable to calculations of similarly titled measures presented by other companies.

NINE MONTHS YEARS ENDED
 DECEMBER 31, ENDED SEPTEMBER
 30, -----

 ---- 1996(1) 1997(2) 1998(3)
 (4) 1999(5) 2000(6) 2000
 2001(7) -----

(DOLLARS IN THOUSANDS, EXCEPT
 PER SHARE DATA) STATEMENTS OF
 OPERATIONS DATA: Net

revenues.....
 \$ 36,361 \$1,377,145 \$
 2,759,896 \$3,371,745 \$
 4,601,492 \$ 3,285,634 \$
 3,943,457 Operating profit
 (loss)..... (564) 105,753
 249,904 269,914 56,326 162,127
 195,123 Earnings (loss) from
 continuing
 operations.....
 (1,572) 34,209 63,892 16,515
 (88,588) (26,291) (68,104)
 Earnings (loss) before
 cumulative effect of
 accounting change.... (6,539)
 13,061 76,894 (27,631)
 (147,983) (67,698) 449,743 Net
 earnings (loss).....
 (6,539) 13,061 76,894 (27,631)
 (147,983) (67,698) 440,556
 Basic earnings (loss) per
 common share from continuing
 operations(8).....
 (0.04) 0.16 0.22 0.05 (0.25)
 (0.07) (0.18) Diluted earnings
 (loss) per common share from
 continuing
 operations(8).....
 (0.04) 0.15 0.19 0.04 (0.25)
 (0.07) (0.18) Basic earnings
 (loss) per common share before
 cumulative effect of
 accounting change(8).....
 (0.15) 0.06 0.27 (0.08) (0.41)
 (0.19) 1.21 Diluted earnings
 (loss) per common share before
 cumulative effect of change of
 accounting
 change(8).....
 (0.15) 0.06 0.21 (0.08) (0.41)
 (0.19) 0.70 Basic net earnings
 (loss) per common
 share(8).....
 (0.15) 0.06 0.27 (0.08) (0.41)
 (0.19) 1.18 Diluted net
 earnings (loss) per common
 share(8).....
 (0.15) 0.06 0.21 (0.08) (0.41)
 (0.19) 0.69 BALANCE SHEET DATA
 (END OF PERIOD): Working
 capital (deficit)..... \$
 (24,444) \$ 60,941 \$ 443,408 \$
 381,046 \$ 602,588 \$ 515,666 \$
 1,247,221 Total
 assets.....
 2,116,232 2,670,796 8,316,190
 9,233,227 10,473,870
 10,611,093 11,687,907 Long-
 term obligations, net of
 current
 maturities.....
 271,430 448,346 775,683
 574,979 552,501 572,449
 545,584 Minority
 interest.....
 356,136 372,223 3,633,597
 4,492,066 4,817,137 4,941,036
 4,943,105 Stockholders'

equity..... 1,158,749
 1,447,354 2,571,405 2,769,729
 3,439,871 3,501,933 3,993,871

NINE MONTHS YEARS ENDED DECEMBER
 31, ENDED SEPTEMBER 30, -----

	1996(1)	1997(2)	1998(3)	(4)	1999(5)	2000(6)	2000	2001(7)

----- (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) OTHER DATA: Net cash provided by (used in) Operating								
activities.....	\$ 8,198	\$ 60,363	\$ 256,929	\$ 401,577	\$ 372,507	\$ 302,278	\$ 479,647	
Investing	activities.....	1,545	(83,043)	(1,201,912)	(413,968)	(524,556)	(362,501)	163,039
Financing	activities.....	16,308	105,156	1,297,654	55,948	58,346	57,810	64,334
operations.....	2,585	9,041	(20,488)	(66,260)	(82,563)	(54,382)	(48,058)	
Effect of exchange rate	changes.....	-- --	(1,501)	(123)	(2,687)	(4,133)	(3,426)	
EBITDA.....	2,295	198,372	496,612	627,745	809,491	567,885	676,881	

- (1) The consolidated statement of operations data include the operations of Savoy Pictures Entertainment, Inc. and Home Shopping Network, Inc. since their acquisition by USA on December 19, 1996 and December 20, 1996, respectively. Prior to USA's acquisition of USA Networks, referred to as Networks, which consisted of USA Network and The Sci-Fi Channel cable televisions networks, and the domestic television production and distribution business of Universal Studios, Inc., referred to as Studios USA, the assets of Home Shopping Network, Inc. consisted principally of USA's retail sales programs, Home Shopping Network and America's Store.
- (2) The consolidated statement of operations data include the operations of Ticketmaster since the acquisition by USA of its controlling interest in Ticketmaster on July 17, 1997.
- (3) The consolidated statement of operations data include the operations of Networks and Studios USA since the acquisition by USA from Universal on February 12, 1998 and CitySearch since its acquisition by USA on September 28, 1998.
- (4) Net earnings for the year ended December 31, 1998 include a pre-tax gain of \$74.9 million related to USA's sale of its Baltimore television station during the first quarter of 1998 and a pre-tax gain of \$109.0 million related to the CitySearch transaction during the fourth quarter of 1998.
- (5) The consolidated statement of operations data include the operations of Hotel Reservation Network, referred to as Hotel Reservations, since its acquisition by USA on May 10, 1999 and the operations of October Films and the domestic film distribution and development business of Universal, which was previously operated by Polygram Filmed Entertainment, referred to as USA Films, since their acquisition by USA on May 28, 1999. Net earnings for the year ended December 31, 1999 includes a pre-tax gain of \$89.7 million related to the sale of securities.
- (6) Includes a pre-tax gain of \$104.6 million related to the Styleclick

	----- Net			
loss.....				
	\$ (28,921)	\$ (29,478)	\$ (19,602)	\$ (118,315)
	\$ (78,053)	\$ (30,784)	\$ (4,750)	=====
	=====	=====	=====	=====
	Basic and diluted net loss per			
share.....	\$ (1.65)	\$ (0.69)	\$ (0.09)	
	=====	=====	=====	Pro forma basic and
	diluted net loss per share.....			
	\$ (0.59)	\$		
(3.11)	=====	=====	=====	Weighted average shares
	used to compute basic and diluted net loss per			
	common share.....			
	47,210	44,849		
	50,319	=====	=====	=====
	Weighted			
	average shares used to compute pro forma basic			
	and diluted net loss per common share.....			
	33,000	38,044	=====	=====
	BALANCE SHEET			
	DATA: Cash and cash			
equivalents.....	\$ --	\$ --	\$	
--	\$ 60,670	\$ 182,161	\$ 122,339	\$ 197,801
capital.....	658			
	4,814	1,390	20,122	96,147
				73,881
				108,616
	Total			
	assets.....			
	1,645	8,333	5,756	273,050
				389,844
				319,287
				369,780
	Unearned			
revenue.....	2,337			
	7,963	6,215	9,696	1,545
				24,486
				1,074
	Deferred			
	merchant bookings.....			
	--	--	--	--
-	14,424	80,326	--	62,457
	Long-term liabilities,			
	net of current portion.....			
	--	5,820	3,851	4,557
	1,303	1,560	--	Accumulated
deficit.....	(37,684)			
	(67,162)	(86,764)	--	--
	Retained			
deficit.....	--	--	--	--
-	(113,365)	(191,418)	(144,149)	(196,168)
	Total			
	stockholders' equity (owner's net			
	deficit).....			
	(721)	(92)	(1,675)	207,496
				230,999
				251,548
				234,751

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SELECTED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

In the two tables below, we provide you with two sets of unaudited selected pro forma combined condensed financial information for USA. The first set of unaudited selected pro forma combined condensed financial information assumes that the USA/Expedia merger had been completed on January 1, 2000 for income statement purposes and on September 30, 2001 for balance sheet purposes and assumes that the USA/Vivendi Universal transaction has not been completed. The second set of unaudited selected pro forma combined condensed financial information assumes that the transactions with Expedia and Vivendi Universal had been completed on January 1, 2000 for income statement purposes and on September 30, 2001 for balance sheet purposes.

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," provides that any goodwill resulting from a business combination completed subsequent to June 30, 2001 will not be amortized, but instead is required to be tested for impairment at least annually.

USA has not declared any cash dividends on USA common stock.

Expedia will account for the USA/Expedia merger as a recapitalization. Accordingly, the transaction will not significantly impact Expedia's financial information and no pro forma information for Expedia is deemed necessary.

This unaudited selected pro forma combined condensed financial information should be read in conjunction with the separate historical financial statements and accompanying notes of USA and Expedia that are incorporated by reference in this supplement. It is also important that you read the unaudited pro forma combined condensed financial information and accompanying discussion that we have included in this supplement starting on page F-9 under "Unaudited Pro Forma Combined Condensed Financial Statements." You should not rely on the unaudited selected pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the transactions had taken place earlier or of the results of operations or financial position of USA after the completion of the transactions.

USA/EXPEDIA

PRO FORMA ----- NINE MONTHS YEAR ENDED ENDED

DECEMBER 31, 2000		SEPTEMBER 30, 2001		----- (DOLLARS	
IN THOUSANDS, EXCEPT PER SHARE DATA) STATEMENT OF OPERATIONS DATA: Net					
revenues.....					\$
	4,829,688	\$	4,158,631	Operating profit	
(loss).....				(130,817)	
	171,636	Loss from continuing			
operations.....				(254,520)	(85,476)
	Earnings (loss) before cumulative effect of accounting				
change.....	(254,520)	432,371	Net loss before preferred		
dividend.....			(313,915)	423,184	Net
loss available to common shareholders.....					
	(326,974)	413,389	LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS		
Basic.....				(0.65)	(0.21)
Diluted.....					
	(0.65)	(0.21)	EARNINGS (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF		
			ACCOUNTING CHANGE		
Basic.....				(0.65)	1.08
Diluted.....					
	(0.65)	0.66	NET EARNINGS (LOSS) PER COMMON SHARE BEFORE PREFERRED DIVIDEND		
			EARNINGS		
Basic.....				(0.80)	1.05
Diluted.....					
	(0.80)	0.64	NET EARNINGS (LOSS) PER SHARE AVAILABLE TO COMMON SHAREHOLDERS		
Basic.....				(0.83)	1.03
Diluted.....					
	(0.83)	0.63	BALANCE SHEET DATA (END OF PERIOD) Working		
Capital.....					\$
			1,345,837	Total	
assets.....					
	13,508,491	Long-term obligations, net of current			
maturities.....			545,584	Minority	
interest.....					
	5,002,410	Stockholders'			
equity.....					5,610,121

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USA/EXPEDIA/VIVENDI UNIVERSAL

PRO FORMA ----- NINE		MONTHS YEAR ENDED ENDED DECEMBER 31, 2000		SEPTEMBER 30,	
2001 ----- (DOLLARS IN		THOUSANDS, EXCEPT PER SHARE DATA) STATEMENT OF OPERATIONS		Net	
Revenues.....					
	\$3,192,808	\$	2,730,879	Operating	
loss.....					
	(536,887)	(210,420)	Loss from continuing		
operations.....			(323,965)	(176,439)	
	Earnings (loss) before cumulative effect of accounting				
change.....					
	(383,360)	341,408	Net loss before preferred		
dividend.....			(383,360)	341,408	Net
loss available to common shareholders.....					
	(396,419)	331,613	LOSS PER COMMON SHARE FROM CONTINUING		
			OPERATIONS		
Basic.....				(0.81)	(0.43)
Diluted.....					
	(0.81)	(0.43)	EARNINGS (LOSS) PER COMMON SHARE BEFORE		
			CUMULATIVE EFFECT OF ACCOUNTING CHANGE		
Basic.....				(0.95)	0.84
Diluted.....					
	(0.95)	0.72	NET EARNINGS (LOSS) PER COMMON SHARE BEFORE		
			PREFERRED DIVIDEND EARNINGS		
Basic.....				(0.95)	0.84
Diluted.....					
	(0.95)	0.72	NET EARNINGS (LOSS) PER SHARE AVAILABLE TO		
			COMMON SHAREHOLDERS		
Basic.....				(0.99)	0.81
Diluted.....					
	(0.99)	0.70	ADJUSTED NET EARNINGS (LOSS) PER SHARE		
			AVAILABLE TO COMMON SHAREHOLDERS (A)		

Basic.....	(1.19) 0.91
Diluted.....	(1.19) 0.77
BALANCE SHEET DATA (END OF PERIOD) Working capital..... \$	
2,850,438 Total	
assets.....	
12,898,455 Long-term obligations, net of current maturities..... 545,184	
Minority interest..... 972,025	
Common stock exchangeable for preferred interest..... 1,347,646	
Stockholders' equity..... 7,382,974	

(A) Adjusted net earnings per share is calculated assuming that Vivendi Universal's remaining 56.6 million shares following completion of the USA/Vivendi Universal transaction are held in treasury for the purposes of determining shares outstanding. USA's \$1.75 billion face value Class B preferred interest in the new joint venture with Vivendi Universal is puttable and callable commencing on the 20th anniversary of the completion of the USA/Vivendi Universal transaction at its then accreted face value for up to 56.6 million USA shares held by Vivendi Universal. Upon exercise of the put or call, USA will cancel those shares. Note that if USA's share price exceeds \$41 per share, less than 56.6 million shares would be cancelled. For instance, at a share price of \$45, 51.4 million shares would be cancelled. At a share price of \$50, 46.2 million shares would be cancelled. At the election of Vivendi Universal, USA common stock to be received by USA pursuant to the put or call can be substituted with cash equal to the market value of such shares. If cash was substituted, it is USA's intention to repurchase shares with the proceeds.

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UNAUDITED COMPARATIVE PER SHARE DATA

In the table below, we provide you with historical per share financial information for USA as of September 30, 2001, June 30, 2001 and December 31, 2000 and for the twelve months ended December 31, 2000. We also provide you with historical per share financial information for Expedia as of September 30, 2001, June 30, 2001 and December 31, 2000, for the three months ended September 30, 2001 and for the twelve months ended June 30, 2001. Expedia and Vivendi Universal/Expedia pro forma per share financial information for USA is presented as of September 30, 2001 and for the twelve months ended December 31, 2001. The USA pro forma financial information assumes that the respective transactions had been completed on January 1, 2000 for income statement purposes and on September 30, 2001 for balance sheet purposes. Expedia will account for these transactions as a recapitalization. Accordingly, the transactions will not significantly impact Expedia's financial information and no pro forma information for Expedia is deemed necessary.

Neither USA nor Expedia has declared any cash dividends during this period.

It is important that when you read this information, you read along with it the financial statements and accompanying notes of USA and Expedia included in the documents described on page 12 of this supplement under "Where You Can Find More Information." It is also important that you read the pro forma combined financial information and accompanying discussion and notes that we have included in this supplement starting on page F-9 under "USA Unaudited Pro Forma Combined Condensed Financial Statements." You should not rely on the pro forma financial information as an indication of the results of operations or financial position that would have been achieved if the transactions had taken place earlier or the results of USA after the completion of the transactions.

USAI -----

VIVENDI UNIVERSAL/
EXPEDIA VIVENDI
UNIVERSAL/ EXPEDIA
EXPEDIA EXPEDIA
EQUIVALENT EXPEDIA
EQUIVALENT ACTUAL
PRO FORMA (1) PRO
FORMA (2)
HISTORICAL PRO
FORMA (3) PRO
FORMA (3) -----

 -- BOOK VALUE PER
 COMMON SHARE
 Common stock and
 Class B common
 stock September
 30, 2001.....
 \$10.59 \$13.83
 \$17.89 \$ 4.57 \$
 9.17 \$11.86 June
 30,
 2001.....
 9.43 4.60 December
 31,
 2000.....
 9.34 4.84 LOSS PER
 COMMON SHARE FROM
 CONTINUING
 OPERATIONS Basic
 and diluted for
 the nine months
 ended September
 30, 2001.....
 (0.18) (0.21)
 (0.43) (0.14)
 (0.29) Basic and
 diluted for the
 twelve months
 ended June 30,
 2001.....
 (1.65) Basic and
 diluted for the
 twelve months
 ended December 31,
 2000.....
 (0.25) (0.65)
 (0.81) (0.43)
 (0.53)

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USAI -----

 VIVENDI UNIVERSAL/
 EXPEDIA VIVENDI
 UNIVERSAL/ EXPEDIA
 EXPEDIA EXPEDIA
 EQUIVALENT EXPEDIA
 EQUIVALENT ACTUAL PRO
 FORMA(1) PRO FORMA(2)
 HISTORICAL PRO FORMA(3)
 PRO FORMA(3) -----

 EARNINGS (LOSS) PER
 COMMON SHARE BEFORE
 CUMULATIVE EFFECT OF
 ACCOUNTING CHANGE For the
 nine months ended
 September 30,
 2001.....
 Basic.....
 1.21 1.08 0.84 0.71 0.55
 Diluted.....
 0.70 0.66 0.72 0.43 0.48
 Basic and diluted for the
 twelve months ended June
 30, 2001.....
 (1.65) Basic and diluted
 for the twelve months
 ended December 31,
 2000..... (0.41)
 (0.80) (0.95) (0.53)
 (0.63) NET EARNINGS
 (LOSS) PER SHARE
 AVAILABLE TO COMMON

SHAREHOLDERS For the nine
months ended September
30, 2001

Basic.....	1.18	1.03	0.81	0.68	0.54
Diluted.....	0.69	0.63	0.70	0.42	0.46
Basic and diluted for the twelve months ended June 30, 2001.....	(1.65)				
Basic and diluted for the twelve months ended December 31, 2000.....	(0.83)	(0.99)	(0.55)		(0.65)

-
- (1) Expedia pro forma information gives effect to the USA/Expedia merger as well as acquisitions made by USA and Expedia in 2000 and 2001. See "Unaudited Pro Forma Combined Condensed Financial Statements."
 - (2) Vivendi Universal/Expedia pro forma information gives effect to the USA/Expedia merger and the proposed transaction between USA and Vivendi Universal as well as acquisitions made by USA and Expedia in 2000 and 2001. See "Unaudited Pro Forma Combined Condensed Financial Statements."
 - (3) The equivalent pro forma per share data for Expedia is computed by multiplying USA's pro forma per share information by the mid-point of the range of USA common stock exchange ratios for each share of Expedia Class B common stock (0.663). The exchange ratio does not consider the USA preferred stock or USA warrants to be issued in the USA/Expedia merger.

