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

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

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NO. 0-20570

USA NETWORKS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

As of October 15, 2001, the following shares of the Registrant's capital stock were outstanding:

Common Stock	313,996,640
Class B Common Stock	63,033,452
Total	377,030,092
Common Stock issuable upon exchange of outstanding exchangeable subsidiary equity	361,152,845
Total outstanding Common Stock, assuming full exchange of Class B Common Stock and exchangeable subsidiary equity	738,182,937

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of October 15, 2001 was $4,869,299,804. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Assuming the exchange, as of October 15, 2001, of all equity securities of subsidiaries of the Registrant exchangeable for Common Stock of the Registrant, the Registrant would have outstanding 738,182,937 shares of Common Stock with an aggregate market value of $14,933,440,816.

- --

PART I--FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	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) $ .70 $ (.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) $ .69 $ (.19)

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

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

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.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(UNAUDITED)

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-
-$.01 par value; authorized 15,000,000 shares; no shares
issued and outstanding................. -- -- Common
stock--$.01 par value; authorized 1,600,000,000 shares;
issued and outstanding, 313,953,890 and 305,436,198
shares, respectively......................... 3,139
3,055 Class B--convertible common stock--$.01 par value;
authorized, 400,000,000 shares; issued and outstanding,
63,033,452
shares.. 630 630
Additional paid-in
capital................................ 3,913,058
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.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	TOTAL	COMMON STOCK	CLASS B CONVERTIBLE COMMON STOCK	ADDIT. PAID-IN CAPITAL	ACCUM. DEFICIT	ACCUM. OTHER COMP. LOSS	TREASURY STOCK	NOTE RECEIVABLE FROM KEY EXECUTIVE FOR COMMON STOCK ISSUANCE
	(IN THOUSANDS)							
BALANCE AT DECEMBER 31, 2000	$3,439,871	$3,055	$630	$3,793,764	$(202,341)	$(10,825)	$(139,414)	$(4,998)
Comprehensive income:								
Net earnings for the 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.

USA NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1--ORGANIZATION

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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.

BASIS OF PRESENTATION

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

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

ACCOUNTING ESTIMATES

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

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

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 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.

NOTE 4--STATEMENTS OF CASH FLOWS (CONTINUED)

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.

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.

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	(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.

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, 2001	DECEMBER 31, 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

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

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, 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.

(IN THOUSANDS)

BALANCE SHEET AS OF SEPTEMBER 30, 2001:	USA	HOLDCO	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
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
========== ==========
========== ==========
========== ============
===========

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 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
========== ==========
========== ==========
========== ============
=========== 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 ==========
========== ==========
========== ==========
=========== ===========

USA NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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 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) ========== ========== ========== ========== ========== ============ =========== 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 ========== ========== ========== ========== ========== ============ ===========

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

GENERAL

USA is focused on the new convergence of entertainment, information and direct selling. USA adopted its present corporate structure in 1998 when it acquired USA Networks (consisting of USA Networks and Sci Fi Channel Cable television networks) and the domestic television production and distribution business of Universal Studios, Inc. (the "Universal Transaction"). USA maintains control and management of Home Shopping Network, Inc. ("Holdco") and USANi LLC, and manages the businesses held by USANi LLC in substantially the same manner as they would be if USA held them directly through wholly owned subsidiaries.

On January 31, 2001, Ticketmaster Online-Citysearch, Inc. and Ticketmaster Corporation, both of which are subsidiaries of USA, completed a transaction which combined the two companies. The combined company has been renamed

"Ticketmaster." Under the terms of the transaction, USA contributed Ticketmaster Corporation to Ticketmaster Online-Citysearch and received 52 million Ticketmaster Online-Citysearch Class B Shares. The Ticketmaster Class B common stock is quoted on the Nasdaq Stock Market. As of January 31, 2001, USA beneficially owned 68% of the outstanding Ticketmaster common stock, representing 85% of the total voting power of Ticketmaster's outstanding common stock.

On July 27, 2000, USA and Styleclick.com Inc. ("Old Styleclick"), an enabler of e-commerce for manufacturers and retailers, completed the merger of Internet Shopping Network ("ISN") and Styleclick.com, forming a new company named Styleclick, Inc. ("Styleclick") (the "Styleclick Transaction"). Styleclick class A common stock is quoted on the Nasdaq Stock Market under the symbol "IBUY."

In April 2000, the Company acquired Precision Response Corporation ("PRC"), a leader in outsourced customer care for both large corporations and high-growth internet-focused companies (the "PRC Transaction").

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.

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.

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

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

EVENTS OF SEPTEMBER 11TH

Before September 11th, the Company was tracking to achieve very healthy revenue and EBITDA growth for the operating businesses, as the Company anticipated that revenue would grow in the high teens and EBITDA would grow well in excess of 20%. However, the events of September 11th changed everything for the third quarter and probably, at least, the fourth quarter. For the fourth quarter, we expect EBITDA from our Operating Businesses to decline by 12% to 16%, on flattish revenue growth, as compared to Q4 2000. This weak quarterly performance is due largely to the continuing effects of the national tragedy, including an accelerated downward impact on the advertising market. HSN, however, has returned to its normal level of business, and, therefore anticipates positive performance in the fourth quarter, but it's sales results may be negatively affected by reduced computer sales (which contributed almost $50 million in sales during Q4'00).

EBITDA

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

THIS REPORT INCLUDES FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, NEW DEVELOPMENTS, NEW MERCHANDISING STRATEGIES AND SIMILAR MATTERS. STATEMENTS IN THIS REPORT THAT ARE NOT HISTORICAL FACTS ARE HEREBY IDENTIFIED AS "FORWARD-LOOKING STATEMENTS" FOR THE PURPOSE OF THE SAFE HARBOR PROVIDED BY SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 27A OF THE SECURITIES ACT OF 1933. FORWARD-LOOKING STATEMENTS, WHEREVER THEY OCCUR IN THIS REPORT, ARE NECESSARILY ESTIMATES REFLECTING THE BEST JUDGMENT OF THE SENIOR MANAGEMENT OF THE COMPANY 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 REPORT. THE RISKS AND UNCERTAINTIES THAT MAY AFFECT THE OPERATIONS, PERFORMANCE, DEVELOPMENT AND RESULTS OF THE COMPANY'S BUSINESS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING: MATERIAL ADVERSE CHANGES IN ECONOMIC CONDITIONS GENERALLY OR IN THE MARKETS SERVED BY THE COMPANY; FUTURE REGULATORY AND LEGISLATIVE ACTIONS AFFECTING THE COMPANY'S 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. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF. THE COMPANY DOES NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

TRANSACTIONS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

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

Reference should be made to the Consolidated Financial Statements.