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

In the tables below, we provide you with two sets of unaudited pro forma combined condensed financial information for USA. The first set of unaudited pro forma combined condensed financial statements has been prepared to give effect to the USA/Expedia merger, as well as other transactions completed by USA during the twelve months ended December 31, 2000 and during the nine months ended September 30, 2001 and assumes that the USA/Vivendi Universal transaction has not occurred. The second set of unaudited pro forma combined condensed financial statements has been prepared to give effect to the USA/Expedia merger and the USA/Vivendi Universal transaction, as well as other transactions completed by USA during the twelve months ended December 31, 2000 and during the nine months ended September 30, 2001. The other transactions entered into by USA in 2000 and 2001 include:

- (1) on April 5, 2000, USA acquired Precision Response Corporation ("PRC"), a leader in outsourced customer care for both large corporations and high growth internet-focused companies;
- (2) on July 27, 2000, USA and Styleclick.com Inc. completed the merger of Internet Shopping Network and Styleclick.com ("STYLECLICK"), forming a new company named Styleclick, Inc.; and
- (3) on January 31, 2001, Ticketmaster Online-Citysearch, Inc. ("TMCS") and Ticketmaster Corporation ("TM"), both of which are subsidiaries of USA, completed a transaction which combined the two companies.

In the following pages, we refer to the three transactions described immediately above as the "Other USA Transactions."

Expedia will account for the USA/Expedia merger as a recapitalization. Accordingly, the transaction will not significantly impact Expedia's financial information and no pro forma information for Expedia is deemed necessary.

The pro forma combined condensed financial statements of USA reflect some assumptions regarding the transactions and are based on the historical and pro forma financial statements of USA and Expedia. The combined condensed financial statements of USA, including the notes accompanying them, are qualified in their entirety by reference to, and should be read in conjunction with, USA's and Expedia's audited and unaudited financial statements, including the notes accompanying them, which are either included in this supplement or previously incorporated by reference into the joint prospectus/ proxy and information statement previously mailed to you.

USA is in the process of evaluating the fair value of Expedia's assets acquired and liabilities assumed in order to make a final allocation of the excess purchase price, including allocation to intangibles other than goodwill. Accordingly, the purchase accounting information is preliminary and has been made solely for the purpose of developing such unaudited pro forma combined condensed financial information. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," provides that goodwill resulting from a business combination completed subsequent to June 30, 2001 will not be amortized but instead is required to be tested for impairment at least annually.

THE PRO FORMA COMBINED CONDENSED BALANCE SHEET AND STATEMENTS OF OPERATIONS ARE NOT NECESSARILY INDICATIVE OF THE RESULTS OF OPERATIONS OR FINANCIAL POSITION, WHICH ACTUALLY WOULD HAVE BEEN REPORTED HAD THESE TRANSACTIONS OCCURRED AS OF SEPTEMBER 30, 2001 OR AS OF JANUARY 1, 2000, NOR ARE THEY NECESSARILY INDICATIVE OF USA'S FUTURE FINANCIAL RESULTS OF OPERATIONS.

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PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION
(GIVING EFFECT TO THE USA/EXPEDIA MERGER)

The pro forma combined condensed balance sheet as of September 30, 2001 gives effect to the USA/Expedia merger as if it had occurred on September 30, 2001.

The pro forma combined condensed statement of operations for the nine months ended September 30, 2001 reflects USA's and Expedia's unaudited statements of operations for the nine months ended September 30, 2001, adjusted for the pro forma effects of the USA/Expedia merger, as well as the completion of the Other USA Transactions, as if such transactions had occurred as of January 1, 2000.

The pro forma combined condensed statement of operations for the year ended December 31, 2000 reflects USA's audited statements of operations for the year ended December 31, 2000 and Expedia's results for the twelve months ended December 31, 2000, as derived from Expedia's audited statement of operations for the year ended June 30, 2000 and its unaudited statement of operations for the six months ended December 31, 2000, adjusted for the pro forma effects of the USA/Expedia merger, as well as the completion of the Other USA Transactions, as if such transactions had occurred as of January 1, 2000.

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USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(GIVING EFFECT TO THE USA/EXPEDIA MERGER)

SEPTEMBER 30, 2001
(IN THOUSANDS)

USA	PRO FORMA	PRO FORMA	USA	EXPEDIA(1)	ADJUSTMENTS
COMBINED	-----	-----	-----	-----	-----
-- ASSETS	Current Assets:	Cash and short-term			
investments	.....	\$ 899,759	\$197,801		
		\$ --	\$ 1,097,560	Restricted	
cash	.....		5,285	--	
		--	5,285	Marketable	
securities	.....		143,676	-	
		- --	143,676	Accounts and notes receivable,	
net	.....	1,281,711	18,425	--	1,300,136
		Inventories,			
net	.....		445,628	--	
		--	445,628		
Other	.....			
132,692	27,419	--	160,111	-----	-----
		----	-----	Total current	
assets	.....		2,908,751		
243,645	--	3,152,396	Property, plant and equipment,		
net	.....	419,825	16,120	--	435,945
		Intangible assets including goodwill,			
net(5)	.....	7,345,565	108,175	1,450,804	(2)
		8,904,544	Cable distributions fees,		
net	.....		148,449	--	148,449
		Long-term			
investments	.....		190,142		
		--	190,142	Advance to	
Universal	.....		39,848	--	
		--	39,848	Inventories,	
net	.....		518,545	--	
		--	518,545	Deferred charges and	

other.....	116,782	1,840	--
118,622 -----			
Total assets.....	\$11,687,907	\$369,780	\$1,450,804
	\$13,508,491		
=====			
LIABILITIES AND STOCKHOLDERS' EQUITY Current			
liabilities: Current maturities of long-term			
debt.....	\$ 41,772	\$ --	\$ 41,772
Accounts payable, accrued and other current			
liabilities.....	254,721	71,498	10,000
	(2)	336,219	Accounts payable,
client accounts.....	118,095	--	--
	118,095	Obligations for program rights and film	
costs.....	293,004	--	293,004
	Deferred		
revenue.....	141,736		
	1,074	--	142,810
	Cable distribution fees		
payable.....	33,556	--	33,556
	Other accrued		
liabilities.....	778,646		
62,457 -- 841,103 -----			
----- Total current			
liabilities.....	1,661,530		
135,029 10,000 1,806,559 -----			
----- Long-term			
debt.....	545,584		
-- -- 545,584	Obligation for program rights and film		
costs.....	325,303	--	325,303
	Other long-term		
liabilities.....	218,514	--	--
	218,514	Minority	
interest.....			
4,943,105 -- 59,305 (6)	5,002,410	Stockholders'	
equity.....	3,993,871		
234,751 1,616,250 (2)	5,610,121	(234,751) (3)	-----
----- Total liabilities			
and stockholders' equity.....	\$11,687,907	\$369,780	
	\$1,450,804	\$13,508,491	=====
			=====

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USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

(GIVING EFFECT TO THE USA/EXPEDIA MERGER)

TWELVE MONTHS ENDED DECEMBER 31, 2000

(IN THOUSANDS, EXCEPT PER SHARE DATA)

USA	USA	EXPEDIA	USA
OTHER	PRO FORMA	OTHER	
PRO FORMA	PRO FORMA		
USA	TRANSACTIONS (4)		
COMBINED	EXPEDIA (1)		
TRANSACTIONS (4)			
ADJUSTMENTS	COMBINED	-	

--	NET REVENUES: USA		
	ENTERTAINMENT Cable		
	and studios.....		
	\$1,530,464	\$ --	
\$1,530,464	\$ --	\$ --	\$
--	\$1,530,464	Emerging	
	networks.....	20,332	
--	20,332	--	--
	20,332	Filmed	
	entertainment...		
86,084	--	86,084	--
--	86,084	USA	
	ELECTRONIC RETAILING		
	Electronic		
retailing...	1,778,986		
--	1,778,986	--	--
	1,778,986	USA	
	INFORMATION AND		
	SERVICES Ticketing		
operations...	518,565		

```

-- 518,565 -- -- --
518,565
HRN.....
327,977 -- 327,977 --
-- -- 327,977
Expedia.....
-- -- -- 148,687 7,971
-- 156,658
Teleservices.....
212,471 69,649 282,120
-- -- -- 282,120
Match.....
29,123 -- 29,123 -- --
-- 29,123 Citysearch
and
related.....
50,889 -- 50,889 -- --
-- 50,889 Electronic
commerce
solutions.....
24,293 -- 24,293 -- --
-- 24,293
Styleclick.....
22,308 1,889 24,197 --
-- -- 24,197 -----
-----
-----
-----
Total net revenues...
4,601,492 71,538
4,673,030 148,687
7,971 -- 4,829,688 ---
-----
-----
-----
- OPERATING COSTS AND
EXPENSES Cost of sales
and program
costs.....
2,072,901 54,489
2,127,390 61,117 2,386
-- 2,190,893 Other
costs.....
1,730,789 18,553
1,749,342 121,065
11,030 -- 1,881,437
Amortization of cable
distribution fees....
36,322 -- 36,322 -- --
-- 36,322 Non-cash
distribution and
marketing
expense.....
11,512 -- 11,512 -- --
-- 11,512 Non-cash
compensation
expense.....
-- -- 64,204 -- --
64,204 Depreciation
and
amortization(5).....
693,642 16,133 709,775
53,187 13,175 --
776,137 -----
-----
-----
- ----- Total
operating costs and
expenses.....
4,545,166 89,175
4,634,341 299,573
26,591 -- 4,960,505 --
-----
-----
-----
-- Operating income
(loss).....
56,326 (17,637) 38,689
(150,886) (18,620) --
(130,817) Interest
income (expense),

```

net..... (34,218)
(740) (34,958) 4,620
(159) -- (30,497) Gain
on sale of subsidiary
stock..... 108,343 --
108,343 -- -- --
108,343
Miscellaneous.....
(59,046) (2) (59,048)
-- -- -- (59,048) ----

Earnings (loss) before
income taxes and
minority
interest..... 71,405
(18,379) 53,026
(146,266) (18,779) --
(112,019) Income tax
(expense).....
(112,869) 9,948
(102,921) -- -- --
(102,921) Minority
interest.....
(47,124) (34,151)
(81,275) -- -- 41,695
(6) (39,580) -----

EARNINGS (LOSS) FROM
CONTINUING
OPERATIONS.....
(88,588) (42,582)
(131,170) (146,266)
(18,779) 41,695
(254,520) Discontinued
operations, net of
tax.....
(59,395) -- (59,395) -
- -- -- (59,395) ----

NET EARNINGS (LOSS)
BEFORE PREFERRED STOCK
DIVIDEND.....
(147,983) (42,582)
(190,565) (146,266)
(18,779) 41,695
(313,915) Preferred
stock
dividends.....
-- -- -- -- --
(13,059) (7) (13,059) -

--- NET EARNINGS
(LOSS) AVAILABLE TO
COMMON
SHAREHOLDERS.....
(\$ 147,983) (\$42,582)
(\$ 190,565) (\$146,266)
(\$18,779) \$ 28,636 (\$
326,974) =====
=====
=====
=====
Loss per common share
from continuing
operations Basic and
diluted..... (\$ 0.25)
(\$ 0.36) (\$ 0.65)
=====
=====
===== Net loss
per common share
before preferred stock
dividend Basic and
diluted..... (\$ 0.41)

	(\$ 0.52)	(\$ 0.80)
=====	=====	=====
=====	Net loss	
	available to common	
	shareholders Basic and	
	diluted.....	(\$ 0.41)
		(\$ 0.52) (\$ 0.83)
=====	=====	=====
=====	Weighted	
	average shares	
	outstanding.....	
		359,688 366,045
		394,579 =====
=====	=====	=====
	Weighted average	
	diluted shares	
	outstanding.....	
		359,688 366,045
		394,579 =====
=====	=====	=====

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USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

(GIVING EFFECT TO THE USA/EXPEDIA MERGER)

NINE MONTHS ENDED SEPTEMBER 30, 2001
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	USA	USA	USA	OTHER	PRO	FORMA	PRO	FORMA
	PRO	FORMA	USA	TRANSACTIONS(4)	COMBINED	EXPEDIA(1)	ADJUSTMENTS	COMBINED
	-----	-----	-----	-----	-----	-----	-----	-----
	---	-----	-----	-----	-----	-----	-----	-----
								NET
								REVENUES: USA ENTERTAINMENT Cable and studios.....
	\$1,280,065	\$ --	\$ 1,280,065	\$ --	\$ --			\$1,280,065 Emerging networks.....
								18,125
	--	18,125	--	--	18,125	Filmed entertainment.....		
								129,562 -- 129,562 -- -- 129,562 USA ELECTRONIC RETAILING Electronic retailing.....
								1,364,248
	--	1,364,248	--	--	1,364,248	USA INFORMATION AND SERVICES Ticketing operations.....		447,904
								-- 447,904 -- -- 447,904
	HRN.....							394,830 -- 394,830 -- -- 394,830
	Expedia.....							-- -- -- 215,174 -- 215,174
	Teleservices.....							228,926 -- 228,926 -- -- 228,926
	Match.....							31,686 -- 31,686 -- -- 31,686
								Citysearch and related.....
								35,852 -- 35,852 -- -- 35,852 Electronic commerce solutions.....
								15,560 -- 15,560 -- -- 15,560
	Styleclick.....							7,358 -- 7,358 -- -- 7,358 Intersegment elimination.....
								(10,659) -- (10,659) -- -- (10,659) -----
	-----	-----	-----	-----	-----	-----	-----	-----
								----- Total net
								revenues.....
								3,943,457 -- 3,943,457 215,174 -- 4,158,631 -----
	-----	-----	-----	-----	-----	-----	-----	-----
								----- OPERATING COSTS AND EXPENSES Cost of sales and program costs.....
								1,809,063 -- 1,809,063 67,535 -- 1,876,598 Other costs.....
								1,457,513 -- 1,457,513 108,980 -- 1,566,493 Amortization of cable

distribution			
fees.....			
29,384 --	29,384 --	--	29,384
Amortization of non-cash			
compensation... 5,431 --	5,431	13,980	-
- 19,411	Non-cash distribution and		
marketing			
expense.....			
19,866 --	19,866 --	--	19,866
Depreciation and			
amortization(5).....	427,077	--	
427,077	48,166 --	475,243	----- --

----- Total operating costs and			
expenses.... 3,748,334 -- 3,748,334			
238,661 --	3,986,995	-----	-----

---- Operating income			
(loss).....	195,123	--	
195,123	(23,487) --	171,636	Interest
income (expense), net.....			
(34,462) --	(34,462)	3,110 --	(31,352)
Miscellaneous.....			
(33,196) --	(33,196) --	--	(33,196) ---

----- Earnings (loss)			
before income taxes and minority			
interest.....	127,465		
-- 127,465	(20,377) --	107,088	Income
tax (expense) benefit.....			
(71,191)	1,005 (70,186) --	--	(70,186)
Minority			
interest.....			
(124,378)	(3,148) (127,526) --	5,148	
(6)	(122,378)	-----	-----

EARNINGS (LOSS) FROM CONTINUING			
OPERATIONS.....			
(68,104)	(2,143) (70,247) (20,377)		
5,148	(85,476)	Discontinued operations:	
Gain on disposal of broadcasting			
stations, net of			
tax.....			
517,847 --	517,847 --	--	517,847 -----

----- Earnings (loss) before			
cumulative effect of accounting			
change.....	449,743		
(2,143)	447,600 (20,377) 5,148	432,371	
Cumulative effect of accounting change,			
net of			
tax.....			
(9,187) --	(9,187) --	--	(9,187) -----

----- NET EARNINGS (LOSS)			
BEFORE PREFERRED STOCK			
DIVIDEND.....			
440,556	(2,143) 438,413 (20,377) 5,148		
423,184 Preferred stock			
dividends.....	(9,795) (7)		
(9,795)	-----	-----	-----

NET			
EARNINGS (LOSS) AVAILABLE TO COMMON			
SHAREHOLDERS.....			
\$ 440,556	\$ (2,143) \$ 438,413	\$ (20,377)	
\$ (4,647)	\$ 413,389	=====	=====
=====			
=====			

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USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS (CONTINUED)

(GIVING EFFECT TO THE USA/EXPEDIA MERGER)

NINE MONTHS ENDED SEPTEMBER 30, 2001
(IN THOUSANDS, EXCEPT PER SHARE DATA)

USA	USA	OTHER	PRO FORMA	PRO FORMA
PRO FORMA USA TRANSACTIONS(4) COMBINED				
EXPEDIA(1) ADJUSTMENTS COMBINED -----				

--- ----- Loss per				
common share from continuing operations				
Basic.....				
\$ (0.18)	\$ (0.19)	\$ (.21)	=====	
=====				
Diluted.....				
\$ (0.18)	\$ (0.19)	\$ (.21)	=====	
===== Earnings per				
common share before cumulative effect				
of accounting change				
Basic.....				
\$ 1.21	\$ 1.20	\$ 1.08	=====	
=====				
Diluted.....				
\$ 0.70	\$ 0.70	\$ 0.66	=====	
===== Net earnings per				
common share before preferred stock				
dividend				
Basic.....				
\$ 1.18	\$ 1.17	\$ 1.05	=====	
=====				
Diluted.....				
\$ 0.69	\$ 0.69	\$ 0.64	=====	
===== Net earnings				
available to common shareholders				
Basic.....				
\$ 1.18	\$ 1.17	\$ 1.03	=====	
=====				
Diluted.....				
\$ 0.69	\$ 0.69	\$ 0.63	=====	
===== Weighted average				
shares outstanding..... 373,227				
373,227	401,761		=====	
===== Weighted average diluted				
shares				
outstanding.....				
759,661	759,661	788,195	=====	
=====				

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PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION
(GIVING EFFECT TO THE USA/EXPEDIA MERGER AND THE USA/VIVENDI UNIVERSAL
TRANSACTION)

The pro forma combined condensed balance sheet as of September 30, 2001 gives effect to the USA/Expedia merger and the USA/Vivendi Universal transaction as if those transactions had occurred on September 30, 2001.