CONSOLIDATED RESULTS OF OPERATIONS

CONTINUING OPERATIONS

QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2001 VS. QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2000

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

NET REVENUES

For the three months ended September 30, 2001, revenues increased by $146.6 million, or 13.2%, to $1.26 billion from $1.11 billion in 2000 primarily due to increases of $62.2 million, $56.6 million, $26.4 million, $9.0 million and $4.9 million from the Cable and studios, Hotel reservations, Electronic retailing, Ticketing operations and Match businesses, respectively. For the nine months ended September 30, 2001, revenues increased by $657.8 million, or 20.0%, to $3.94 billion from $3.29 billion in 2000 primarily due to increases of $168.6 million, $166.9 million, $118.9 million, $83.7 million, $64.0 million and $52.0 million from the Cable and studios, Hotel reservations, Electronic retailing, Teleservices, which was acquired in April 2000, Filmed entertainment and Ticketing operations, respectively. The Cable and studios increase resulted from significant increases in license fees earned by Studios USA, including amounts related to the three Law & Order programs currently airing on NBC, increased license fees earned in secondary markets, and increased revenues associated with THE DISTRICT. Revenues at Cable increased slightly, due mainly to a $16 million adjustment related to affiliate fees recorded in Q3 2001. Advertising revenue was lower than the prior year due to the weak advertising market, which was worsened by the events of September 11th. Note that the cable networks provided $1.8 million of advertising to Citysearch and Match in the three months ended September 30, 2001. In addition, the networks recognized $17.3 million of barter revenue pursuant to agreements with third parties. The Hotel reservations increase resulted from increased room sales through HRN's Internet sites, from significant expansion of affiliate marketing programs to over 22.8 million in 2001 from 13.4 million in 2000, an increase in the number of hotels in existing cities as well as expansion into 88

new cities and the acquisition of TravelNow in February 2001. The number of room nights sold increased to 1.2 million in the three months ended September 30, 2001 compared to .7 million in 2000, and 3.1 million in the nine months ended September 30, 2001 compared to 1.7 million in 2000. Note that sales were impacted by September 11th due to the high volume of cancellations after the attacks. The Electronic retailing increase primarily resulted from Home Shopping Network's domestic business, which generated increased sales in the three and nine months ended September 30, 2001 of $27.6 million and $92.4 million, respectively, including increased sales of $23.4 million and $60.2 million, respectively, from HSN.com. In addition, the Improvements business purchased in 2001 contributed $15.6 million of revenue. On-air sales declined in the quarter $11.5 million due to a dramatic, but relatively short-lived, decline in viewership following the national tragedy of September 11th. HSN ceased its live programming shortly after the attacks and aired live news programming from USA Cable's NWI. For the three months ended September 30, 2001, total units shipped domestically increased slightly to 8.8 million units compared to 8.6 million units in 2000, while the return rate decreased slightly to 19.4% from 19.8% in 2000. Electronic retailing operations in Germany had decreased sales of $3.0 million in the three months ended September 30, 2001, as revenues were $50.8 million in the three months ended September 30, 2001 compared to $53.8 million. The decreased sales reflect in part operating challenges associated with the addition of 4 live hours of programming earlier in the year, as sales continued to be hindered by the conversion to a new order management system, which delayed certain shipments. Furthermore, the return rate increased to 35.2% from 25.7% in 2000. Net revenues in Germany for the nine months ended September 30, 2001 increased by $20.2 million to $182.4 million compared to $162.2 million in 2000. The Ticketing operations increases are due to an increase in average per ticket convenience and handling revenue of 9% to $6.20 from $5.67 for the three months and 8% increase from $5.67 to $6.15 for the nine month period. In the three months ended September 30, 2001, the number of tickets sold decreased slightly to 19.3 million from 20.2 million in 2000, due to reduced ticket sales, event postponements and event cancellations following September 11th. Also, net revenues increased, to a lesser extent, due to the acquisition of ReserveAmerica in February 2001. For the nine months ended September 30, 2001, the number of tickets sold increased to 66.4 million from 64.3 million, due primarily to an overall increase in tickets sold within existing markets and the acquisition of Admission Canada in April 2000, TicketWeb in May 2000, and the consolidation of Ticketmaster Ireland. The percentage of tickets sold online for the three months ended September 30, 2001 is approximately 31.9%, as compared to 25.6% in 2000. The Match increase is due to increased subscription revenue, as the personals operations had 252,700 paying subscribers compared to 156,945 at year-end 2000 and an increase in subscription prices. Furthermore, the personals operations attracted a monthly average of 2.4 million unique users in the third quarter of 2001, a 41.2% increase over 2000.

OPERATING COSTS AND EXPENSES

For the three months ended September 30, 2001, operating expenses increased by $131.7 million, or 12.1%, to $1.22 billion from $1.09 billion in 2000, primarily due to increases in costs related to revenues and other costs of $122.1 million, including $48.8 million from Hotel reservations, $43.1 million from Electronic retailing, $25.4 million from Cable and studios, $6.6 million from Ticketing operations and $5.7 million from Teleservices. In addition, for the three months ended September 30, 2001, depreciation and amortization increased $5.9 million. For the nine months ended September 30, 2001, operating expenses increased by $624.8 million, or 20.0%, to $3.75 billion from $3.12 billion in 2000, primarily due to increases in costs related to revenues and other costs of $550.3 million, including $149.1 million from Electronic retailing, $143.3 million from Hotel reservations, $83.5 million from Teleservices, which was acquired in April 2000, $81.1 million from Cable and studios, $58.0 million from Filmed entertainment and $42.8 million from Ticketing operations. In addition, for the nine months ended September 30, 2001, depreciation and amortization increased $57.1 million, primarily from the acquisition of PRC and fixed asset additions. The Hotel reservations increase in costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agents that earn commissions (sales from affiliate websites

accounted for approximately 66% of the total revenues, as compared to approximately 53% in the comparable periods). Gross profit margin for the three months ended September 30, 2001 decreased slightly to 30.1% from 30.5% due to a decline in gross profit margin of HRN's historical business offset partially by the acquisition of TravelNow, which has higher gross margins. The decline in margin for the historical business resulted from HRN's decision to focus on increasing market share and the absolute amount of gross profit instead solely on gross profit margin. Additionally, HRN established a reserve against the impact of the events of September 11th, which resulted in a slight reduction of margin. For Electronic retailing, domestic costs increased due to higher fixed overhead costs for fulfillment, which helped contribute, along with pricing incentives offered after September 11th, to a lower gross margin of 32.0% as compared to 34.6% in the prior year. Furthermore, the Company incurred higher selling and marketing costs, including programs to attract new customers, and costs related to the Improvements business, which was purchased in 2001. Internationally, costs increased in Germany due to the decline in gross margin to 29.1% from 36.1% in 2000, increased investments in adding an additional 4 live hours of programming and increased marketing expenses for new product lines. The Cable and studios increase resulted primarily from costs associated with the increased revenues of all of the businesses, including the costs of providing increased product to the broadcast networks, and $5.1 million of higher expense for development costs, offset partially by efficient use of programming by Cable, resulting in reduced program amortization, and increased usage of internally developed product. The Ticketing operations increase resulted primarily from higher ticketing operations revenue, as the costs are primarily variable in nature. The Teleservices increases resulted primarily from increased operations and costs associated with obtaining new clients.

The three and nine months ended September 30, 2001 reflect restructuring and one-time charges of $12.3 million and $29.4 million ($17.0 million of EBITDA), respectively. The amounts represent non-recurring charges related to restructuring operations, consolidating Styleclick's operations in Chicago, the shut down of the Firstauction.com website, and employee terminations and benefits.

OTHER INCOME (EXPENSE)

For the three and nine months ended September 30, 2001, net interest expense increased by $2.0 million and $10.5 million, respectively, compared to 2000 primarily due to lower short-term investment levels and lower rates for interest income. Other expense, net for the three and nine months ended September 30, 2001 decreased $82.9 million and $100.6 million, respectively, due primarily to the $104.6 million gain recognized in the three months ended September 30, 2000 related to the merger of ISN and Styleclick, offset partially by the write-off of certain investments and increased equity losses in unconsolidated subsidiaries. Also, during the three months ended September 30, 2001, the Company wrote-down the assets of its equity holdings in certain Internet ventures based upon an other than temporary decline in value of those ventures due to the prevailing business conditions, resulting in a charge of $6.7 million.

INCOME TAXES

USA's effective tax rate, computed before the impact of minority interest, of 149.5% and 55.9% for the three and nine months ended September 30, 2001 was higher than the statutory rate due to the impact on taxable income of non-deductible goodwill, consolidated book losses not consolidated into taxable income and state income taxes.

MINORITY INTEREST

For the periods presented, minority interest primarily represented Universal's and Liberty's ownership interest in USANi LLC, Liberty's ownership interest in Holdco, the public's ownership in Ticketmaster, the public's ownership interest in HRN since February 25, 2000 and the public's ownership interest in Styleclick since July 27, 2000.

GAIN ON SALE OF BROADCASTING STATIONS AND DISENGAGEMENT EXPENSES

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.

The majority of the stations are located in the largest markets in the country and air HSN on a 24-hour basis. As of January 2002, HSN will have switched it distribution in these markets directly to cable carriage. As a result, HSN will lose approximately 12 million homes and accordingly, HSN's operating results will be affected. Fortunately, sales from broadcast only homes are very, very low in comparison to sales from cable homes. So HSN's losses attributable to disengagement is expected to be limited. HSN anticipates losing sales, which translates on a pro forma basis for 2001, of $108 million and EBITDA of $15 million. These anticipated losses are consistent with previous disclosures in the Company's 10-K filing, in which it was stated that disengagement losses would equal approximately 6% of HSN's sales and EBITDA. In addition, in order to effectively transfer HSN's distribution to cable (which has been accomplished), USA will incur charges of approximately $100 million in the form of payments to cable operators and related marketing expenses. These disengagement costs will not impact EBITDA. Approximately $5 million of these costs will be incurred in 2001 and $53 million in 2002. In effect, this approximate $100 million payment will reduce USA's pre-tax proceeds from the Univision transaction to $1 billion.

DISCONTINUED OPERATIONS

The loss for USAB for the three and nine months ended September 30, 2000 was $14.4 million and $41.4 million, respectively, net of tax benefits of $5.1 million and $13.7 million, respectively, and is presented as a discontinued operation.

PRO FORMA QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2001
VS. PRO FORMA QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2000

The following unaudited pro forma operating results of USA present combined results of operations as if the PRC Transaction and the Styleclick Transaction all had occurred on January 1, 2000. The unaudited combined condensed pro forma statements of operations of USA are presented below for illustrative purposes only and are not necessarily indicative of the results of operations that would have actually been reported had any of the transactions occurred as of January 1, 2000, nor are they necessarily indicative of future results of operations.

UNAUDITED COMBINED CONDENSED PRO FORMA STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
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 70,162 228,926 210,023
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 5,291 7,358 19,445 Intersegment
elimination................... (4,128) --
(10,659) -- ---------- ---------- ----------
---------- Total net
revenues......................... 1,256,332
1,109,901 3,943,457 3,357,172 Operating costs
and expenses: Cost of
sales............................. 579,744
523,148 1,809,063 1,526,044 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
106,604 331,235 318,092 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 2,692
19,866 4,566 Amortization of non cash
compensation
expense..................................
1,268 1,235 5,431 7,391 Depreciation and
amortization............... 142,948 141,702
427,077 419,936 ---------- --------- -------
--- ---------- Total operating costs and
expenses.......... 1,218,608 1,093,192
3,748,334 3,246,515 ---------- ---------- ---
------- ---------- Operating
profit............................ $ 37,724
$ 16,709 $ 195,123 $ 110,657
EBITDA..
$ 197,144 $ 171,183 $ 676,881 $ 567,885

Net revenues for the three months ended September 30, 2001 increased by $146.4 million, or 13.2%, to $1.26 billion from $1.11 billion in 2000. Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $125.4 million, or 11.5%, to $1.22 billion from $1.09 billion in 2000. EBITDA for the three months ended September 30, 2001 increased by $25.9 million, or 15.2%, to $197.1 million from $171.2 million in 2000.