The pro forma combined condensed statement of operations for the nine months ended September 30, 2001 reflects USA's and Expedia's unaudited statements of operations for the nine months ended September 30, 2001, adjusted for the pro forma effects of the USA/Expedia merger and the USA/Vivendi Universal transaction, as well as the completion of the Other USA Transactions, as if such transactions had occurred as of January 1, 2000.

The pro forma combined condensed statement of operations for the year ended December 31, 2000 reflects USA's audited statements of operations for the year ended December 31, 2000 and Expedia's results for the twelve months ended December 31, 2000, as derived from Expedia's audited statement of operations for the year ended June 30, 2000 and its unaudited statement of operations for the six months ended December 31, 2000, adjusted for the pro forma effects of the USA/Expedia merger and the USA/Vivendi Universal transaction, as well as the completion of the Other USA Transactions, as if all such transactions had occurred as of January 1, 2000.

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USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

(GIVING EFFECT TO THE USA/EXPEDIA MERGER AND USA/VIVENDI UNIVERSAL TRANSACTION)

SEPTEMBER 30, 2001

USAI ASSETS
CONTRIBUTED VU VU
EXPEDIA IN THE VU
PRO FORMA PRO
FORMA PRO FORMA
PRO FORMA USAI
TRANSACTION (8)
ADJUSTMENTS
COMBINED EXPEDIA
ADJUSTMENTS

COMBINED -----

- -----

----- ASSETS

Current Assets:
Cash and short-
term
investments.....
\$ 899,759 \$
36,703
\$1,618,710 (9)
\$2,555,172
\$197,801 \$ -- \$
2,752,973
Restricted
cash... 5,285 --
-- 5,285 -- --
5,285 Marketable
securities.....
143,676 -- --
143,676 -- --
143,676 Accounts
and notes
receivable,
net.....
1,281,711
(424,780) --
856,931 18,425 --
875,356
Inventories,
net.....
445,628 (228,894)
-- 216,734 -- --
216,734
Other.....
132,692 (13,219)
-- 119,473 27,419
-- 146,892 -----

--- Total current
assets.....
2,908,751
(630,190)
1,618,710
3,897,271 243,645
-- 4,140,916
Property, plant
and equipment,
net.....
419,825 (36,128)
-- 383,697 16,120
-- 399,817
Intangible assets
including
goodwill, net...
7,345,565
(3,997,174) --
3,348,391 108,175
1,450,804 (2)
4,907,370 Cable
distribution
fees, net.....
148,449 (244) --

148,205 -- --
148,205 Long-term
investments.....
190,142 --
1,750,000 (9)
1,940,142 -- --
1,940,142
Preferred
interest
exchangeable for
common stock....
-- --
1,347,646 (9)
1,347,646 -- --
1,347,646 Advance
to
Universal.....
39,848 -- --
39,848 -- --
39,848
Inventories,
net.....
518,545 (518,545)
-- -- -- -- --
Deferred charges
and other.....
116,782 (144,111)
-- (27,329) 1,840
-- (25,489) -----

----- Total
assets....
\$11,687,907
\$ (5,326,392)
\$4,716,356
\$11,077,871
\$369,780
\$1,450,804
\$12,898,455
=====

LIABILITIES AND
STOCKHOLDERS'
EQUITY Current
Liabilities:
Current
maturities of
long-term
debt.....
\$ 41,772 \$ (559)
\$ -- \$ 41,213 \$ -
- \$ -- \$ 41,213
Accounts payable,
accrued and other
current
liabilities.....
254,721 (13,357)
-- 241,364 71,498
10,000 (2)
322,862 Accounts
payable, client
accounts.....
118,095 -- --
118,095 -- --
118,095
Obligations for
program rights
and film
costs.....
293,004 (289,097)
-- 3,907 -- --
3,907 Deferred
revenue.....

141,736 (54,322)
-- 87,414 1,074 -
- 88,488 Cable
distrubution fees
payable....
33,556 -- --
33,556 -- --
33,556 Other
accrued
liabilities.....
778,646 (158,746)
-- 619,900 62,457
-- 682,357 -----

--- Total current
liabilities...
1,661,530
(516,081) --
1,145,449 135,029
10,000 1,290,478
Long-term
debt.... 545,584
(400) -- 545,184
-- -- 545,184
Obligation for
program rights
and film
costs.....
325,303 (323,801)
-- 1,502 -- --
1,502 Other long-
term
Liabilities.....
218,514 (63,643)
1,203,775 (12)
1,358,646 -- --
1,358,646
Minority
interest.....
4,943,105
(4,030,385) --
912,720 -- 59,305
(6) 972,025
Common stock
exchangeable for
preferred
interest.....
-- --
1,347,646 (9)
1,347,646 -- --
1,347,646
Stockholders'
equity.....
3,993,871
(392,082)
2,164,935 (9) (10)
5,766,724 234,751
1,616,250 (2)
7,382,974
(234,751) (3) ----

----- Total
liabilities and
stockholders'
equity.....
\$11,687,907
\$(5,326,392)
\$4,716,356
\$11,077,871
\$369,780
\$1,450,804
\$12,898,455
=====

USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

(GIVING EFFECT TO THE USA/EXPEDIA MERGER AND THE USA/VIVENDI UNIVERSAL TRANSACTION)

YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)

USAI	USAI	VU	VU	USAI	OTHER	USAI
PRO	FORMA	ASSETS	PRO	FORMA	PRO	FORMA
FORMA	HISTORICAL	TRANSACTIONS	(3)	COMBINED	CONTRIBUTED	(8)
ADJUSTMENTS	COMBINED	-----	-	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
NET REVENUES: USA ENTERTAINMENT						
Cable and						
studios.....						
\$1,530,464	\$	--	\$1,530,464			
\$(1,530,464)	\$	--	\$	--	Emerging	
networks.....	20,332					
--	20,332	(20,332)	--	--	Filmed	
entertainment.....						
86,084	--	86,084	(86,084)	--	--	
USA ELECTRONIC RETAILING						
Electronic						
retailing.....	1,778,986					
--	1,778,986	--	--	1,778,986	USA	
INFORMATION AND SERVICES						
Ticketing						
operations.....	518,565					
--	518,565	--	--	518,565		
HRN.....						
327,977	--	327,977	--	--	327,977	
Expedia.....						
--	--	--	--	--		
Teleservices.....						
212,471	69,649	282,120	--	--		
		282,120				
Match.....						
29,123	--	29,123	--	--	29,123	
Citysearch and						
related.....	50,889	--				
50,889	--	--	50,889	Electronic		
commerce solutions.....	24,293	--				
24,293	--	--	24,293			
Styleclick.....						
22,308	1,889	24,197	--	--	24,197	
-----	-----	-----	-----	-----	-----	-----
Total net revenues.....						
4,601,492	71,538	4,673,030				
(1,636,880)	--	3,036,150	-----	-----	-----	-----

Operating						
costs and expenses: Cost of sales						
and program costs... 2,072,901						
54,489	2,127,390	(759,864)	--			
	1,367,526	Other				
costs.....						
1,730,789	18,553	1,749,342				
(343,046)	--	1,406,296				
Amortization of cable						
distribution						
fees.....						
36,322	--	36,322	--	--	36,322	
Non-cash distribution and						
marketing expense.....						
11,512	--	11,512	--	--	11,512	
Non-cash compensation						
expense.....	-----	-----	-----	-----	-----	-----
Depreciation and						

amortization..... 693,642 16,133
 709,775 (127,900) -- 581,875 ----

 ----- Total
 operating costs and
 expenses.....
 4,545,166 89,175 4,634,341
 (1,230,810) -- 3,403,531 -----

 - ----- Operating
 income..... 56,326
 (17,637) 38,689 (406,070)
 (367,381) Interest income
 (expense), net.... (34,218) (740)
 (34,958) 30,492 -- (4,466) Gain
 on sale of subsidiary
 stock.....
 108,343 -- 108,343 -- -- 108,343
 Miscellaneous.....
 (59,046) (2) (59,048) (254)
 149,500(11) 90,198 ----- ---

 ---- ----- Earnings before
 income taxes and minority
 interest..... 71,405
 (18,379) 53,026 (375,832) 149,500
 (173,306) Income tax (expense)
 benefit..... (112,869) 9,948
 (102,921) 14,343 (58,679)
 (147,257) Minority
 interest.....
 (47,124) (34,151) (81,275)
 201,223 -- 119,948 ----- ---

 ---- ----- EARNINGS (LOSS)
 FROM CONTINUING
 OPERATIONS.....
 (88,588) (42,582) (131,170)
 (160,266) 90,821 (200,615)
 Discontinued operations, net of
 tax.....
 (59,395) -- (59,395) -- --
 (59,395) ----- ---

 ---- NET EARNINGS (LOSS) BEFORE
 PREFERRED STOCK
 DIVIDEND.....
 (147,983) (42,582) (190,565)
 (160,266) 90,821 (260,010)
 Preferred stock
 dividends..... -- -- -- --

 -- NET EARNINGS (LOSS) AVAILABLE
 TO COMMON
 SHAREHOLDERS..... \$
 (147,983) \$(42,582) \$ (190,565)
 (160,266) \$ 90,821 \$ (260,010)
 =====
 =====
 EXPEDIA EXPEDIA OTHER EXPEDIA PRO
 FORMA PRO FORMA HISTORICAL
 TRANSACTIONS(3) ADJUSTMENTS
 COMBINED -----
 -- ----- NET
 REVENUES: USA ENTERTAINMENT Cable
 and studios..... \$ --
 \$ -- \$ -- \$ -- Emerging
 networks..... -- -- --
 - -- Filmed
 entertainment..... -- --
 -- -- USA ELECTRONIC RETAILING
 Electronic
 retailing..... -- -- --
 1,778,986 USA INFORMATION AND
 SERVICES Ticketing
 operations..... -- -- --
 518,565
 HRN.....
 -- -- -- 327,977
 Expedia.....

148,687	7,971	--	156,658
Teleservices.....			
--	--		282,120
Match.....			
--	--	--	29,123
related.....	--	--	--
50,889	Electronic commerce		
solutions.....	--	--	24,293
Styleclick.....			
--	--	--	24,197
-	-----		Total net
revenues.....	148,687		
7,971	--	3,192,808	-----
-----			Operating
costs and expenses: Cost of sales			
and program costs... 61,117	2,386		
--	1,431,029	Other	
costs.....			
121,065	11,030	--	1,538,391
Amortization of cable			
distribution			
fees.....			
--	--	--	36,322
distribution and marketing			
expense.....	--	--	--
11,512	Non-cash compensation		
expense.....	64,204	--	64,204
Depreciation and			
amortization....	53,187	13,175	-
-	(5)	648,237	-----
-----			Total
operating costs and			
expenses.....			
299,573	26,591	--	3,729,695
-----			-----
Operating income.....			
(150,886)	(18,620)	--	(536,887)
Interest income (expense),			
net....	4,620	(159)	--
(5)	Gain		
on sale of subsidiary			
stock.....			
--	--	--	108,343
Miscellaneous.....			
--	--	--	90,198
-----			-----
-	-----		Earnings
before income taxes and minority			
interest.....			
(146,266)	(18,779)	--	(338,351)
Income tax (expense)			
benefit.....	--	--	--
(147,257)	Minority		
interest.....	--	--	--
41,695	(6)	161,643	-----
-----			-----
EARNINGS			
(LOSS) FROM CONTINUING			
OPERATIONS.....			
(146,266)	(18,779)	41,695	
(323,965)	Discontinued		
operations, net of			
tax.....			
--	--	--	(59,395)
-----			-----
NET			
EARNINGS (LOSS) BEFORE PREFERRED			
STOCK			
DIVIDEND.....			
(146,266)	(18,779)	41,695	
(383,360)	Preferred stock		
dividends.....	--	--	--
(13,059)	(7)	(13,059)	-----
-----			-----
NET			
EARNINGS (LOSS) AVAILABLE TO			
COMMON			
SHAREHOLDERS.....			
\$ (146,266)	\$ (18,779)	\$ 28,636	\$
(396,419)	=====	=====	
=====			

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS (CONTINUED)

(GIVING EFFECT TO THE USA/EXPEDIA MERGER AND THE USA/VIVENDI UNIVERSAL TRANSACTION)

YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)

USAI	USAI	VU	VU	USAI	OTHER	USAI	PRO
FORMA	ASSETS	PRO	FORMA	PRO	FORMA	PRO	FORMA
EXPEDIA	HISTORICAL	TRANSACTIONS	(3)	COMBINED	CONTRIBUTED	(8)	ADJUSTMENTS
COMBINED	HISTORICAL	-----	-----	-----	-----	-----	-----

----- Loss							
per common share from Continuing							
Operations Basic and							
diluted.....							\$ (0.25)
\$ (0.36)	\$ (0.54)	=====	=====				
===== Net loss per common share							
before preferred stock dividend Basic							
and diluted.....							
							\$
(0.41)	(0.52)	(0.70)	=====				
===== Net loss							
available to common shareholders							
Basic and							
diluted.....							\$ (0.41)
\$ (0.52)	\$ (0.70)	=====	=====				
===== Weighted average shares							
outstanding.....							
359,688	366,045	373,125	=====				
373,125	=====	=====					
===== Weighted average diluted							
shares							
outstanding.....							
359,688	366,045	373,125	=====				
			=====				

EXPEDIA	OTHER	EXPEDIA	PRO	FORMA	PRO	FORMA	PRO
FORMA	TRANSACTIONS	(3)	ADJUSTMENTS	COMBINED	-----	-----	-----
COMBINED	-----	-----	-----	-----	-----	-----	-----

----- Loss per common share from							
Continuing Operations Basic and							
diluted.....							\$ (0.81)
===== Net loss per common share							
before preferred stock dividend Basic							
and diluted.....							
							\$
(0.95)	=====	=====	=====				
===== Net loss available							
to common shareholders Basic and							
diluted.....							
							\$ (0.99)
===== Weighted average shares							
outstanding.....							
401,658	=====	=====	=====				
===== Weighted average diluted shares							
outstanding.....							
401,658	=====	=====	=====				

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USA NETWORKS, INC.

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

(GIVING EFFECT TO THE USA/EXPEDIA MERGER AND THE USA/VIVENDI UNIVERSAL TRANSACTION)

NINE MONTHS ENDED SEPTEMBER 30, 2001
(IN THOUSANDS, EXCEPT PER SHARE DATA)

USAI	USAI	USAI	OTHER	PRO	FORMA
ASSETS	HISTORICAL	TRANSACTIONS	(3)	COMBINED	CONTRIBUTED
CONTRIBUTED	(8)	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----

----- NET REVENUES: USA					
ENTERTAINMENT Cable and					
studios.....					
\$1,280,065	--	\$1,280,065			
\$ (1,280,065)	Emerging				
networks.....	18,125				
--	18,125	(18,125)	Filmed		
entertainment.....					
129,562	--	129,562	(129,562)		
USA ELECTRONIC RETAILING					

Electronic

retailing..... 1,364,248

-- 1,364,248 -- USA

INFORMATION AND SERVICES

Ticketing

operations..... 447,904

-- 447,904 --

HRN.....

394,830 -- 394,830 --

Expedia.....

-- -- -- --

Teleservices.....

228,926 -- 228,926 --

Match.....

31,686 -- 31,686 -- Citysearch

and related..... 35,852 --

35,852 -- Electronic commerce

solutions.....

15,560 -- 15,560 --

Styleclick.....

7,358 -- 7,358 -- Intersegment

elimination..... (10,659) --

(10,659) -- -----

- ----- Total

net revenues.....

3,943,457 -- 3,943,457

(1,427,752) -----

OPERATING COSTS AND EXPENSES

Cost of sales and program

costs.....

1,809,063 -- 1,809,063

(690,381) Other

costs.....

1,457,513 -- 1,457,513

(254,529) Amortization of

cable distribution

fees..... 29,384 --

29,384 -- Amortization of non-

cash

compensation.....

5,431 -- 5,431 -- Non-cash

distribution and marketing

expense..... 19,866 --

19,866 -- Depreciation and

amortization(5).....

427,077 -- 427,077 (100,786) -

----- Total operating

costs and

expenses.....

3,748,334 -- 3,748,334

(1,045,696) -----

Operating income (loss).....

195,123 -- 195,123 (382,056)

Interest income (expense),

net.....

(34,462) -- (34,462) 24,259

Miscellaneous.....

(33,196) -- (33,196) 7,789 ---

----- Earnings (loss)

before income taxes and

minority interest.... 127,465

-- 127,465 (350,008) Income

tax (expense) benefit.....

(71,191) 1,005 (70,186) 12,736

Minority

interest.....

(124,378) (3,148) (127,526)

178,193 -----

EARNINGS

(LOSS) FROM CONTINUING

OPERATIONS.....

(68,104) (2,143) (70,247)

(159,079) Discontinued

operations: Gain on disposal

of broadcasting stations, net

of

tax.....

517,847 -- 517,847 -- -----

 ---- Earnings (loss) before
 cumulative effect of
 accounting change.... 449,743
 (2,143) 447,600 (159,079)
 Cumulative effect of
 accounting change, net of
 tax..... (9,187) --
 (9,187) 9,187 -----

----- NET
 EARNINGS (LOSS) BEFORE
 PREFERRED STOCK
 DIVIDEND..... 440,556
 (2,143) 438,413 (149,892)
 Preferred stock
 dividends..... -- -- -- --

----- NET EARNINGS
 (LOSS) AVAILABLE TO COMMON
 SHAREHOLDERS..... \$
 440,556 \$ (2,143) \$ 438,413 \$
 (149,892) =====
 =====

VU VU EXPEDIA PRO FORMA PRO
 FORMA EXPEDIA PRO FORMA PRO
 FORMA ADJUSTMENTS COMBINED
 HISTORICAL(3) ADJUSTMENTS
 COMBINED -----

----- NET REVENUES:
 USA ENTERTAINMENT Cable and
 studios..... \$ -- \$ -
 - \$ -- \$ -- \$ -- Emerging
 networks..... -- -- --
 - -- -- Filmed
 entertainment..... -- --

-- -- -- USA ELECTRONIC
 RETAILING Electronic
 retailing..... --
 1,364,248 -- -- 1,364,248 USA
 INFORMATION AND SERVICES
 Ticketing
 operations..... --
 447,904 -- -- 447,904

HRN.....
 -- 394,830 -- -- 394,830

Expedia.....
 -- -- 215,174 -- 215,174

Teleservices.....
 -- 228,926 -- -- 228,926

Match.....
 -- 31,686 -- -- 31,686

Citysearch and
 related..... -- 35,852 --
 -- 35,852 Electronic commerce
 solutions.....
 -- 15,560 -- -- 15,560

Styleclick.....
 -- 7,358 -- -- 7,358

Intersegment
 elimination..... -- (10,659)
 -- -- (10,659) -----

----- Total net
 revenues..... --
 2,515,705 215,174 -- 2,730,879

 OPERATING COSTS AND EXPENSES
 Cost of sales and program
 costs.....
 -- 1,118,682 67,535 --
 1,186,217 Other
 costs..... --

1,202,984 108,980 -- 1,311,964

Amortization of cable
 distribution fees.....
 -- 29,384 -- -- 29,384

Amortization of non-cash
 compensation.....


```

-- 5,431 13,980 -- 19,411 Non-
cash distribution and
marketing expense.....
-- 19,866 -- -- 19,866
Depreciation and
amortization(5).....
-- 326,291 48,166 -- 374,457 -
-----
----- Total
operating costs and
expenses..... --
2,702,638 238,661 -- 2,941,299
-----
- -----
Operating income (loss).....
-- (186,933) (23,487) --
(210,420) Interest income
(expense),
net.....
-- (10,203) 3,110 -- (7,093)
Miscellaneous.....
112,125(11) 86,718 -- --
86,718 -----
-----
Earnings (loss) before income
taxes and minority
interest.... 112,125 (110,418)
(20,377) -- (130,795) Income
tax (expense) benefit.....
(44,009) (101,459) -- --
(101,459) Minority
interest..... --
50,667 -- 5,148(6) 55,815 ----
-----
----- EARNINGS
(LOSS) FROM CONTINUING
OPERATIONS.....
68,116 161,210 (20,377) 5,148
(176,439) Discontinued
operations: Gain on disposal
of broadcasting stations, net
of
tax.....
-- 517,847 -- -- 517,847 ----
-----
----- Earnings
(loss) before cumulative
effect of accounting
change.... 68,116 356,637
(20,377) 5,148 341,408
Cumulative effect of
accounting change, net of
tax..... -- -- -- --
-----
----- NET
EARNINGS (LOSS) BEFORE
PREFERRED STOCK
DIVIDEND..... 68,116 356,637
(20,377) 5,148 341,408
Preferred stock
dividends..... -- -- --
(9,795) (7) (9,795) -----
-----
----- NET EARNINGS (LOSS)
AVAILABLE TO COMMON
SHAREHOLDERS..... $
68,116 $ 356,637 $ (20,377) $
(4,647) $ 331,613 =====
=====
=====
=====

```

NINE MONTHS ENDED SEPTEMBER 30, 2001
(IN THOUSANDS, EXCEPT PER SHARE DATA)

USAI	USAI	VU	USAI	OTHER	PRO
FORMA	ASSETS	PRO	FORMA		
HISTORICAL TRANSACTIONS(3)					
COMBINED CONTRIBUTED(8)					
ADJUSTMENTS -----					

----- Loss per common					
share from continuing operations					
Basic.....					
\$	(0.18)	\$	(0.19)	=====	
=====					
Diluted.....					
\$	(0.18)	\$	(0.19)	=====	
===== Earnings per common					
share before cumulative effect					
of accounting change					
Basic.....					
\$	1.21	\$	1.20	=====	
=====					
Diluted.....					
\$	0.70	\$	0.70	=====	
===== Net earnings per					
common share before preferred					
stock dividend					
Basic.....					
\$	1.18	\$	1.17	=====	
=====					
Diluted.....					
\$	0.69	\$	0.69	=====	
===== Net earnings					
available to common shareholders					
Basic.....					
\$	1.18	\$	1.17	=====	
=====					
Diluted.....					
\$	0.69	\$	0.69	=====	
===== Weighted average					
shares					
outstanding.....					
373,227	373,227	=====			
===== Weighted average					
diluted shares					
outstanding.....					
759,661	759,661	=====			
=====					
VU	EXPEDIA	PRO	FORMA	EXPEDIA	PRO
FORMA	PRO	FORMA	COMBINED		
HISTORICAL(3) ADJUSTMENTS					
COMBINED -----					

----- Loss					
per common share from continuing					
operations					
Basic.....					
\$	(0.42)	\$	(0.43)	=====	
=====					
Diluted.....					
\$	(0.42)	\$	(0.43)	=====	
===== Earnings per common					
share before cumulative effect					
of accounting change					
Basic.....					
\$	0.94	\$	0.84	=====	
=====					
Diluted.....					
\$	0.80	\$	0.72	=====	
===== Net earnings per					
common share before preferred					
stock dividend					
Basic.....					
\$	0.94	\$	0.84	=====	
=====					
Diluted.....					
\$	0.80	\$	0.72	=====	
===== Net earnings					
available to common shareholders					
Basic.....					
\$	0.94	\$	0.81	=====	
=====					
Diluted.....					

\$ 0.80 \$ 0.70 =====
 ===== Weighted average
 shares
 outstanding.....
 380,307 408,840 =====
 ===== Weighted average
 diluted shares
 outstanding.....
 438,804 467,338 =====
 =====

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NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

- (1) Represents the financial position and results of operations for Expedia based on historical information of Expedia.
- (2) Acquisition costs and the preliminary determination of the unallocated excess of the USA/Expedia merger consideration over net assets acquired are set forth below:

Value of equity securities expected to be issued by USA.....	\$1,596,250
Contribution in lieu of National Leisure Group, Inc. ("NLG") option.....	20,000

	1,616,250
Estimated transaction costs.....	10,000

Total acquisition costs.....	1,626,250
Less: majority ownership portion of net tangible assets acquired.....	175,446

Unallocated excess of merger consideration over assets acquired preliminarily allocated to goodwill.....	\$1,450,804
	=====

Under the terms of the definitive agreement, Expedia shareholders will have the option, subject to proration, to elect to exchange in a tax-free merger transaction each Expedia share for:

- a fraction of a share of USA common stock ranging in value from \$15.54 (if Microsoft is the only shareholder that elects to receive Expedia Class B common stock in the recapitalization) to \$17.50 (if the maximum number of 37,500,000 shares of Expedia Class B common stock are issued in the recapitalization) if the measurement period value of a share of USA common stock ranges from \$23.00 to \$31.00. If the measurement period value is either greater than \$31.00 or less than \$23.00, the exact USA common stock exchange ratio will be based on the fraction obtained assuming the measurement period value was \$31.00 or \$23.00, respectively. The measurement period value for USA common stock is the average closing price of USA common stock over a ten consecutive trading-day period ending on the second trading day prior to the date of the reconvened annual meeting;
- a fraction of a share of USA preferred stock ranging from 0.3892 (if Microsoft is the only shareholder that elects to receive Expedia Class B common stock in the recapitalization) to 0.3500 (if the maximum number of 37,500,000 shares of Expedia Class B common stock are issued in the recapitalization). Each share of USA preferred stock has a \$50 face value, a 1.99% annual dividend, two votes per share, and is convertible at any time into USA common stock at a conversion price of \$33.75 per USA share, subject to downward adjustment to the extent that the average share price of USA common stock over a ten trading-day period prior to conversion is greater than \$35.10; and
- a fraction of a USA warrant ranging from 0.3873 to 0.4524, the exact fractional amount to be based on a measurement period value for USA common stock ranging from \$25.75 to \$28.25 per share. The exact USA warrant exchange ratio will be based on the measurement period value for USA common stock as set forth in Annex F to the joint prospectus/proxy and information statement mailed in November 2001. Each USA warrant has a seven-year term and an exercise price of \$35.10 per share of USA common stock.

Expedia shareholders who do not exchange their shares for USA securities will retain their shares of Expedia common stock and receive for each share of

Expedia common stock held 0.1920 of a new Expedia warrant with a seven-year term and an exercise price of \$52.00 per share. The amount reflects USA's attributable share of Expedia, after giving effect to the minority interest in Expedia.

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The pro forma financial statements are prepared assuming that 37,500,000 shares of Expedia Class B common stock are issued in the recapitalization resulting in the issuance of 28.5 million USA common shares, which is the maximum number of USA common shares issuable in the USA/ Expedia merger. As a result the value of the USA common stock is assumed to be \$17.50 per Expedia share.

The value of the newly issued preferred shares and warrants to acquire USA and Expedia common stock were determined based upon internal valuations. The amount reflects USA's attributable share of Expedia, after giving effect to the minority interest in Expedia.

USA will contribute \$75 million in media time over five years and an option to participate in USA's proposed travel channel. In addition, for purposes of the pro forma combined condensed financial statements, a \$20 million contribution from USA to Expedia is reflected in the merger consideration in lieu of the option to acquire NLG. The media time and the option to participate in the proposed travel channel are not valued in the merger consideration and are not reflected in the pro forma combined condensed financial statements.

- (3) Reflects the elimination of Expedia's historical equity.
- (4) Reflects the pro forma results of other transactions completed by USA in 2000 and 2001. The transactions include the acquisitions of PRC and Styleclick by USA and the combination of TMCS and TM. All acquisitions, except the TMCS/TM combination, were accounted for under the purchase method of accounting. The TMCS/TM combination has been accounted for as entities under common control in a manner similar to a pooling of interest. See USA's Form 10-K for the year ended December 31, 2000 and Form 10-Q for the three and nine months ended September 30, 2001 for more information on the USA transactions. The other transactions completed by Expedia in the twelve months ended December 31, 2000 include the acquisition of Travelscape and Vacation Spot on March 17, 2000. See Expedia's 10-K for the year ended June 30, 2001 for more information on these transactions.
- (5) The unallocated excess of acquisition costs over net assets acquired has been preliminarily allocated to goodwill. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," provides that goodwill resulting from business combinations completed subsequent to June 30, 2001 will not be amortized but instead is required to be tested for impairment at least annually. In connection with finalizing the purchase price allocation, USA is currently evaluating the fair value of assets acquired and liabilities assumed in the transaction. Following the conclusion of the evaluation, USA will use this information to make a final allocation of the purchase price, including allocation to intangibles other than goodwill. Accordingly, the purchase accounting information is preliminary.
USA recorded \$568.0 million and \$302.3 million of goodwill amortization during the year ended December 31, 2000 and the nine months ended September 30, 2001, respectively. Expedia recorded \$16.1 million and \$10.2 million of goodwill amortization during the year ended December 31, 2000 and the nine months ended September 30, 2001, respectively. No periodic amortization of goodwill will be recorded subsequent to December 31, 2001.
- (6) Represents the minority interest in the financial position and the results of operations of Expedia, based upon a 74.7% expected equity ownership by USA of Expedia.
- (7) Represents the 1.99% preferred stock dividend.
- (8) Reflects USA's contribution of businesses to the joint venture formed with Vivendi Universal.
- (9) Reflects the consideration received by USA in connection with its contribution to the joint venture formed with Vivendi Universal. Commencing on the 20th anniversary of the completion of the USA/Vivendi Universal transaction, USA's \$1.75 billion face value Class B preferred interest in the new joint venture with Vivendi Universal is puttable and callable at its then accreted face value for up to 56.6 million USA shares held by Vivendi Universal. At the election of Vivendi Universal, USA common stock to be received by USA pursuant to the put or call can be substituted with cash equal to the market value of such shares. If cash was substituted, it is USA's intention to repurchase shares with the proceeds. The pro forma financial statements do not reflect the application of cash proceeds received by USA from Vivendi Universal to reduce outstanding debt and associated interest expense.
- (10) Reflects the estimated fair value of warrants to purchase USA common stock granted to Vivendi Universal.
- (11) Reflects the cash and PIK dividend for the Class A and Class B preferred interest in the Vivendi Universal Entertainment joint venture formed with Vivendi Universal.
- (12) Reflects the preliminary estimate of deferred taxes associated with the

contribution of businesses to the joint venture formed with Vivendi Universal and the receipt of consideration from Vivendi Universal.

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USA NETWORKS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE QUARTER ENDED SEPTEMBER 30, 2001

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED		NINE MONTHS ENDED		SEPTEMBER 30,	
	SEPTEMBER 30,		-----		-----	
	2001	2000	2001	2000	2001	2000
	----- (IN THOUSANDS, EXCEPT PER SHARE DATA) NET					
	REVENUES USA ENTERTAINMENT Cable and					
studios.....	\$					
398,211	\$	336,047	\$1,280,065	\$1,105,688	Emerging	
networks.....		5,784				
8,591		18,125	12,862	Filmed		
entertainment.....						
15,995		14,468	129,562	65,548	USA ELECTRONIC RETAILING	
					Electronic	
retailing.....		453,447				
427,058		1,364,248	1,245,323	USA INFORMATION AND SERVICES		
				Ticketing		
operations.....		133,897				
124,929		447,904	395,909	Hotel		
reservations.....						
151,242		94,619	394,830	227,964		
Teleservices.....						
72,610		70,162	228,926	140,374		
Match.....						
12,477		7,600	31,686	21,978	Citysearch and	
related.....		11,079	13,962			
35,852		36,798	Electronic commerce			
solutions.....		4,817	7,174	15,560		
15,634						
Styleclick.....						
901		5,147	7,358	17,556	Intersegment	
elimination.....		(4,128)	--			
(10,659)		--	-----	-----		
			Total net			
revenues.....						
1,256,332		1,109,757	3,943,457	3,285,634	Operating costs	
					and expenses: Cost of	
sales.....						
579,744		523,087	1,809,063	1,471,554	Program	
costs.....						
166,917		146,000	569,423	485,037	Selling and	
marketing.....		169,888				
135,749		468,278	389,231	General and		
administrative.....		111,774				
105,077		331,235	299,540	Other operating		
costs.....		30,865	27,217			
88,577		70,883	Amortization of cable distribution			
fees.....		9,986	8,845	29,384	25,335	
Amortization of non-cash distribution and marketing						
expense.....						
5,218		2,693	19,866	4,566	Amortization of non-cash	
compensation expense.....		1,268	1,235	5,431	7,391	
Depreciation and						
amortization.....		142,948	137,012			
427,077		369,970	-----	-----		
-- Total operating costs and						
expenses.....		1,218,608	1,086,915			
3,748,334		3,123,507	-----	-----		
----- Operating						
profit.....		37,724				
22,842		195,123	162,127	Other income (expense): Interest		
income.....		8,658				
12,163		23,850	38,051	Interest		
expense.....						
(18,789)		(20,341)	(58,312)	(62,006)	Other,	
net.....						
(12,943)		69,920	(33,196)	67,360	-----	---
----- (23,074)		61,742	(67,658)	43,405	-----	---
----- Earnings from						
continuing operations before income taxes, minority						
interest and cumulative effect of accounting						
change.....						
14,650		84,584	127,465	205,532	Income tax	

expense.....
(21,901) (27,452) (71,191) (86,524) Minority
interest.....
(33,192) (63,004) (124,378) (145,299) -----
----- LOSS FROM CONTINUING
OPERATIONS..... \$ (40,443) \$
(5,872) \$ (68,104) \$ (26,291) DISCONTINUED OPERATIONS:
Discontinued operations, net of
tax..... -- (14,367) -- (41,407) Gain
on disposal of Broadcasting stations, net of tax.....
468,018 -- 517,847 -- -----
----- Earnings (loss) before cumulative effect of
accounting change, net of
tax..... 427,575
(20,239) 449,743 (67,698) Cumulative effect of accounting
change, net of tax..... -- -- (9,187) -- -----
----- NET EARNINGS
(LOSS)..... \$ 427,575
\$ (20,239) \$ 440,556 \$ (67,698) =====
===== LOSS PER SHARE FROM CONTINUING
OPERATIONS: Basic and diluted
loss..... \$ (.11) \$ (.02)
\$ (.18) \$ (.07) EARNINGS (LOSS) PER SHARE BEFORE
CUMULATIVE EFFECT OF ACCOUNTING CHANGE: Basic earnings
(loss) per common share..... \$ 1.14 \$
(.06) \$ 1.21 \$ (.19) Diluted earnings (loss) per common
share..... \$.59 \$ (.06) \$ 1.13 \$ (.19) NET
EARNINGS (LOSS) PER SHARE: Basic earnings (loss) per
common share..... \$ 1.14 \$ (.06) \$ 1.18 \$
(.19) Diluted earnings (loss) per common
share..... \$.59 \$ (.06) \$ 1.11 \$ (.19)