Net revenues for the nine months ended September 30, 2001 increased by $586.3 million, or 17.5%, to $3.94 billion from $3.36 billion in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased $501.8 million or 15.5%, to $3.75 billion from $3.25 billion in 2000. EBITDA for the nine months ended September 30, 2001 increased by $109.0 million, or 19.2%, to $676.9 million from $567.9 million in 2000.

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

CABLE AND STUDIOS

Net revenues for the three months ended September 30, 2001 increased by $62.2 million, or 18.5%, to $398.2 million from $336.0 in 2000. Net revenues for the nine months ended September 30, 2001 increased by $174.4 million, or 15.8%, to $1.28 billion from $1.11 billion in 2000. The increase resulted from significant increases in license fees earned by Studios USA, including amounts related to the three Law & Order programs currently airing on NBC, increased license fees earned in secondary markets, and increased revenues associated with THE DISTRICT. Revenues at Cable increased slightly, due mainly to a $16 million adjustment related to affiliate fees recorded in Q3 2001. Advertising revenue was lower than the prior year due to the weak advertising market, which was worsened by the events of September 11th. Note that the cable networks provided $1.8 million of advertising to Citysearch and Match in the three months ended September 30, 2001. In addition, the networks recognized $17.3 million of barter revenue pursuant to agreements with third parties.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $25.4 million, or 11.7%, to $243.0 million from $217.6 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased by $81.1 million, or 11.4%, to $790.2 million from $709.1 million in 2000. This increase resulted primarily from costs associated with the increased revenues of all of the businesses, including the costs of providing increased product to the broadcast networks, and $5.1 million of higher expense for development costs, offset partially by efficient use of programming by Cable, resulting in reduced program amortization, and increased usage of internally developed product.

EBITDA for the three months ended September 30, 2001 increased by $36.7 million, or 31.0%, to $155.2 million from $118.5 million in 2000. EBITDA for the nine months ended September 30, 2001 increased by $93.3 million, or 23.5%, to $489.9 million from $396.6 million in 2000.

EMERGING NETWORKS

Net revenues decreased by $2.8 million to $5.8 million from $8.6 million for the three months ended September 30, 2001 as compared to 2000. Net revenues increased by $5.3 million to $18.1 million from $12.8 million for the nine months ended September 30, 2001 as compared to 2000. Revenue for the three months ended September 30, 2001 was impacted by a new affiliate distribution deal, resulting in lower subscriber rates. Revenue comparisons for the nine months were impacted by the acquisition of Trio and NewsWorld International on May 19, 2000. Prior to this acquisition, the results in 2000 reflect only SciFi.com. Cost related to revenue were flat for the three months ended September 30, 2001 as compared to 2000. Cost related to revenue increased by $7.8 million for the nine months ended September 30, 2001 as compared to 2000. EBITDA loss for the three months ended September 30, 2001 increased by $2.7 million, to a loss of $3.1 million for the three months

ended September 30, 2001. EBITDA loss for the nine months ended September 30, 2001 increased by $2.5 million, to a loss of $7.1 million for the nine months ended September 30, 2001.

FILMED ENTERTAINMENT

Net revenues for the three months ended September 30, 2001 increased by $1.5 million, or 10.6%, to $16.0 million compared to $14.5 million in 2000. Net revenues for the nine months ended September 30, 2001 increased by $64.0 million, or 97.7%, to $129.6 million compared to $65.5 million in 2000. The increase in revenues is due primarily to increased theatrical, video and DVD revenues generated on TRAFFIC, which has grossed more than $200 million in worldwide box office. Cost related to revenues and other costs and expenses for the three and nine months ended September 30, 2001 decreased by $4.7 million and increase by $58.0 million, respectively, due to higher film amortization costs and higher prints and advertising costs, offset in the quarter by reduced operating costs. The Company adopted SOP 00-2, "Accounting by Producers and Distributors of Films" in Q1 2001. The new rules require that prints and advertising costs be expensed as incurred. EBITDA for the three months ended September 30, 2001 was $.4 million, compared to a loss of $5.8 million in 2000. EBITDA for the nine months ended September 30, 2001 was breakeven, compared to a loss of $6.0 million in 2000.

ELECTRONIC RETAILING

Net revenues for the three months ended September 30, 2001 increased by $26.4 million, or 6.2%, to $453.4 million from $427.1 million in 2000. Net revenues for the nine months ended September 30, 2001 increased by $118.9 million, or 9.5%, to $1.36 billion from $1.25 billion in 2000. The increase primarily resulted from Home Shopping Network's domestic business, which generated increased sales in the three and nine months ended September 30, 2001 of $27.6 million and $92.4 million, respectively, including increased sales of $23.4 million and $60.2 million, respectively, from HSN.com. In addition, the Improvements business purchased in 2001 contributed $15.6 million of revenue. On-air sales declined in the quarter $11.5 million due to a dramatic, but relatively short-lived, decline in viewership following the national tragedy of September 11th. HSN ceased its live programming shortly after the attacks and aired live news programming from USA Cable's NWI. For the three months ended September 30, 2001, total units shipped domestically increased slightly to 8.8 million units compared to 8.6 million units in 2000, while the return rate decreased slightly to 19.4% from 19.8% in 2000. Electronic retailing operations in Germany had decreased sales of $3.0 million in the three months ended September 30, 2001, as revenues were $50.8 million in the three months ended September 30, 2001 compared to $53.8 million. The decreased sales reflect in part operating challenges associated with the addition of 4 live hours of programming earlier in the year, as sales continued to be hindered by the conversion to a new order management system, which delayed certain shipments. Furthermore, the return rate increased to 35.2% from 25.7% in 2000. Net revenues in Germany for the nine months ended September 30, 2001 increased by $20.2 million to $182.4 million compared to $162.2 million in 2000.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $43.1 million, or 11.5%, to $416.0 million from $372.9 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased by $149.1 million, or 13.9%, to $1.22 billion from $1.08 million in 2000. Domestically, costs increased due to higher fixed overhead costs for fulfillment, which helped contribute, along with pricing incentives offered after September 11th, to a lower gross margin of 32.0% as compared to 34.6% in the prior year. Furthermore, the Company incurred higher selling and marketing costs, including programs to attract new customers, and costs related to the Improvements business, which was purchased in 2001. Internationally, costs increased in Germany due to the decline in gross margin to 29.1% from 36.1% in 2000, increased investments in adding an additional 4 live hours of programming and increased marketing expenses for new product lines.