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

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UNAUDITED CONDENSED BALANCE SHEETS

SEPTEMBER 30, DECEMBER 31, 2001 2000 -----
----- (IN THOUSANDS, EXCEPT SHARE DATA) ASSETS CURRENT
ASSETS Cash and cash
equivalents..... \$ 899,759 \$
244,223 Restricted cash
equivalents..... 5,285 2,021
Marketable
securities..... 143,676
126,352 Accounts and notes receivable, net of allowance of
\$72,374 and \$61,141,
respectively..... 1,281,711
646,196 Inventories,
net..... 445,628
404,468 Investments held for
sale..... 320 750 Deferred
tax assets..... 59,211
43,975 Other current assets,
net..... 73,161 52,631 Net
current assets of discontinued operations..... --
7,788 ----- Total current
assets..... 2,908,751
1,528,404 PROPERTY, PLANT AND EQUIPMENT Computer and
broadcast equipment..... 359,784
322,140 Buildings and leasehold
improvements..... 140,937 132,874
Furniture and other
equipment..... 119,393 100,734
Land.....
15,605 15,658 Projects in
progress..... 38,033
45,084 ----- 673,752 616,490 Less
accumulated depreciation and amortization..... (253,927)
(172,496) ----- 419,825 443,994 OTHER
ASSETS Intangible assets,
net..... 7,345,565
7,461,862 Cable distribution fees,
net..... 148,449 159,473 Long-
term investments.....
52,633 49,355 Notes and accounts receivable, net of current
portion (\$81,091 and \$22,575 from related
parties)..... 137,509 38,301 Advance to

Universal.....	39,848
95,220 Inventories,	
net.....	518,545
485,941 Deferred charges and other,	
net.....	116,782 83,239
Net non-current assets of discontinued operations.....	--
128,081 -----	\$11,687,907 \$10,473,870
=====	=====

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

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UNAUDITED CONDENSED BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, DECEMBER 31, 2001 2000 -----	---
----- (IN THOUSANDS, EXCEPT SHARE DATA)	
LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES	
Current maturities of long-term	
obligations.....	\$ 41,772 \$ 25,457
Accounts payable, trade.....	
254,721 283,066	Accounts payable, client
accounts.....	118,095 97,687
Obligations for program rights and film	
costs.....	293,004 283,812
Cable distribution fees payable.....	33,556 33,598
Deferred	
revenue.....	
141,736 93,125	Other accrued
liabilities.....	778,646
356,502 -----	Total current
liabilities.....	1,661,530
1,173,247 LONG-TERM OBLIGATIONS (net of current	
maturities).....	545,584 552,501
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of	
current.....	
325,303 295,210	OTHER LONG-TERM
LIABILITIES.....	88,551
97,526	DEFERRED INCOME
TAXES.....	129,963
98,378	MINORITY
INTEREST.....	
4,943,105 4,817,137	STOCKHOLDERS' EQUITY Preferred stock--
-\$0.01 par value; authorized 15,000,000 shares; no shares	
issued and outstanding.....	-- --
Common stock--\$0.01 par value; authorized 1,600,000,000 shares;	
issued and outstanding, 313,953,890 and 305,436,198	
shares, respectively.....	3,139
3,055 Class B--convertible common stock--\$0.01 par value;	
authorized, 400,000,000 shares; issued and outstanding,	
63,033,452	
shares.....	630 630
Additional paid-in	
capital.....	3,913,058
3,793,764	Retained earnings (Accumulated
deficit).....	238,215 (202,341)
Accumulated other comprehensive	
loss.....	(15,359) (10,825)
Treasury stock.....	
(140,814) (139,414)	Note receivable from key executive
for common stock	
issuance.....	
(4,998) (4,998) -----	Total
stockholders' equity.....	
3,993,871 3,439,871 -----	\$11,687,907
\$10,473,870	=====

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

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UNAUDITED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY

NOTE RECEIVABLE FROM KEY EXECUTIVE CLASS B ACCUM. FOR CONVERTIBLE ADDIT. OTHER COMMON COMMON

COMMON PAID-IN ACCUM.
 COMP. TREASURY STOCK
 TOTAL STOCK STOCK CAPITAL
 DEFICIT LOSS 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 nine months ended
 September 30, 2001.....
 440,556 -- -- -- 440,556
 -- -- -- Decrease in
 unrealized gains in
 available for sale
 securities..... (37)
 -- -- -- -- (37) -- --
 Foreign currency
 translation.....
 (4,497) -- -- -- --
 (4,497) -- -- -----
 Comprehensive
 income..... 436,022 ----
 ----- Issuance of common
 stock upon exercise of
 stock
 options.....
 73,545 83 -- 73,462 -- --
 -- -- Income tax benefit
 related to stock options
 exercised.....
 41,286 -- -- 41,286 -- --
 -- -- Issuance of stock
 in connection with other
 transactions.....
 4,548 2 -- 4,546 -- -- --
 -- Purchase of Treasury
 Stock.....
 (1,401) (1) -- -- -- --
 (1,400) -- -----

----- BALANCE AT
 SEPTEMBER 30,

2001.....
 \$3,993,871 \$3,139 \$630
 \$3,913,058 \$ 238,215
 \$(15,359) \$(140,814)
 \$(4,998) =====
 =====
 =====
 =====

Accumulated other comprehensive income is comprised of unrealized (losses) gains on available for sale securities of \$(5,598) and \$(5,561) at September 30, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of \$(9,761) and \$(5,264) at September 30, 2001 and December 31, 2000, respectively.

Comprehensive income for the three months ended September 30, 2001 was \$430,485.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, -----
 2001 2000 ----- (IN THOUSANDS) Cash Flows
 From Operating Activities: Loss from continuing
 operations..... \$ (68,104) \$

(26,291) Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities: Depreciation and amortization.....	427,077	369,970
Amortization of cable distribution fees.....	29,384	25,335
Amortization of program rights and film costs.....	550,363	474,142
Amortization of deferred financing costs.....	1,149	2,997
Non-cash distribution and marketing expense.....	19,866	4,566
Amortization of non-cash compensation expense.....	5,431	7,391
Deferred income taxes.....	4,945	544
Equity in losses of unconsolidated affiliates.....	22,021	40,896
Gain on sale of subsidiary stock.....	--	(108,343)
Non-cash interest income.....	(3,396)	(6,880)
Minority interest.....	124,378	145,299
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable.....	(65,833)	(52,972)
Inventories.....	4,490	(1,888)
Accounts payable.....	(16,854)	(66,308)
Accrued liabilities and deferred revenue.....	97,353	111,201
Payment for program rights and film costs.....	(612,906)	(594,121)
Increase in cable distribution fees.....	(18,511)	(39,251)
Other, net.....	(21,206)	15,991
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	479,647	302,278
Cash Flows From Investing Activities: Acquisitions, net of cash acquired.....	(193,857)	(203,029)
Capital expenditures.....	(100,232)	(102,331)
Recoupment of advance to Universal.....	58,698	68,333
Increase in long-term investments and notes receivable....	(76,707)	(16,518)
Purchase of marketable securities.....	(21,373)	(78,172)
Proceeds from sale of broadcasting stations.....	510,374	--
Other, net.....	(13,864)	(30,784)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....	163,039	(362,501)
Cash Flows From Financing Activities: Borrowings.....	21,974	50,211
Principal payments on long-term obligations.....	(11,941)	(81,926)
Purchase of treasury stock.....	(1,401)	(129,908)
Payment of mandatory tax distribution to LLC partners.....	(17,369)	(68,065)
Proceeds from sale of subsidiary stock.....	10,447	92,604
Proceeds from issuance of common stock and LLC shares.....	73,545	207,795
Other, net.....	(10,921)	(12,901)
NET CASH PROVIDED BY FINANCING ACTIVITIES.....	64,334	57,810
NET CASH USED IN DISCONTINUED OPERATIONS.....	(48,058)	(54,382)
Effect of exchange rate changes on cash and cash equivalents.....	(3,426)	(4,133)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	655,536	(60,928)
Cash and cash equivalents at beginning of period.....	244,223	423,176
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 899,759	\$ 362,248

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

USA Networks, Inc. (the "Company" or "USA") is 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.

As disclosed in our report for the quarterly period ended June 30, 2001, 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. The acquisition of Expedia is subject to customary closing conditions and is expected to close during the fourth quarter of 2001.

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.

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NOTE 1--ORGANIZATION (CONTINUED)

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.
- MATCH, consisting of an online personals business.
- CITYSEARCH AND RELATED, which primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users.
- ELECTRONIC COMMERCE SOLUTIONS, which primarily represents the Company's electronic commerce solutions business.
- STYLECLICK, a facilitator of e-commerce websites and Internet enabled applications.

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.

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NOTE 1--ORGANIZATION (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

FILM ACCOUNTING. The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the nine months ended September 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, net of tax. The net effect 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 nine months ended September 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

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NOTE 3--BUSINESS ACQUISITIONS (CONTINUED)

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.

NINE MONTHS ENDED SEPTEMBER 30, -----	
----- 2001	2000 -----
(IN THOUSANDS, EXCEPT PER SHARE DATA) Net	
revenues.....	.....
\$3,943,457	\$3,357,172
Loss from continuing operations.....	(69,640)
(65,954) Basic and diluted loss from continuing operations per common share.....	\$
(.19)	\$ (.18)

NOTE 4--STATEMENTS OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001:

For the nine months ended September 30, 2001, interest accrued on the \$200.0 million advance to Universal amounted to \$3.3 million.

For the nine months ended September 30, 2001, the Company incurred non-cash distribution and marketing expense of \$19.9 million and non-cash compensation expense of \$5.4 million.

During the nine months ended September 30, 2001, the Company realized a pre-tax loss of \$6.7 million related to the write-off of investments to fair value.

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2000, interest accrued on the \$200.0 million advance to Universal amounted to \$6.9 million.

For the nine months ended September 30, 2000, the Company incurred non-cash distribution and marketing expense of \$4.6 million and non-cash compensation expense of \$7.4 million.

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NOTE 4--STATEMENTS OF CASH FLOWS (CONTINUED)

During the second quarter, the Company recorded \$11.6 million of expenses related to an agreement with an executive. Of this amount, \$3.8 million is a non-cash stock compensation charge related to restricted stock.

During the third quarter, the Company realized a pre-tax loss of \$30.5 million related to the write-off of investments to fair value.

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, Match, Citysearch 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 Match segment consists of an online personals business. The Citysearch and related segment primarily consists of Citysearch, which operates an online network that provides locally oriented services and information to users. 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.

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NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

	THREE MONTHS ENDED	NINE MONTHS ENDED			
	SEPTEMBER 30,	SEPTEMBER 30,			
	2000	2000	2001	2000	2001
	--- (IN THOUSANDS) REVENUE USA ENTERTAINMENT				
	Cable and				
studios.....	\$				
	398,211	\$ 336,047	\$1,280,065	\$1,105,688	
	Emerging				
networks.....			5,784		
	8,591	18,125	12,862	Filmed	
entertainment.....					
	15,995	14,468	129,562	65,548	USA ELECTRONIC
	RETAILING Electronic				
retailing.....			453,447		
	427,058	1,364,248	1,245,323	USA INFORMATION	
	AND SERVICES Ticketing				
operations.....			133,897		
	124,929	447,904	395,909	Hotel	
reservations.....					
	151,242	94,619	394,830	227,964	
Teleservices.....					
	72,610	70,162	228,926	140,374	
Match.....					
	12,477	7,600	31,686	21,978	Citysearch and
related.....			11,079	13,962	
	35,852	36,798	Electronic commerce		
solutions.....			4,817	7,174	15,560
	15,634				
Styleclick.....					
	901	5,147	7,358	17,556	Intersegment
Elimination.....			(4,128)	--	
	(10,659)	--	-----		
	\$1,256,332	\$1,109,757	\$3,943,457		
	\$3,285,634	=====	=====	=====	
	===== OPERATING PROFIT (LOSS) USA				
	ENTERTAINMENT Cable and				
studios.....					\$

124,558	\$ 90,394	\$ 397,680	\$ 312,371	Filmed entertainment.....	
(2,046)	(8,244)	(7,414)	(12,794)	Developing networks..... (4,860)	
(1,875)	(13,998)	(6,669)		USA ELECTRONIC RETAILING Electronic retailing..... 5,179	
27,232	44,320	92,041		USA INFORMATION AND SERVICES Ticketing operations..... (651)	
	(2,735)	25,440	22,667	Hotel reservations.....	
		5,895	1,899	10,574	3,650
Teleservices.....	(17,102)	(1,597)	(28,561)	(4,586)	
Match.....	1,054	(2,565)	(5,704)	(9,003)	Citysearch and related..... (40,540)
	(45,789)	(123,123)	(137,112)		Electronic commerce solutions..... (12,749)
		(7,451)	(28,076)	(19,961)	
Styleclick.....	(5,525)	(18,156)	(36,496)	(37,382)	
Other.....	(15,489)	(8,271)	(39,519)	(41,095)	-----
					\$ 37,724
	22,842	\$ 195,123	\$ 162,127	=====	
				=====	

The Company operates principally within the United States.

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NOTE 6--GAIN ON SALE OF BROADCAST STATIONS

In December 2000, the Company announced that Univision Communications Inc. ("Univision") would acquire, for \$1.1 billion in cash, all of the capital stock of certain USA Broadcasting ("USAB") subsidiaries that own 13 full-power television stations and minority interests in four additional full-power stations. In August 2001, the Company completed the sale. The gain on the sale of the stations was \$468 million, net of taxes of \$343 million and \$518 million, net of taxes of \$377 million for the three and nine months ended September 30, 2001, respectively. To date, the Company has received proceeds of \$510.4 million. A note receivable of \$589.6 million is reflected in current assets.

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

	NINE MONTHS ENDED SEPTEMBER 30, -----	
	2001	2000 ----- (IN THOUSANDS) Net
sales.....	\$3,428	\$4,632 Operating
expenses.....	2,796	1,408 Operating
income.....		632
		3,224 Net
income.....	2,969	4,165

SUMMARY CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30,	DECEMBER 31,	2001	2000	-----
	----- (IN THOUSANDS) Current				
assets.....	\$ 441	\$ --	Non-current		
assets.....	163,822	158,561	Current		
liabilities.....	14,251	17,021	Non-current		
liabilities.....	38,768	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 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,

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

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 nine months ended September 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.