EBITDA for the three months ended September 30, 2001 for domestic electronic retailing, decreased $4.9 million, to $48.9 million from $53.8 million, due to the impact of lower on-air sales, lower margins and higher operating costs. Note that EBITDA for HSN.com increased $6.7 million. EBITDA for the nine months ended September 30, 2001 for domestic electronic retailing decreased $6.2 million, to $155.8 million from $162.0 million. Note that EBITDA for HSN.com increased $13.4 million. EBITDA for electronic retailing in Germany decreased $8.9 million in the three months ended September 30, 2001 due to lower sales volumes, lower margins, and higher operating expenses, in part due to the operating challenges associated with the addition of 4 live hours of programming, and the conversion to a new order management system, which delayed certain shipments. For the nine months ended September 30, 2001, EBITDA for the German operations decreased $11.1 million. EBITDA for other international locations and other for the three and nine months ended September 30, 2001, decreased $2.8 million and $12.8 million, respectively, due to higher costs related to expansion efforts and increased live broadcasting hours.

TICKETING OPERATIONS

Net revenues for the three months ended September 30, 2001 increased by $9.0 million, or 7.2%, to $133.9 million from $124.9 million in 2000. Net revenues for the nine months ended September 30, 2001 increased by $52.0 million, or 13.1%, to $447.9 million from $395.9 million in 2000. The increases are due to an increase in average per ticket convenience and handling revenue of 9% to $6.20 from $5.67 for the three months and 8% increase from $5.67 to $6.15 for the nine month period. In the three months ended September 30, 2001, the number of tickets sold decreased slightly to 19.3 million from 20.2 million in 2000, due to reduced ticket sales, event postponements and event cancellations following September 11th. Also, net revenues increased, to a lesser extent, due to the acquisition of ReserveAmerica in February 2001. Fro the nine months ended September 30, 2001, the number of tickets sold increased to 66.4 million from 64.3 million, due primarily to an overall increase in tickets sold within existing markets and the acquisition of Admission Canada in April 2000, TicketWeb in May 2000, and the consolidation of Ticketmaster Ireland. The percentage of tickets sold online for the three months ended September 30, 2001 is approximately 31.9%, as compared to 25.6% in 2000.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $6.6 million, or 6.1%, to $114.9 million from $108.3 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased by $42.8 million, or 13.4%, to $363.1 million from $320.3 million in 2000. The increase resulted primarily from higher ticketing operations revenue, as the costs are primarily variable in nature.

EBITDA for the three months ended September 30, 2001 increased by $2.4 million, or 14.2%, to $19.0 million from $16.6 million in 2000. EBITDA for the nine months ended September 30, 2001 increased by $9.2 million, or 12.1%, to $84.8 million from $75.6 million in 2000. EBITDA for the three months ended September 30, 2001 excludes non-cash distribution and marketing expense of

$.2 million related to barter arrangements for distribution secured from third parties, for which advertising is also provided by USA Cable.

HOTEL RESERVATIONS

Net revenues for the three months ended September 30, 2001 increased by $56.6 million, or 59.8%, to $151.2 million from $94.6 million in 2000. Net revenues for the nine months ended September 30, 2001 increased by $166.9 million, or 73.2%, to $394.8 million from $228.0 million in 2000. The increases resulted from increased room sales through HRN's Internet sites, from significant expansion of affiliate marketing programs to over 22.8 million in 2001 from 13.4 million in 2000, an increase in the number of hotels in existing cities as well as expansion into 88 new cities and the acquisition of TravelNow in February 2001. The number of room nights sold increased to 1.2 million in the three months ended September 30, 2001 compared to .7 million in 2000, and 3.1 million in the nine months

ended September 30, 2001 compared to 1.7 million in 2000. Note that sales were impacted by September 11th due to the high volume of cancellations after the attacks.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $48.8 million, or 60.4%, to $129.5 million from $80.7 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased by $143.3 million, or 74.3%, to $336.2 million from $193.0 million in 2000. The increase in costs is primarily due to increased sales, including an increased percentage of revenue attributable to affiliate and travel agents that earn commissions (sales from affiliate websites accounted for approximately 66% of the total revenues, as compared to approximately 53% in the comparable periods). Gross profit margin for the three months ended September 30, 2001 decreased slightly to 30.1% from 30.5% due to a decline in gross profit margin of HRN's historical business offset partially by the acquisition of TravelNow, which has higher gross margins. The decline in margin for the historical business resulted from HRN's decision to focus on increasing market share and the absolute amount of gross profit instead solely on gross profit margin. Additionally, HRN established a reserve against the impact of the events of September 11th, which resulted in a slight reduction of margin.

EBITDA for the three months ended September 30, 2001 increased by $7.9 million, or 56.6%, to $21.8 million from $13.9 million in 2000. EBITDA for the nine months ended September 30, 2001 increased by $23.6 million, or 67.4%, to $58.6 million from $35.0 million in 2000. EBITDA for the three and nine months ended September 30, 2001 excludes non-cash distribution and marketing expense of $3.5 million and $12.2 million, respectively, as compared to $1.2 million and $3.0 million, respectively, in 2000 related to the amortization of stock-based warrants issued to affiliates in consideration of exclusive affiliate distribution and marketing agreements. The company expects that the amount of non-cash distribution and marketing expense could grow, as certain of the warrants are performance based, the value of which is determined at the time the performance criteria are met. As the Company's stock price rises, the value of the warrants also increases.

TELESERVICES

Net revenues for the three months ended September 30, 2001 increased by $2.4 million, or 3.5%, to $72.6 million from $70.2 million in 2000. Net revenues for the nine months ended September 30, 2001 increased by $18.9 million, or 9.0%, to $228.9 million from $210.0 million in 2000. The increase resulted primarily from the addition of new clients and expansion of certain existing relationships, offset partially by a decrease in services provided to certain clients. Overall, PRC is suffering from the general economic downturn which has depressed growth. Revenue for the three and nine months ended September 30, 2001 includes $2.3 million and $4.9 million, respectively, for services provided to other USA segments.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $5.7 million, or 9.6%, to $64.7 million from $59.0 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased by $23.3 million, or 13.1%, to $200.8 million from $177.5 million in 2000. The increases resulted primarily from increased operations and costs associated with obtaining new clients.

EBITDA for the three months ended September 30, 2001 decreased by $3.2 million to $7.9 million from $11.2 million in 2000. EBITDA for the nine months ended September 30, 2001 decreased by $4.4 million to $28.1 million from $32.5 million in 2000.

MATCH

Net revenues for the three months ended September 30, 2001 increased by $4.9 million, or 64.29%, to $12.5 million compared to $7.6 million in 2000. Net revenues for the nine months ended September 30, 2001 increased by $9.7 million, or 44.2%, to $31.7 million compared to $22.0 million in

2000. The increase is due to increased subscription revenue, as the personals operations had 252,700 paying subscribers compared to 156,945 at year-end 2000 and an increase in subscription prices. Furthermore, the personals operations attracted a monthly average of 2.4 million unique users in the third quarter of 2001, a 41.2% increase over 2000.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 increased by $1.4 million to $6.7 million from $5.3 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 increased by $5.7 million to $22.8 million from $17.1 million in 2000. The increases resulted primarily from a new broadcast media campaign and higher operating costs to support the increased sales volumes.

EBITDA for the three months ended September 30, 2001 increased by $3.5 million to $5.8 million from $2.3 million in 2000. EBITDA for the nine months ended September 30, 2001 increased by $4.0 million to $8.9 million from $4.9 million in 2000. EBITDA for the three and nine months ended September 30, 2001 excludes non-cash distribution and marketing expense of $1.0 million and $2.4 million, respectively, related to barter arrangements for distribution secured from third parties, for which advertising is provided by USA Cable.

CITYSEARCH AND RELATED

Net revenues for the three months ended September 30, 2001 decreased by $2.9 million, or 20.6%, to $11.1 million compared to $14.0 million in 2000. Net revenues for the nine months ended September 30, 2001 decreased by $1.0 million, or 2.6%, to $35.9 million compared to $36.8 million in 2000. The decrease is due primarily to decreased advertising revenue related to city guides business.

Cost related to revenues and other costs and expenses for the three months ended September 30, 2001 decreased by $8.4 million to $21.9 million from $30.2 million in 2000. Cost related to revenues and other costs and expenses for the nine months ended September 30, 2001 decreased by $18.8 million to $69.4 million from $88.2 million in 2000. The decreases resulted primarily from initiatives enacted in 2000, which resulted in decreased operating costs, including reduced headcount, for the city guides business.

EBITDA loss for the three months ended September 30, 2001 decreased by $5.5 million to $10.8 million from $16.3 million in 2000. EBITDA loss for the nine months ended September 30, 2001 decreased by $17.9 million to $33.6 million from $51.5 million in 2000. EBITDA for the three months ended September 30, 2001 excludes non-cash distribution and marketing expense of $1.7 million related to cross promotion advertising provided by USA Cable and $.5 million related to barter arrangements for distribution secured from third parties, for which advertising is also provided by USA Cable.

ELECTRONIC COMMERCE SOLUTIONS

Net revenues for the three and nine months ended September 30, 2001 were $4.8 million and $15.6 million, respectively, compared to $7.2 million and $15.6 million, respectively, in 2000 due primarily to increases in revenue for the transactional sites that ECS manages, offset by a decrease in ECS teleservices. Cost related to revenues and other costs and expenses for the three and nine months ended September 20, 2001 increased by $2.3 million and $7.8 million, respectively, due primarily to higher operating expenses. EBITDA loss for the three and nine months ended September 30, 2001 increased by $4.6 million and $7.9 million, respectively.

STYLECLICK

Net revenues for the three and nine months ended September 30, 2001 decreased by $4.4 million and $12.1 million, respectively, to $.9 million and $7.4 million, respectively. The decrease is due to the shut-down of the First Jewelry and Firstauction websites. Cost related to revenues and other costs and expenses for the three and nine months ended September 30, 2001 decreased by $11.3 million and

$28.6 million, respectively, to $2.7 million and $25.4 million, respectively. In addition, primarily in conjunction with the shut down of First Jewelry, Styleclick recorded a $2 million write-down of its inventory in the nine months ended September 30, 2001. EBITDA loss for the three and nine months ended September 30, 2001 was $1.8 million and $18.1 million, respectively, compared to $8.7 million and $34.6 million, respectively, in 2000.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $479.6 million for the nine months ended September 30, 2001 compared to $302.3 million for the nine months ended September 30, 2000. These cash proceeds and available cash and borrowings were used to pay for acquisitions of $193.9 million, to make capital expenditures of $100.2 million, and to make mandatory tax distribution payments to the LLC partners of $17.4 million.

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 and $518 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.

On February 12, 1998, USA and USANi LLC, as borrower, entered into a credit agreement that provided for a $1.6 billion credit facility. Of that amount, $1.0 billion was permanently repaid in prior years. The $600.0 million revolving credit facility expires on December 31, 2002. As of September 30, 2001, there was $595.5 million available for borrowing after taking into account outstanding letters of credit.

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

In connection with the 2000 acquisition of Universal's domestic film distribution and development business previously operated by PFE and PFE's domestic video and specialty video businesses transaction, USA advanced $200.0 million to Universal in 2000 pursuant to an eight year, full recourse, interest-bearing note in connection with a distribution agreement, under which USA will distribute, in the United States and Canada, certain Polygram Filmed Entertainment, Inc. theatrical films that were not acquired in the transaction. The advance is repaid as revenues are received under the distribution agreement and, in any event, will be repaid in full at maturity. Through September 30, 2001, approximately $179.0 million has been offset against the advance, including $58.7 million in 2001. Interest accrued on the loan through September 30, 2001 is approximately $18.8 million, including $3.3 million in 2001.