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

----- (IN
THOUSANDS) BALANCE SHEET AS
OF SEPTEMBER 30, 2001:

Current

Assets.....	\$			
609,572	\$ --	\$ 677,026	\$	
965,065	\$ 657,088	\$ --	\$	
2,908,751	Property and			
	equipment, net... -- --			
23,502	194,633	201,690	--	
419,825	Goodwill and other			
	intangible assets,			
net.....		72,122	-	
- --	4,809,036	2,464,407	--	
7,345,565	Investment in			
	subsidiaries....	3,585,269		
1,317,087	7,061,144	101,355	-	
-	(12,064,855)	--	Other	
	assets.....			
42,064	-- --	723,620	841,442	
(593,360)	1,013,766	-----		

----- Total

assets.....			
\$4,309,027	\$1,317,087		
\$7,761,672	\$6,793,709		
\$4,164,627	\$(12,658,215)		
\$11,687,907	=====		
=====	=====		
=====	=====		

Current

liabilities.....	\$
413,467	\$ -- \$ 2,835

715,951 \$ 535,598 \$ (6,321) \$
 1,661,530 Long-term debt,
 less current
 portion.....
 -- -- 498,439 1,634 45,511 --
 545,584 Other
 liabilities.....
 (110,593) -- 942,604 375,084
 549,209 (1,212,487) 543,817
 Minority
 interest..... -- --
 (141,138) 162,362 385,197
 4,536,684 4,943,105

Interdivisional
 equity..... 12,282 -- --
 5,538,678 2,649,112
 (8,200,072) -- Stockholders'
 equity..... 3,993,871
 1,317,087 6,458,932 -- --
 (7,776,019) 3,993,871 -----

 -- ----- Total
 liabilities and stockholders
 equity..... \$4,309,027
 \$1,317,087 \$7,761,672
 \$6,793,709 \$4,164,627
 \$(12,658,215) \$11,687,907
 =====
 =====

===== STATEMENT OF
 OPERATIONS FOR THE THREE
 MONTHS ENDED SEPTEMBER 30,
 2001

Revenue.....
 \$ -- \$ -- \$ -- \$ 784,541 \$
 476,349 \$ (4,558) \$ 1,256,332
 Operating
 expenses..... (3,411)
 -- (11,878) (654,017)
 (553,860) 4,558 (1,218,608)
 Interest expense,
 net..... (5,253) -- 2,455
 (8,104) 771 -- (10,131) Other
 income, expense.....
 (31,779) 18,023 92,347 108
 (13,051) (78,591) (12,943)
 Income tax
 expense..... -- -- --
 (20,606) (1,295) -- (21,901)
 Minority
 interest..... -- -- --
 - (51,613) 18,421 -- (33,192)

Earnings (loss) from
 continuing operations.....
 \$ (40,443) \$ 18,023 \$ 82,924
 \$ 50,309 \$ (72,665) \$
 (78,591) \$ (40,443) Gain on
 disposal of Broadcasting
 Stations..... 468,018 -- --
 -- -- -- 468,018 -----

----- Net earnings
 (loss)..... \$ 427,575 \$
 18,023 \$ 82,924 \$ 50,309 \$
 (72,665) \$ (78,591) \$ 427,575
 =====
 =====
 =====

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

----- (IN
THOUSANDS) STATEMENT OF
OPERATIONS FOR THE NINE
MONTHS ENDED SEPTEMBER 30,
2001

Revenue.....
\$ -- \$ -- \$ -- \$2,448,238
\$1,507,042 \$ (11,823) \$
3,943,457 Operating
expenses..... (8,481)
-- (29,892) (2,017,292)
(1,704,492) 11,823
(3,748,334) Interest expense,
net..... (18,195) --
5,665 (24,478) 2,546 --
(34,462) Other income,
expense..... (41,428)
68,849 304,043 (7,297)
(25,899) (331,464) (33,196)
Provision for income
taxes.... -- -- -- (56,598)
(14,593) -- (71,191) Minority
interest..... -- -- --
- (173,353) 48,975 --
(124,378) -----

-- Earnings (loss) from
continuing operations.....
\$ (68,104) \$ 68,849 \$ 279,816
\$ 169,220 \$ (186,421) \$
(331,464) \$ (68,104) Gain on
disposal of Broadcasting
Stations..... 517,847 -- --
-- -- -- 517,847 Cumulative
effect of accounting
change..... (9,187) --
-- 2,438 (11,625) 9,187
(9,187) -----

Net earnings
(loss)..... \$ 440,556 \$
68,849 \$ 279,816 \$ 171,658 \$
(198,046) \$ (322,277) \$
440,556 =====
=====

===== CASH FLOW FOR THE
NINE MONTHS ENDED SEPTEMBER
30, 2001 Cash flow from (used
in)
operations.....
\$ (18,882) \$ -- \$ (9,300) \$
408,452 \$ 99,377 \$ -- \$
479,647 Cash flow provided
(used in) investing
activities..... 54,240 --
(4,367) (76,229) 189,395 --
163,039 Cash flow from
financing
activities.....
(35,358) -- 652,265 (273,517)
(279,056) -- 64,334 Net Cash
used by Discontinued
Operations.....
-- -- -- (48,058) -- --
(48,058) Effect of exchange
rate..... -- -- (278) 91
(3,239) -- (3,426) Cash at
beginning of period... -- --
78,079 (28,949) 195,093 --
244,223 -----

 Cash at end of
 period..... \$ -- \$ -- \$
 716,399 \$ (18,210) \$ 201,570
 \$ -- \$ 899,759 =====
 =====
 =====

STATEMENT OF OPERATIONS FOR
 THE THREE MONTHS ENDED
 SEPTEMBER 30, 2000

Revenue.....
 \$ -- \$ -- \$ -- \$ 719,812 \$
 391,878 \$ (1,933) \$ 1,109,757
 Operating
 expenses..... (3,353)
 -- (5,764) (615,381)
 (464,350) 1,933 (1,086,915)
 Interest expense,
 net..... (7,718) -- 6,471
 (5,836) (1,095) -- (8,178)
 Other income,
 expense..... 6,019 34,197
 147,313 (46,172) (1,987)
 (69,450) 69,920 Income tax
 expense..... (820) --
 -- (17,856) (8,776) --
 (27,452) Minority
 interest..... -- -- --
 - (4,087) 28,309 (87,226)
 (63,004) -----

 - Earnings (loss) from
 continuing operations.....
 (5,872) 34,197 148,020 30,480
 (56,021) (156,676) (5,872)
 Earnings (loss) from
 discontinued operations.....
 (14,367) -- -- (14,367) --
 14,367 (14,367) -----

 ----- Net earnings
 (loss)..... \$ (20,239)
 \$ 34,197 \$ 148,020 \$ 16,113 \$
 (56,021) \$ (142,309) \$
 (20,239) =====
 =====
 =====

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 NINE
 MONTHS ENDED SEPTEMBER 30,
 2000

Revenue.....
 \$ -- \$ -- \$ -- \$2,207,099
 \$1,080,352 \$ (1,817) \$
 3,285,634 Operating
 expenses..... (12,164)
 -- (29,627) (1,856,120)
 (1,227,332) 1,736 (3,123,507)
 Interest expense,
 net..... (18,499) --
 16,260 (20,024) (1,692) --
 (23,955) Other income,

expense..... 3,850 78,571
 382,640 (72,179) (5,442)
 (320,080) 67,360 Provision
 for income taxes.... 522 --
 (27,351) (36,017) (23,678) --
 (86,524) Minority
 interest..... -- -- --
 - (8,778) 71,998 (208,519)
 (145,299) -- -- -- -- --

 Earnings (loss) from
 continuing operations.....
 (26,291) 78,571 341,922
 213,981 (105,794) (528,680)
 (26,291) Earnings (loss) from
 discontinued operations.....
 (41,407) -- -- (41,407) --
 41,407 (41,407) -----

 ----- Net earnings
 (loss)..... \$ (67,698)
 \$ 78,571 \$ 341,922 \$ 172,574
 \$ (105,794) \$ (487,273) \$
 (67,698) =====
 =====
 =====
 ===== CASH
 FLOW FOR THE NINE MONTHS
 ENDED SEPTEMBER 30, 2000 Cash
 flow from (used in)
 operations.....
 \$ (29,055) \$ -- \$ (2,018) \$
 304,656 \$ 28,695 \$ -- \$
 302,278 Cash flow provided
 (used in) investing
 activities..... 9,870 --
 (44,131) (165,498) (162,742)
 -- (362,501) Cash flow from
 financing
 activities.....
 19,185 -- (63,944) (124,514)
 227,083 -- 57,810 Net Cash
 used by discontinued
 operations.....
 -- -- -- (54,382) -- --
 (54,382) Effect of exchange
 rate..... -- -- -- (15)
 (4,118) -- (4,133) Cash at
 beginning of period... -- --
 276,678 (25,067) 171,565 --
 423,176 -----

 Cash at end of
 period..... \$ -- \$ -- \$
 166,585 \$ (64,820) \$ 260,483
 \$ -- \$ 362,248 =====
 =====
 =====
 =====

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EXPEDIA, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE QUARTER ENDED
 SEPTEMBER 30, 2001

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
 LOSS

THREE MONTHS ENDED SEPTEMBER 30, ----- 2000
 2001 ----- (IN THOUSANDS, EXCEPT PER SHARE
 AMOUNTS) Agency
 revenues..... \$
 21,646 \$39,279 Merchant
 revenues..... 12,335
 34,102 Advertising and other

revenues.....	8,124	6,097	-----

Revenues.....	42,105	79,478	-----
(excluding recognition of stock-based compensation of \$189 and \$43 for the three months ended September 30, 2000 and 2001).....	11,882	15,977	-----
Cost of agency revenues			
Cost of merchant revenues (excluding recognition of stock-based compensation \$297 and of \$65 for the three months ended September 30, 2000 and 2001).....	3,745	9,509	-----
Cost of advertising and other revenues (excluding recognition of stock-based compensation of \$73 and \$10 for the three months ended September 30, 2000 and 2001).....	684	801	-----
Cost of			
revenues.....	16,311		-----
26,287			-----
Gross			
profit.....			
25,794	53,191		-----

Operating expenses: Product development (excluding recognition of stock-based compensation of \$9,087 and \$2,263 for the three months ended September 30, 2000 and 2001).....	5,270	7,209	-----
Sales and marketing (excluding recognition of stock-based compensation of \$1,150 and \$183 for the three months ended September 30, 2000 and 2001).....	17,899	26,071	-----
General and administrative (excluding recognition of stock-based compensation of \$2,821 and \$1,000 for the three months ended September 30, 2000 and 2001).....	5,342	6,181	-----
Amortization of goodwill and intangibles.....	15,532	9,904	-----
Recognition of stock-based compensation.....	13,617	3,564	-----

-- Total operating			
expenses.....	57,660	52,929	-----

(Loss) income from			
operations.....	(31,866)	262	-----
Net interest income and other.....			
1,082	1,329		-----
USAI transaction related			
costs.....	--	(6,341)	-----

Loss before provision for income			
taxes.....	(30,784)	(4,750)	-----
Provision for income taxes.....	--	--	-----
Net loss.....			
\$ (30,784)	\$ (4,750)		-----
Net			
loss.....			
\$ (30,784)	\$ (4,750)		-----
Currency translation			
adjustment.....	(10)	19	-----

--- Comprehensive			
loss.....		\$ (30,794)	-----
\$ (4,731)			-----
Basic and diluted net loss per			
common share.....	\$ (0.69)	\$ (0.09)	-----

Weighted average shares used to compute basic and			
diluted net loss per common			
share.....	44,849	50,319	-----

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UNAUDITED CONDENSED BALANCE SHEETS

JUNE 30, SEPTEMBER 30, 2001	2001	-----	-----	(IN
THOUSANDS) ASSETS				
Current assets: Cash and cash equivalents.....	\$182,161			
Accounts receivable, net of allowance of \$513 and \$628....	29,716	18,425	-----	
Prepaid merchant bookings.....	30,170	18,690	-----	
Prepaid expenses and other current assets.....	11,642	8,729	-----	

Total current				
assets.....	253,689	243,645	-----	

Property and equipment, net.....	16,778	16,120	-----	
Investment and restricted deposits.....	1,298	1,840	-----	
Intangible assets, net.....	43,298		-----	
29,285			-----	
Goodwill.....	74,781	78,890	-----	

Total				
assets.....	\$389,844		-----	
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 33,994	\$ 29,063	-----	
Accrued				

expenses.....	40,879	Due to	40,831
Microsoft.....	801		
1,556	Deferred merchant		
bookings.....	80,326	62,457	
Current portion of notes payable.....	45	-- Unearned	
revenue.....	1,545		
1,074	-----	-----	Total current
liabilities.....	157,542	135,029	
Notes payable, net of current			
portion.....	1,303	--	-----
Total liabilities.....	158,845	135,029	
158,845	135,029	-----	-----
contingencies (Note 8) STOCKHOLDERS' EQUITY Common stock,			
\$.01 par value, 120,000 shares authorized, 50,176 and			
51,378 issued and outstanding.....	502	514	
Preferred stock, \$.01 par value, 10,000 shares authorized,			
none issued and outstanding.....			
-- -- Additional paid-in-			
capital.....	437,903	442,371	
Unearned stock-based			
compensation.....	(16,172)	(12,131)	
Retained			
deficit.....			
(191,418) (196,168) Accumulated other comprehensive income:			
Cumulative currency translation adjustment.....	184	165	-----
184	165	-----	Total stockholders'
equity.....	230,999	234,751	-----
-- -----			Total liabilities and stockholders'
equity.....	\$389,844	\$369,780	=====

See accompanying notes.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

CUMULATIVE COMMON STOCK			
ADDITIONAL UNEARNED CURRENCY			
----- PAID-IN			
STOCK-BASED RETAINED			
TRANSLATION SHARE AMOUNT			
CAPITAL COMPENSATION DEFICIT			
ADJUSTMENT TOTAL -----			

-- (IN THOUSANDS) Balance,			
June 30, 2001.....	50,176	\$502	\$437,903
\$ (16,172) \$ (191,418) \$ 184			
\$230,999 Proceeds from			
issuance of common stock and			
common stock			
warrants.....	351	4 (4)	-- Proceeds from
exercise of			
options.....	851	8 4,949	4,957 Recognition
of stock-based			
compensation.....	3,564	3,564	Forfeiture of
stock-based			
Compensation.....	(477)	477	-- Net
loss.....	(4,750)	(4,750)	Other
comprehensive income:			
Currency translation			
adjustment.....	(19)	(19)	-----

----- Balance, September 30,			
2001.....	51,378	\$514	
\$442,371 \$ (12,131) \$ (196,168)			
\$165 \$234,751 =====			=====
=====			=====
=====			=====

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED SEPTEMBER 30, ----- 2000	
2001 -----	(IN THOUSANDS) Operating
	activities: Net
loss.....	
\$ (30,784) \$ (4,750)	Adjustments to reconcile net loss to
	net cash used by operating activities: Depreciation and
	amortization..... 555 2,644
	Recognition of stock-based compensation.....
13,617 3,564	Amortization of goodwill and
	intangibles..... 15,532 9,904 USAI transaction
	related costs..... -- 6,341 Cash
	provided (used) by changes in operating assets and
	liabilities: Accounts
	receivable..... 4,889
	11,291 Due (from) to
	Microsoft..... (117) 755
	Prepaid expenses and other current assets.....
	(2,131) 2,913 Prepaid merchant
	bookings..... (30) 11,480
	Accounts payable and accrued expenses.....
	1,784 (4,883) Deferred merchant
	bookings..... 6,097 (17,869)
	Unearned revenue.....
	(5,731) (471) ----- ----- Net cash provided by
	operating activities..... 3,681 20,919 ----- -
	----- Investing activities: Additions to property and
	equipment..... (2,644) (3,374) Proceeds
	from sale of building..... --
	1,388 Funding of restricted deposits,
	net..... (514) (542) ----- -----
	Net cash used by investing activities.....
	(3,158) (2,528) ----- ----- Financing activities:
	Repayment of notes
	payable..... (73) (1,348) Net
	proceeds from issuance of common stock and warrants...
	60,483 -- Net proceeds from exercise of
	options..... 746 4,957 USAI transaction
	related costs..... -- (6,341) ----
	---- ----- Net cash provided (used) by financing
	activities..... 61,156 (2,732) ----- ----- Effect
	of foreign exchange rates changes on cash and cash
	equivalents.....
	(10) (19) ----- ----- Net increase in cash and cash
	equivalents..... 61,669 15,640 Cash and
	cash equivalents at beginning of period.....
	60,670 182,161 ----- ----- Cash and cash
	equivalents at end of period..... \$122,339
	\$197,801 ----- ----- SUPPLEMENTAL DISCLOSURES TO
	CASH FLOW STATEMENTS: Cash paid for
	interest..... \$ 64 \$ 28
	Forfeiture of stock-based
	compensation..... 571 477

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

In October 1996, Microsoft Corporation (Microsoft) launched its online travel services product called Expedia-Registered Trademark-. Since that launch, Expedia, Inc. (the Company) has become a leading provider of branded online travel services for leisure and business travelers. The Company operates eight websites, located at Expedia.com-Registered Trademark-, Expedia.co.uk, Expedia.de, Expedia.ca-TM-, Expedia.it, Expedia.nl, VacationSpot.com-TM- and Rent-a-Holiday.com. The Expedia-branded websites also serve as the travel channel on MSN.com, Microsoft's online services network. In addition, during the quarter, the Company began redirecting traffic from the Travelscape.com-TM- and LVRS.com websites. Visitors to these websites are automatically transferred to the Expedia.com website.

The Company's goal is to sell the broadest possible array of travel services

to the broadest possible range of customers around the world. This encompasses providing real-time access to schedule, pricing and availability information for booking reservations for airlines, hotels, rental cars, and cruises. The Company sells these reservations both individually and as components of dynamically assembled packaged travel vacations and trips. In addition, the Company provides content on its websites that provides travelers information about travel destinations, maps, and other travel details.

The Company was incorporated in the state of Washington on August 23, 1999. On October 1, 1999, Microsoft separated the assets and contributed them in exchange for 33,000,000 shares of Expedia common stock or 100% of the outstanding common stock at that date. Concurrent with this, the Company entered into a number of agreements with Microsoft to facilitate the operation of the Company and its assets after the separation.

On November 10, 1999, the Company completed an initial public offering in which it sold 5,890,000 shares of common stock at a price of \$14.00 per share, raising \$83.7 million in gross proceeds. After deducting \$5.3 million in aggregate underwriters' discounts and commissions and \$1.8 million in related expenses, net proceeds from this offering totaled \$76.6 million. Microsoft's interest has since been further diluted as a result of option exercises, a private placement of shares and the exercise of warrants associated with the private placement, and shares issued in conjunction with acquisitions.

In March 2000, the Company acquired Travelscape.com, Inc. (Travelscape), a Delaware corporation based in Las Vegas, Nevada. Travelscape-Registered Trademark- is a leading Internet travel wholesaler and packager with discounted rate contracts with hotel and travel suppliers worldwide. Hotel rooms, car rentals, and travel services from those suppliers are offered on all of the Expedia-branded websites. In July 2001, Travelscape also operates under the business name, WWTE, which is a private label online travel business that supplies car and hotel inventory to third parties.

In March 2000, the Company also acquired VacationSpot.com, Inc. (VacationSpot), a Delaware corporation based in Seattle, Washington. VacationSpot is a leading reservation network for vacation homes, rental condominiums, inns and bed & breakfasts around the world. VacationSpot was subsequently merged into the Company. The VacationSpot.com-TM- and Rent-a-Holiday.com websites, acquired as part of the acquisition, offer unique properties in vacation destinations and countries worldwide and operate as independent websites. In addition, the majority of this inventory is also offered on all of the Expedia-branded websites and the private label websites.