In July 2000, USA announced that its Board of Directors authorized the extension of the Company's stock repurchase program providing for the repurchase of up to 20 million shares of USA's common stock over an indefinite period of time, on the open market or in negotiated transactions. The amount and timing of purchases, if any, will depend on market conditions and other factors, including USA's overall capital structure. Funds for these purchases will come from cash on hand or borrowings under the Company's credit facility. During the nine months ended September 30, 2001, the Company made no purchases of its common stock through this program. During the nine months ended September 30, 2000, the Company purchased 5.7 million shares of its common stock for aggregate consideration of $125.5 million.

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

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

During the nine months ended September 30, 2001, USA did not pay any cash dividends, and none are permitted under USA's existing credit facility. USA's subsidiaries have no material restrictions on their ability to transfer amounts to fund USA's operations.

SEASONALITY

USA's businesses are subject to the effects of seasonality.

Cable and Studios revenues are influenced by advertiser demand and the seasonal nature of programming, and generally peak in the spring and fall.

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's short-term investment portfolio and issuance of debt. The Company does not use derivative financial instruments in its investment portfolio. The Company has a prescribed methodology whereby it invests its excess cash in debt instruments of government agencies and high quality corporate issuers. To further mitigate risk, the vast majority of the securities have a maturity date within 60 days. The portfolio is reviewed on a periodic basis and adjusted in the event that the credit rating of a security held in the portfolio has deteriorated.

At September 30, 2001, the Company's outstanding debt approximated $587.4 million, substantially all of which is fixed rate obligations. If market rates decline, the Company runs the risk that the related required payments on the fixed rate debt will exceed those based on the current market rate.

FOREIGN CURRENCY EXCHANGE RISK

The Company conducts business in certain foreign markets. However, the level of operations in foreign markets is insignificant to the consolidated results.

EQUITY PRICE RISK

The Company has a minimal investment in equity securities of publicly-traded companies. This investment, as of September 30, 2001, was considered available-for-sale, with the unrealized gain deferred as a component of stockholders' equity. It is not customary for the Company to make investments in equity securities as part of its investment strategy.

PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the Ticketmaster Cash Discount litigation, previously reported in the 2000 Form 10-K and the Company's Form 10-Q for the quarters ended March 31, 2001 and June 30, 2001, on July 27, 2001, the Court of Appeals dismissed Ms. Tellez' appeal. The settlement will not have a material impact on USA's financial results.

On July 14, 2001, the Company entered into an acquisition agreement to acquire National Leisure Group, Inc. ("NLG"), a privately-held provider of private label cruise and vacation packages, travel technology, and operations support solutions to the leisure travel industry. On October 3, 2001, the Company filed suit against NLG and its stockholders in the Delaware Chancery Court, seeking a declaration that USA was entitled to terminate the acquisition agreement on the basis of certain conditions to its obligation to close the acquisition becoming incapable of fulfillment. On October 29, 2001, USA and NLG mutually agreed to terminate the acquisition agreement and USA made a minority investment of $20 million in NLG and entered into an agreement that names NLG as a preferred provider of cruise and vacation packages to USA's new travel cable channel. This concluded discussions related to the proposed acquisition of NLG by USA and settled the litigation between NLG and its stockholders and USA. On November 6, 2001, pursuant to a joint motion of USA and NLG, the Delaware Chancery Court dismissed the proceedings.

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
2.1	Amended and Restated Agreement and Plan of Recapitalization and Merger, dated as of July 15, 2001, by and among USA Networks, Inc., Expedia, Inc., Taipei, Inc., Microsoft Corporation and Microsoft E-Holdings, Inc. filed as Annex A to USA's Registration Statement on Form S-4 (No. 333-68120), is incorporated herein by reference.
3.1	Restated Certificate of Incorporation of USA filed as Exhibit 3.1 to USA's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000, is incorporated herein by reference.
3.2	Amended and Restated By-Laws of USA filed as Exhibit 3.1 to USA's Form 8-K, dated January 9, 1998, is incorporated herein by reference.

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

On July 16, 2001, USA filed a report on Form 8-K reporting under Item 7, Exhibits, attaching a press release announcing its agreement to acquire a controlling interest in Expedia, Inc. and presentation materials.

On July 23, 2001, USA filed a report on Form 8-K reporting under Item 5, Other Events and Regulation FD Disclosure, attaching a press release announcing its agreement to acquire a controlling interest in Expedia, Inc.

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

On September 18, 2001, USA furnished a report on Form 8-K reporting under Item 9, Regulation FD Disclosure, attaching Recent Events--Questions and Answers.

SIGNATURES

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

November 14, 2001

USA NETWORKS, INC.

By: /s/ BARRY DILLER

Barry Diller
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

NAME TITLE
DATE ----
----- ----
/s/ BARRY
DILLER ---

Chairman
of the
Board and
November
14, 2001
Barry
Diller
Chief
Executive
Officer
Senior
Vice
President
and /s/
MICHAEL
SILECK
Chief
Financial
Officer --

-
(Principal
Financial
November
14, 2001
Michael
Sileck
Officer)
/s/
WILLIAM J.
SEVERANCE
Vice
President
and ------

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
NET REVENUES				
Cable and Studios	$398,211	$336,047	$1,280,065	$1,105,688
Electronic retailing	453,447	427,058	1,364,248	1,245,323
Styleclick	901	5,147	7,358	17,556
Electronic commerce solutions	4,817	2,524	15,560	5,121
Emerging networks	5,784	8,591	18,125	12,862
Total net revenues	863,160	779,367	2,685,356	2,386,550
Operating costs and expenses:				
Cost of sales	305,142	280,851	918,987	823,741
Program costs	166,917	146,000	569,423	485,037
Selling and marketing	115,551	97,940	304,380	280,928
General and administrative	79,742	71,519	254,056	222,433
Other operating costs	34,110	33,391	104,490	90,343
Amortization of cable distribution fees	9,986	8,845	29,384	25,335
Amortization of non-cash compensation	792	503	4,137	4,688
Depreciation and amortization	58,508	58,971	178,060	154,945
Total operating costs and expenses	770,748	698,020	2,362,917	2,087,450
Operating profit	92,412	81,347	322,439	299,100
Other income (expense):				
Interest income	11,846	18,437	35,241	52,075
Interest expense	(17,547)	(19,483)	(54,155)	(57,687)
Other, net	(5,516)	70,575	(26,196)	66,567
	(11,217)	69,529	(45,110)	60,955
Earnings before income taxes and minority interest and cumulative effect of accounting change	81,195	150,876	277,329	360,055
Income tax expense	(18,051)	(34,205)	(57,192)	(76,498)
Minority interest	(45,121)	(82,474)	(153,189)	(204,986)
Earnings before cumulative effect of accounting change	18,023	34,197	66,948	78,571
Cumulative effect of accounting change	--	--	1,901	--
NET EARNINGS	$ 18,023	$ 34,197	$ 68,849	$ 78,571