The Company classifies revenues into three categories: agency, merchant and advertising and other. Agency revenues are derived from travel-related sales transactions where the Company receives commissions and fees from travel suppliers. Merchant revenues primarily come from travel-related sales transactions where the Company both purchases from the supplier and sells to the customer the requested travel service. In addition, the Company derives revenues from advertisements on its websites. The Company has also licensed components of its technology and editorial content. Both

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1. BUSINESS DESCRIPTION (CONTINUED)

advertising and licensing revenues are categorized as "Advertising and Other" revenues in the Company's consolidated statements of operations and comprehensive loss.

2. BASIS OF PRESENTATION

The accompanying condensed consolidated balance sheets and related interim condensed consolidated statements of operations, cash flows, and changes in stockholders' equity, are unaudited and in the opinion of management, include all adjustments (consisting only of normal recurring items) necessary for their fair presentation in conformity with accounting principles generally accepted in the United States of America. Preparing financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates. Interim results are not necessarily indicative of results for a full year. Readers of the condensed consolidated financial statements should read the information included in this Form 10-Q in conjunction with Management's Discussion and Analysis and consolidated financial statements and notes included in the Company's Annual Report filed on Form 10-K with the Securities and Exchange Commission on August 22, 2001.

3. GOODWILL AND OTHER INTANGIBLES

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS

No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized, but are reviewed annually for impairment or more frequently if impairment indicators arise. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. The Company elected to adopt SFAS No. 142 on July 1, 2001. As required under the standard, the Company continues to amortize intangibles assets with finite lives and has ceased the amortization prospectively on goodwill upon the adoption of the standard.

The Company has completed its initial impairment assessment of the goodwill, which is attributable to the Destinations segment, by comparing the fair value of the segment to its carrying value. Fair value was determined using a discounted cash flow methodology. This impairment test is required to be performed upon adoption of the SFAS No. 142 and at least annually thereafter.

Based on the initial impairment test, none of the goodwill recorded was impaired. Impairment adjustments recognized after adoption, if any, generally are recognized as operating expenses.

The financial information for the acquired intangible assets is as follows:

ORIGINAL ACCUMULATED NET BOOK COST		AMORTIZATION	
VALUE	-----	-----	Amortized
Intangible Assets Supplier			
relationships.....		\$26,200	
	\$20,143	\$ 6,057	Trademarks and
tradenames.....		20,300	10,405
	9,895	Distribution	
agreements.....		24,900	
	19,143	5,757	
Other.....			
18,800	11,224	7,576	----- \$90,200
	\$60,915	\$29,285	=====

In connection with adopting SFAS No. 142, the Company also reassessed the useful lives and the classification of identifiable intangible assets. The only change was the reclassification of \$4.1 million for the intangible asset "acquired workforce", which was identified in previous acquisitions in accordance with accounting guidance prior to SFAS No. 142, as goodwill. Amortization expense for the

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3. GOODWILL AND OTHER INTANGIBLES (CONTINUED)

acquired intangible assets for the quarter ended September 30, 2001, was \$9.9 million and annual estimated amortization for the acquired intangible assets for the next three fiscal years are as follows:

2002.....	\$30,943
2003.....	7,141
2004.....	1,104

	\$39,188
	=====

The table below shows the effect on net loss and net loss per share had SFAS No. 142 been adopted in prior periods:

THREE MONTHS ENDED SEPTEMBER 30, -----		-----	
-----	2000	2001	-----
	net		Reported
loss.....			
	\$ (30,784)	\$ (4,750)	Amortization of
goodwill.....			
	5,421	--	Adjusted net
loss.....			
	\$ (25,363)	\$ (4,750)	-----
	basic and diluted net loss per		Reported
share.....	\$ (0.69)	\$ (0.09)	
	Amortization of		
goodwill.....			
	0.12	--	Adjusted basic and
diluted net loss per share.....			
	(0.57)	\$ (0.09)	-----

4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not expect the adoption of SFAS No. 143 to have a material effect on its financial position or result of operations.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that opinion). SFAS No. 144 established a single accounting model, based on the frame work established in SFAS No. 121 for long-lived assets to be disposed of for sale. It retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, with earlier applications encouraged. The Company has not yet determined the impact of adopting SFAS No. 144 on its financial position or results of operations.

5. INCOME TAXES

Effective October 1, 1999, the Company entered into a tax allocation agreement with Microsoft. On March 18, 2000, Microsoft's investment in the Company fell below 80% ownership. As such, from March 18, 2000 onward, the Company must file a separate tax return. Based on the tax allocation agreement, the Company may be reimbursed by Microsoft for tax losses incurred during the period from October 1, 1999 to March 17, 2000 that are utilized on the Microsoft consolidated U.S. federal tax return. As of September 30, 2001, the Company has received no such reimbursement from

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5. INCOME TAXES (CONTINUED)

Microsoft. Reimbursements of approximately \$2.5 million are expected to be received from Microsoft under this agreement. Any reimbursement from Microsoft will be recorded as a capital contribution.

In November 2001, the Company entered into an agreement with Microsoft setting forth the manner in which the Company will compensate Microsoft for compensation deductions attributable to the "Inherent Bargain Element" as used in the tax allocation agreement. Under this agreement, the Company generally will be required to compensate Microsoft for the actual federal and state tax savings that the Company realizes as a result of the use of the compensation deductions, as and when the Company realizes such tax savings.

At September 30, 2001, the Company has a net operating loss carryforward of approximately \$105 million for federal income tax purposes. The net operating loss carryforwards begin to expire in 2017. Of this amount, \$5 million is the amount available to the Company from the period ended March 17, 2000. In addition, \$31 million of the loss carryforward is from acquired companies, the utilization of which in each carryforward year may be limited by the Internal Revenue Code. Under the tax allocation agreement with Microsoft which was subsequently amended in November 2001, the Company must pay Microsoft for a portion of the tax savings resulting from the exercise of certain stock options. The Company will pay Microsoft approximately \$36 million under this agreement when the tax savings are utilized on the Company's tax return. The Company has not utilized the tax savings as of September 30, 2001. Reimbursements to Microsoft will be recorded as a capital distribution.

Because of the Company's limited operating history, losses incurred to date and the difficulty in accurately forecasting long-term future results, the Company has applied a valuation allowance equivalent to the expected tax benefit from its net operating loss carryforward and other deferred tax assets. As a result, the Company has not recorded a benefit for current federal and state income taxes or a related deferred tax asset. Management evaluates, on a quarterly basis, the recoverability of the deferred tax assets and the level of the valuation allowance.

6. NET LOSS PER SHARE

Net loss per share has been computed in accordance with SFAS No. 128, Earnings per Share. Net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding. Common

stock equivalent shares related to stock options, warrants and shares subject to repurchase are excluded from the calculation as their effect is anti-dilutive. Accordingly, basic and diluted loss per share are equivalent.

7. RELATED PARTY TRANSACTIONS

In June 2001, the Company signed an amended and restated carriage and cross promotion agreement with Microsoft. Under this agreement, Microsoft's domestic and international MSN websites promote co-branded versions of the Expedia websites that include the logos of both the Company and MSN in the U.S., the U.K., Germany and Canada, the countries in which the Company is currently present. These co-branded websites are the preferred travel transaction services offered on MSN, except in international markets where Expedia does not have a presence. Under the agreement, the parties also agreed to certain restrictions regarding the promotion of competitors on MSN.com and on the MSN Expedia co-branded travel websites accessed via MSN.com. The Company pays Microsoft slotting fees and performance fees under this agreement. These fees are calculated in accordance with the terms of the agreement and, in certain cases, a letter agreement entered into between the parties in July 2001. The Company pays Microsoft an annual slotting fee of \$500,000 for the U.S. co-branded travel website. This fee is credited toward the performance fees that the Company is required to pay Microsoft. The Company pays Microsoft an annual slotting fee of \$250,000 for each non-U.S. co-branded travel website. These fees are credited toward the performance fees the Company is

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7. RELATED PARTY TRANSACTIONS (CONTINUED)

required to pay Microsoft only if these non-U.S. websites exceed specified revenue targets. The performance fees the Company pays to Microsoft are based on the number of transactions of each transaction type that occur on the co-branded websites multiplied by the average gross profit per transaction achieved by the Company for each transaction type multiplied by the agreed percentage of gross profit to be shared for each transaction type. This agreement runs through June 30, 2005.

The Company entered into an amended and restated services agreement with Microsoft on October 1, 1999 whereby Microsoft provides the Company with certain administrative and operational services. This agreement was subsequently amended and restated effective January 1, 2001 and further amended as of July 1, 2001. The Company intends to enter into a second amended and restated services agreement in connection with the USAI transaction, which is discussed in Note 10. The second amended and restated services agreement will extend through September 30, 2002, although Microsoft may elect in limited circumstances to terminate certain services if Microsoft determines, in good faith after consultation with USAI and Expedia, that it is inappropriate for Microsoft to provide such services to an unaffiliated third party.

Under the second amended and restated services agreement, Microsoft will continue to provide the Company with specified administrative and operational services. In return, the Company will pay Microsoft fees based on the total direct and indirect costs incurred by Microsoft in providing these services to the Company. The Company has been developing and will continue to develop its own resources in these administrative and operational areas.

In August 2001, in connection with the USAI transactions, the Company and Microsoft entered into a hosting services agreement under which Microsoft provides the Company with internet service provider services for the Expedia websites. Microsoft previously provided these services to the Company under the amended and restated services agreement. The hosting services agreement has a four-year term. The Company pays Microsoft for the hosting services on a cost basis.

On October 1, 1999, the Company and Microsoft entered into a license agreement under which Microsoft provides the Company with rights to intellectual property used in its business. Microsoft assigned to the Company the trademarks and domain names associated with the name "Expedia." In addition, Microsoft assigned to the Company copyrights for software relating to online travel services. The Company licenses the right to use some of Microsoft's retail products and other technology under the license agreement. All of the licenses relating to Expedia-specific software content and data and patents are royalty-free, irrevocable and perpetual. Upon completion of the USAI transaction, the license agreement will be terminated, however, the perpetual licenses will remain.

In August 2001, the Company signed an amended and restated map server license agreement with Microsoft. Under this agreement, Microsoft will develop, maintain, host and serve maps to the Expedia websites. The maps will be customized for the Company's websites and will include both the Company's logo and Microsoft's MapPoint.Net logo. The Company will pay route transaction fees, location lookup transaction fees and map transaction fees to Microsoft. This

agreement was applied retroactively to December 2000. The agreement runs through August 2005.

On September 25, 2001, Expedia and Microsoft entered into the following agreements that provide Expedia with worldwide rights to use some of Microsoft's retail products: Microsoft Business Agreement; Microsoft Enterprise Agreement; Microsoft Enterprise Enrollment Agreement; Microsoft Select Agreement; and Microsoft Select Enrollment Agreement to replace some of the licenses in the license agreement dated October 1, 1999.

Effective October 1, 1999, the Company entered into a tax allocation agreement with Microsoft relating to periods during which the Company was included in Microsoft's U.S. federal tax return. In November 2001, the Company entered into an agreement with Microsoft setting forth the manner in

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7. RELATED PARTY TRANSACTIONS (CONTINUED)

which the Company will compensate Microsoft for compensation deductions attributable to the "Inherent Bargain Element" as used in the tax allocation agreement. Under this agreement, the Company generally will be required to indemnify Microsoft for the actual federal and state tax savings that the Company realizes as a result of the use of the compensation deductions, as and when the Company realizes such tax savings.

In November 2001, the Company entered into an agreement to assign patent applications and royalty sharing agreement with Microsoft. Under this agreement, Microsoft assigned to the Company all of Microsoft's patents relating to the operation of the Company's websites. The assignment agreement includes a limited license of such patents from the Company to Microsoft. Further, the agreement includes a royalty sharing agreement under which the Company will pay a percentage of any royalties collected by the Company for licenses to such patents that are granted by the Company to third parties for use in products and/or services other than online travel services.

The Company incurs various charges from the above agreements as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30, -----	2000
	2001 -----	-----
Revenues.....	\$ (44)	\$ --
revenues.....	1,035	Product
development.....	760	Sales and
marketing.....	2,327	General and
administrative.....	438	414 --
expense.....	----	----- Net
	\$2,525	\$4,536 -----

8. COMMITMENTS AND CONTINGENCIES

The Company has multi-year agreements with certain travel service providers that make available the services accessed through the Company's website. Under these agreements, the Company pays monthly service fees to the service providers based on the volume of activity. The Company expenses these amounts as the services are provided.

Between June 5 and July 26, 2001, four class action complaints, alleging violations of Section 11 of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934, were filed in the Southern District of New York against the Company, certain of its officers and directors and certain underwriters of the Company's initial public offering (IPO). The complaint alleges that the Company's prospectus was false or misleading in that it failed to disclose (i) that the underwriters allegedly were paid excessive commissions by certain customers in return for receiving shares in the IPO and (ii) that certain of the underwriters' customers allegedly agreed to purchase additional shares of the Company in the aftermarket in return for an allocation of shares in the IPO. Plaintiffs contend that as a result of those omissions from the prospectus, the price of the Company's stock was artificially inflated between November 9, 1999 and December 6, 2000 and that the defendants are liable for unspecified damages to those persons who purchased stock during that period. On August 9, 2001, these actions were consolidated before a single judge along with cases brought against numerous other issuers and their underwriters that make similar allegations involving the IPO's of those issuers. The consolidation was for purposes of pretrial motions and discovery only. The Company intends to defend this matter vigorously.

In addition to the matter discussed above, the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. Management believes that the resolution of all such

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8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

matters will not have a material impact to the Company's financial position, results of operations or cash flows.

9. SEGMENT INFORMATION

The Company has five reportable segments: Transportation, Destinations, Advertising, International and Corporate. The Transportation segment serves primarily as an agent for U.S.-originated airline tickets and car rentals. The Destinations segment generates most of its revenues from U.S.-originated hotel bookings where the Company acts as merchant of record. The Advertising segment sells advertisements on the domestic websites. The International segment generates most of its revenues as agency revenues from airline tickets, car rentals and hotel bookings on its websites in the United Kingdom, Germany, Belgium, Italy, the Netherlands and Canada. The Corporate segment generates revenues from the licensing of technology and generates expenses consisting of the amortization of goodwill and intangibles, recognition of stock-based compensation and certain corporate headquarters costs.

Segment information is presented in accordance with SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. This standard is based on a management approach, which requires segmentation based upon the Company's internal organization and disclosures of revenue and operating loss based upon internal accounting methods.

Management evaluates each segment's performance based upon income or loss from operations. This involves significant allocations of various expenses to the non-Corporate segments. These allocations are primarily based on transaction volumes and other metrics.

The segment information for the three months ended September 30, 2000 and 2001, are as follows (in thousands):

	TRANSPORTATION	DESTINATIONS	ADVERTISING	INTERNATIONAL	CORPORATE	TOTAL
	-----	-----	-----	-----	-----	-----
	----- For the					
	three months ended September 30,					
	2000					
Revenues.....	\$18,645	\$14,060	\$3,087	\$ 1,621	\$	\$ 4,692
						\$ 42,105

	Depreciation and					
	amortization.....					
	\$ 10	\$ 34	\$ 15,647	\$ 16,087		\$ 271

	----- Income (loss) from					
	operations.....					
	\$1,826	\$(3,491)	\$(28,772)		\$ (31,866)	\$ 291

	----- For the					
	three months ended September 30,					
	2001					
Revenues.....	\$41,621	\$28,628	\$3,467	\$ 4,121	\$	\$ 1,641
						\$ 79,478

	Depreciation and					
	amortization.....					
	\$ 103	\$ 254	\$ 10,833	\$ 12,548		\$ 733

	----- Income (loss) from					
	operations.....					
	\$1,221	\$(2,199)	\$(16,335)	\$(262)		\$ 8,858

Assets of the segments are not relevant for management of the business. However, depreciation and amortization expense, excluding amortization of goodwill and intangibles that has been exclusively allocated to the Corporate segment, has been allocated to the five segments for these segment disclosures

based on a usage metric. There are no reconciling items between the segment information indicated above to the consolidated statements of operations, nor are there any inter-segment revenues.

The Company has allocated revenues from external customers to geographic areas by selling location. The Transportation, Destinations and Advertising segments derive revenues from the Company's U.S. websites and the International segment derives revenues from the Company's international websites.

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10. USAI TRANSACTION

On July 16, 2001, the Company announced that it had entered into a merger agreement with Microsoft and USA Networks, Inc. (USAI), among others, whereby USAI agreed to acquire up to 37,500,000 shares of Expedia common stock, representing a controlling interest in the Company. In connection with the transaction, the Company will create a Class B common stock with fifteen votes per share, subject to certain limitations. Following the completion of the recapitalization of Expedia's common stock, which will take place immediately prior to the merger, and the completion of the merger, USAI is expected to hold all Class B common shares and hold over 90% of the voting interest in the Company. As part of the agreement, Microsoft will elect to exchange all 33,602,258 of its Expedia shares and all 120,452 of its warrants in exchange for a package of USAI securities (described below), subject to a ratable reduction depending upon the number of elections made by other shareholders. Under the terms of the transaction agreements, the Company's shareholders may elect to either retain their common stock in the Company and receive for each share of common stock, 0.192 warrants to purchase the Company's common stock at \$52 per common share or exchange their shares of the Company's common stock for a package of USAI securities consisting of USAI common stock, USAI convertible redeemable preferred stock and warrants to acquire USAI common stock. Also, under the terms of the transaction agreements, the Company's employee option holders and in, certain cases, the Company's existing warrant holders will receive 0.192 warrants per option or warrant to purchase the Company's common stock at \$52 per common share. Warrants granted to each employee option holder will have the same vesting schedule as such employee's unvested options.

As part of the transaction, USAI will contribute \$75 million in media time on its media outlets to the Company over a five year period following closing. In addition, the Company will acquire an option to participate in a new television channel to be developed by USAI called the USA Travel Channel. The terms of the transaction also provide for the Company to have an option to purchase from USAI the National Leisure Group (NLG), a supplier of cruise travel products. In the event that USAI does not acquire NLG within 6 months of the completion of the merger agreement, the Company will be entitled to a payment from USAI of \$20 million plus interest.

The completion of the transaction is subject to the approval of the Company's shareholders. The Company has incurred \$6.3 million of costs related to the transaction for the quarter ended September 30, 2001 and anticipates incurring further costs for investment banking, legal, and accounting services in order to complete this transaction. The Company anticipates completing the transaction by the end of December 2001.

USAI holds approximately 90% of the voting rights in Hotel Reservations Network, Inc. (HRN), a competitor of the Company. USAI has announced publicly that HRN and the Company will continue to operate independently despite being controlled by a common parent.

11. SEPTEMBER 11, 2001--TERRORIST ATTACKS

The terrorist attacks of September 11, 2001 had an impact on this quarter's revenues. The mandated grounding of all flights by the FAA for several days coupled with the slow ramp-up of flights and cutbacks in schedules by the airlines reduced this quarter's revenues. In addition, airlines allowed customers with non-refundable tickets to refund them and hotels relaxed their cancellation policies, resulting in lost agency and merchant revenue for Expedia. Also, the volume of calls and length of calls at the Company's call centers increased as the call centers were addressing customers' travel concerns, thereby increasing cost of revenues.

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PART II INFORMATION NOT REQUIRED IN THE PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant's Restated Certificate of Incorporation limits, to the maximum extent permitted by Delaware law, the personal liability of directors

for monetary damages for breach of their fiduciary duties as a director. The Registrant's Amended and Restated Bylaws provide that the directors and officers (and legal representatives of such directors and officers) will be indemnified to the fullest extent authorized by the Delaware General Corporation Law with respect to third-party actions, suits, investigations or proceedings provided that any such person has met the applicable standard of conduct set forth in the Delaware General Corporation Law described below. The Registrant's Amended and Restated Bylaws further provide that directors and officers (and legal representatives of such directors and officers) will be indemnified with respect to actions or suits initiated by such person only if such action was first approved by the board of directors. The Registrant's Amended and Restated Bylaws allow the Registrant to pay all expenses incurred by a director or officer (or legal representative of such director or officer) in defending any proceeding within the scope of the indemnification provisions as such expenses are incurred in advance of its final disposition, upon an undertaking by such party to repay such expenses, if it is ultimately determined that such party was not entitled to indemnity by the Registrant. From time to time, officers and directors may be provided with indemnification agreements that are consistent with the foregoing provisions. The Registrant believes that these agreements and arrangements are necessary to attract and retain qualified persons as directors and officers.

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify a director, officer, employee or agent who was or is a party, or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he was a director, officer, employee or agent of the corporation or was serving at the request of the corporation against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) EXHIBITS

- 2.1 Amended and Restated Agreement and Plan of Recapitalization and Merger, dated as of July 15, 2001, by and among the Registrant, Taipei, Inc., Expedia, Inc., Microsoft Corporation and Microsoft E-Holdings, Inc. (included as Annex A to the joint prospectus/proxy and information statement incorporated as part of this registration statement).
 - 2.2 Transaction Agreement, dated as of December 16, 2001, among Vivendi Universal, S.A., Universal Studios, Inc., the Registrant, USANi LLC and Liberty Media Corporation (incorporated by reference to Exhibit 2.1 to the Registrant Form 8-K filed on December 18, 2001).
 - 3.1 Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000).
 - 3.2 Amendment to Restated Certificate of Incorporation of Registrant (included as Exhibit A to Registrant's Definitive Information Statement, filed on November 19, 2001).
- II-1
- 3.3 Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.1 to Registrant's Form 8-K, dated January 9, 1998).
 - 4.1 Form of Certificate of Designations of Series A Cumulative Convertible Preferred Stock of the Registrant.*
 - 4.2 Form of Equity Warrant Agreement between the Registrant and The Bank of New York.*
 - 4.3 Form of Equity Warrant Agreement between the Registrant and The Bank of New York, as equity warrant agent (incorporated by reference to Exhibit 4.1 to the Registrant Form 8-K filed on December 18, 2001).
 - 5.1 Opinion of Wachtell, Lipton, Rosen & Katz regarding the legality of the shares being issued.*
 - 8.1 Opinion of Shearman & Sterling as to certain U.S. federal income tax matters.*
 - 10.1 Form of Registration Rights Agreement by and between the Registrant and Expedia, Inc.*
 - 10.2 Amended and Restated Governance Agreement, dated as of December 16, 2001, among the Registrant, Universal Studios, Inc., Liberty Media Corporation, Barry Diller and Vivendi Universal, S.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 18, 2001).

- 10.3 Amended and Restated Stockholders Agreement, dated as of December 16, 2001, among Universal Studios, Inc., Liberty Media Corporation, Barry Diller and Vivendi Universal, S.A. (incorporated by reference to Exhibit 99.2 to the Registrant Form 8-K filed on December 18, 2001).
- 23.1 Consent of Ernst & Young LLP.
- 23.2 Consent of Deloitte & Touche LLP.
- 23.3 Consent of Wachtell, Lipton, Rosen & Katz (included in Exhibit 5.1).
- 23.4 Consent of Shearman & Sterling (included in Exhibit 8.1).
- 23.5 Consent of Morgan Stanley & Co.*
- 24 Powers of Attorney.*
- 99.1 Form of Proxy Card of Expedia, Inc.*
- 99.1.1 Form of Proxy Card for reconvened annual meeting of Expedia, Inc.
- 99.2 Form of Election Form and Letter of Transmittal.*
- 99.3 2001 Expedia Annual Meeting Instruction Booklet for Expedia Shareholders, Warrantholders and Optionholders.*
- 99.3.1 Form of Notice of Guaranteed Delivery.*
- 99.3.2 Form of Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.*
- 99.4 Terms of NLG Call Option.*
- 99.5 Terms of Travel Channel Option.*
- 99.6 Terms of Media Arrangements in USA Media, LLC.*
- 99.7 Voting and Election Agreement, dated July 15, 2001, between the Registrant, Microsoft and Microsoft E-Holdings (included as Annex E to the joint prospectus/proxy and information statement incorporated as part of this registration statement).*

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- 99.8 Form of Limited Liability Limited Partnership Agreement of [Vivendi Universal Entertainment], L.L.L.P., among a wholly owned subsidiary of Universal Studios, Inc., the Registrant, USANi Sub LLC and Barry Diller (incorporated by reference to Exhibit 99.1 to the Registrant's Form 8-K filed on December 18, 2001).

 * Previously filed

ITEM 22. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(a) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of

distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(b) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

(c) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(d) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

(e) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

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(f) That every prospectus: (i) that is filed pursuant to paragraph (e) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offering therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

(g) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in the documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(h) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the

undersigned, thereunto duly authorized, in the City of New York, State of New York, on January 7, 2002.

USA NETWORKS, INC.

By: /s/ BARRY DILLER*

Barry Diller
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Act, this registration statement has been signed below by the following persons in the capacities as of January 7, 2002.

SIGNATURE
TITLE ----

- /s/
BARRY
DILLER* --

- Chairman
of the
Board,
Barry
Diller
Chief

Executive
Officer
and
Director
/s/ VICTOR
A.
KAUFMAN* -

-- Vice
Chairman
and
Director
Victor A.
Kaufman
/s/

WILLIAM J.
SEVERANCE*

--- Vice
President
and
William J.
Severance
Controller
(Chief

Accounting
Officer)
/s/
MICHAEL
SILECK* --

- Senior
Vice
President
and
Michael
Sileck
Chief
Financial

Officer
/s/ PAUL
G. ALLEN*

Director
Paul G.
Allen ----

Director
Robert R.
Bennett
/s/ EDGAR
BRONFMAN,
JR.* -----

Director
Edgar
Bronfman,
Jr. /s/
ANNE M.
BUSQUET* -

--
Director
Anne M.
Busquet

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SIGNATURE
TITLE -----

/s/
PHILIPPE
GERMOND* --

Director
Philippe
Germond /s/
DONALD R.
KEOUGH* ---

Director
Donald R.
Keough /s/
GEORG
KOFLER* ---

Director
Georg
Kofler /s/
MARIE-JOSEE
KRAVIS* ---

Director
Marie-Josée
Kravis /s/
PIERRE
LESCURE* --

Director
Pierre
Lescure ---

Director
John C.
Malone /s/
JEAN-MARIE
MESSIER* --

Director
Jean-Marie
Messier /s/
WILLIAM D.
SAVOY* ----

Director
William D.
Savoy /s/
GEN. H.
NORMAN
SCHWARZKOPF*

Director
Gen. H.
Norman
Schwarzkopf
/s/ DIANE
VON
FURSTENBERG*

Director
Diane Von
Furstenberg

By: /s/ JULIUS GENACHOWSKI

Julius Genachowski
ATTORNEY-IN-FACT

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EXHIBIT INDEX

EXHIBIT NUMBER
DESCRIPTION - -

-- 2.1 Amended
and Restated
Agreement and
Plan of
Recapitalization

and Merger,
dated as of
July 15, 2001,
by and among
the Registrant,
Taipei, Inc.,
Expedia, Inc.,
Microsoft
Corporation and
Microsoft E-
Holdings, Inc.
(included as
Annex A to the
joint
prospectus/proxy
and information
statement
incorporated as
part of this
registration
statement). 2.2
Transaction
Agreement,
dated as of
December 16,
2001, among
Vivendi
Universal,
S.A., Universal
Studios, Inc.,
the Registrant,
USANi LLC and
Liberty Media
Corporation
(incorporated
by reference to
Exhibit 2.1 to
the Registrant
Form 8-K filed
on December 18,
2001). 3.1
Restated
Certificate of
Incorporation
of the
Registrant
(incorporated
by reference to
Exhibit 3.1 to
Registrant's
Quarterly
Report on Form
10-Q for the
fiscal quarter
ended June 30,
2000). 3.2
Amendment to
Restated
Certificate of
Incorporation
of Registrant
(included as
Exhibit A to
Registrant's
Definitive
Information
Statement,
filed on
November 19,
2001). 3.3
Amended and
Restated Bylaws
of the
Registrant
(incorporated
by reference to
Exhibit 3.1 to
Registrant's
Form 8-K, dated
January 9,
1998). 4.1 Form

of Certificate
of Designations
of Series A
Cumulative
Convertible
Preferred Stock
of the
Registrant.*

4.2 Form of
Equity Warrant
Agreement
between the
Registrant and
The Bank of New
York.* 4.3 Form
of Equity
Warrant
Agreement
between the
Registrant and
The Bank of New
York, as equity
warrant agent
(incorporated
by reference to
Exhibit 4.1 to
the Registrant
Form 8-K filed
on December 18,
2001). 5.1

Opinion of
Wachtell,
Lipton, Rosen &
Katz regarding
the legality of
the shares
being issued.*

8.1 Opinion of
Shearman &
Sterling as to
certain U.S.
federal income
tax matters.*

10.1 Form of
Registration
Rights
Agreement by
and between the
Registrant and
Expedia, Inc.*

10.2 Amended
and Restated
Governance
Agreement,
dated as of
December 16,
2001, among the
Registrant,
Universal
Studios, Inc.,
Liberty Media
Corporation,
Barry Diller
and Vivendi
Universal, S.A.
(incorporated
by reference to
Exhibit 10.1 to
the

Registrant's
Form 8-K filed
on December 18,
2001). 10.3
Amended and
Restated
Stockholders
Agreement,
dated as of
December 16,
2001, among
Universal

Studios, Inc.,
 Liberty Media
 Corporation,
 Barry Diller
 and Vivendi
 Universal, S.A.
 (incorporated
 by reference to
 Exhibit 99.2 to
 the Registrant
 Form 8-K filed
 on December 18,
 2001). 23.1
 Consent of
 Ernst & Young
 LLP. 23.2
 Consent of
 Deloitte &
 Touche LLP.
 23.3 Consent of
 Wachtell,
 Lipton, Rosen &
 Katz (included
 in Exhibit
 5.1). 23.4
 Consent of
 Shearman &
 Sterling
 (included in
 Exhibit 8.1).
 23.5 Consent of
 Morgan Stanley
 & Co.* 24
 Powers of
 Attorney.* 99.1
 Form of Proxy
 Card of
 Expedia, Inc.*
 99.1.1 Form of
 Proxy Card for
 reconvened
 annual meeting
 of Expedia,
 Inc. 99.2 Form
 of Election
 Form and Letter
 of
 Transmittal.*
 99.3 2001
 Expedia Annual
 Meeting
 Instruction
 Booklet for
 Expedia
 Shareholders,
 Warrantholders
 and
 Optionholders.*
 99.3.1 Form of
 Notice of
 Guaranteed
 Delivery.*
 99.3.2 Form of
 Guidelines for
 Certification
 of Taxpayer
 Identification
 Number on
 Substitute Form
 W-9.*

EXHIBIT NUMBER
 DESCRIPTION - -

 -- 99.4 Terms
 of NLG Call
 Option.* 99.5

Terms of Travel
Channel
Option.* 99.6
Terms of Media
Arrangements in
USA Media,
LLC.* 99.7
Voting and
Election
Agreement,
dated July 15,
2001, between
the Registrant,
Microsoft and
Microsoft E-
Holdings
(included as
Annex E to the
joint
prospectus/proxy
and information
statement
incorporated as
part of this
registration
statement).*
99.8 Form of
Limited
Liability
Limited
Partnership
Agreement of
[Vivendi
Universal
Entertainment],
L.L.L.P., among
a wholly owned
subsidiary of
Universal
Studios, Inc.,
the Registrant,
USANi Sub LLC
and Barry
Diller
(incorporated
by reference to
Exhibit 99.1 to
the
Registrant's
Form 8-K filed
on December 18,
2001).

* Previously filed

CONSENT OF ERNST & YOUNG LLP

We consent to the reference to our firm under the caption "Experts" in the Post-Effective Amendment No. 2 to the Registration Statement No. 333-68120 and No. 1 to the Registration Statement No. 333-68116 on Form S-4 of USA Networks, Inc. and Expedia, Inc., respectively, and the related joint Prospectus/Proxy and Information Statement supplement and to the incorporation by reference therein of our report dated February 1, 2001 (except for note 3 as to which the date is March 22, 2001), with respect to the consolidated financial statements and financial statement schedule of USA Networks, Inc. included in its Annual Report (Form 10-K) for the year ended December 31, 2000, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

New York, New York
January 7, 2002

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Post-Effective Amendment No. 2 to Registration Statement No. 333-68120 of USA Networks, Inc. and Post-Effective Amendment No. 1 to Registration Statement No. 333-68116 of Expedia, Inc. both on Form S-4 of our report dated July 27, 2001, appearing in the Annual Report on Form 10-K of Expedia, Inc. and subsidiaries for the year ended June 30, 2001, and to the reference to us under the heading "Experts" in the Prospectuses, which are part of such Registration Statements.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP

Seattle, Washington
January 4, 2002

FORM OF
EXPEDIA, INC.

P R O X Y

FOR RECONVENED ANNUAL MEETING OF THE SHAREHOLDERS OF
EXPEDIA, INC.
THIS PROXY IS SOLICITED ON BEHALF
OF THE BOARD OF DIRECTORS

The undersigned hereby appoints RICHARD N. BARTON and GREGORY B. MAFFEI, and each of them, with full power of substitution, as proxies to vote the shares which the undersigned is entitled to vote at the reconvened Annual Meeting of the Company to be held at the _____, on _____, 2002, at _____ a.m. PST and at any and all postponements and adjournments thereof.

(Continued, and to be marked, dated and signed, on the other side)

* FOLD AND DETACH HERE *

Please mark
your votes as /X/
indicated in
this example

- | | FOR | AGAINST | ABSTAIN |
|--|-----|---------|---------|
| 1. Approval of the Amended and Restated Agreement and Plan of Recapitalization and Merger, dated as July 15, 2001, among USA Networks, Inc., Expedia, Taipei, Inc., a wholly owned subsidiary of USA, Microsoft Corporation and Microsoft E-Holdings, Inc., a wholly owned subsidiary of Microsoft, and the transactions contemplated thereby. | / / | / / | / / |
| 2. Approval and adoption of the Amended and Restated Articles of Incorporation of Expedia. | / / | / / | / / |
| 3. Approval of the termination of the Shareholder Agreement, dated as of October 1, 1999, between Expedia and Microsoft. | / / | / / | / / |
| 4. [Intentionally Omitted] | | | |
| 5. Adoption of the Expedia, Inc. 2001 Stock Plan. | / / | / / | / / |

6. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.

This proxy when properly signed will be voted in the manner directed herein by the undersigned shareholder. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2, 3 AND 5.

IMPORTANT -- PLEASE SIGN AND RETURN PROMPTLY. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

Signature _____ Signature, if held jointly _____ Dated _____, 2002

* FOLD AND DETACH HERE *