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 697,805	$ 71,816
Accounts and notes receivable, net of allowance of $51,875 and $50,646, respectively	528,668	519,365
Inventories, net	440,109	396,523
Investments held for sale	320	750
Deferred income taxes	5,219	17,448
Other current assets, net	33,863	18,024
Total current assets	1,705,984	1,023,926
PROPERTY, PLANT AND EQUIPMENT		
Computer and broadcast equipment	140,894	143,559
Buildings and leasehold improvements	77,328	71,979
Furniture and other equipment	90,308	76,623
Land	10,302	10,281
Projects in progress	33,567	32,747
	352,399	335,189
Less accumulated depreciation and amortization	(120,986)	(83,549)
	231,413	251,640
OTHER ASSETS		
Intangible assets, net	4,950,034	5,023,735
Cable distribution fees, net	148,449	159,473
Long-term investments	33,386	29,187
Notes and accounts receivable, net ($81,091 and $22,575, respectively, from related parties)	128,936	33,571
Inventories, net	475,374	430,215
Advances to USA and subsidiaries	73,923	547,292
Deferred charges and other, net	42,161	44,011
	$7,789,660	$7,543,050
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term obligations	$ 40,702	$ 20,053
Accounts payable, trade	183,314	201,484
Obligations for program rights and film costs	289,097	283,812
Cable distribution fees payable	33,556	33,598
Deferred revenue	65,156	41,335
Other accrued liabilities	356,071	351,331
Total current liabilities	967,896	931,613
LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES)	500,294	504,063
OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, NET OF CURRENT	323,799	295,210
OTHER LONG-TERM LIABILITIES	70,502	81,925
DEFERRED INCOME TAXES	51,982	25,821
MINORITY INTEREST	4,558,100	4,420,252
COMMITMENTS AND CONTINGENCIES	--	--
Stockholders' Equity		
Common stock	1,221,408	1,221,408
Additional paid-in capital	70,312	70,312
Retained earnings	35,789	(2,320)
Accumulated other comprehensive loss	(10,422)	(5,234)
Total stockholders' equity	1,317,087	1,284,166

---------- ---------- $7,789,660 $7,543,050 ==========
==========

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

ACCUMULATED ADDITIONAL RETAINED OTHER COMMON PAID-IN EARNINGS COMPREHENSIVE TOTAL STOCK CAPITAL (DEFICIT) INCOME ---------- ---------- ---------- --------- -------- ----- (IN THOUSANDS) BALANCE AT DECEMBER 31, 2000......... $1,284,166 $1,221,408 $70,312 $(2,320) $ (5,234) COMPREHENSIVE INCOME: Net earnings for the nine months ended September 30, 2001........... 68,849 -- -- 68,849 -- Foreign currency translation......... (4,855) -- -- -- (4,855) Decrease in unrealized gains in available for sale securities...... (333) -- -- -- (333) ---------- Comprehensive income................. 63,661 --- ------- Mandatory tax distribution to LLC partners.......................... (30,740) -- -- (30,740) -- ------- --- ---------- ------- ------- --- ----- BALANCE AT SEPTEMBER 30, 2001........ $1,317,087 $1,221,408 $70,312 $35,789 $(10,422) ========== ========== ======= ======= ========

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of $(5,980) and $(5,647) at September 30, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(4,442) and $413 at September 30, 2001 and December 31, 2000, respectively.

Comprehensive income for the three months ended September 30, 2001 was $19,169.

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

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

NINE MONTHS ENDED SEPTEMBER 30, -------------------- 2001 2000 --------- --------- (IN THOUSANDS) CASH FLOWS FROM OPERATING ACTIVITIES: Net earnings.. $ 68,849 $ 78,571 ADJUSTMENTS TO RECONCILE NET EARNINGS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Depreciation and amortization........................... 178,060 154,945 Amortization of cable distribution fees.................. 29,384 25,335 Amortization of program rights and film costs............ 506,230 428,537 Gain on sale of subsidiary stock......................... -- (104,625) Cumulative effect of accounting change................... (1,901) -- Non-cash compensation................................... 4,137 4,688 Equity in losses of unconsolidated affiliates............ 16,026 38,260 Minority interest (benefit) expense...................... 153,189 204,986 CHANGES IN CURRENT ASSETS AND LIABILITIES: Accounts receivable..................................... (59,414) (67,348)

Inventories..
3,801 (1,615) Accounts
payable... (27,423)
(28,228) Accrued liabilities and deferred
revenue.................. 58,570 103,126 Payment for
program rights and film costs................. (566,036)
(528,053) Increase in cable distribution
fees...................... (18,511) (39,251) Other,
net...
(16,533) 21,696 --------- --------- NET CASH PROVIDED BY
OPERATING ACTIVITIES.................. 328,428 291,024 ---
------ --------- CASH FLOWS FROM INVESTING ACTIVITIES:
Acquisitions, net of cash
acquired......................... (35,845) (107,934)
Capital
expenditures.......................................
(50,626) (49,247) Increase in long-term investments and
notes receivable...... (81,127) (21,769) Other,
net.. 3,824
(2,806) --------- --------- NET CASH USED IN INVESTING
ACTIVITIES...................... (163,774) (181,756) -----
---- --------- CASH FLOWS FROM FINANCING ACTIVITIES:
Borrowings..
21,347 50,029
Intercompany..
411,571 (181,052) Payment of mandatory tax distribution to
LLC partners....... (30,740) (118,169) Principal payments
on long-term obligations................ (4,765) (44,890)
Repurchase of LLC
shares.................................. (1,401)
(129,907) Proceeds from issuance of LLC
shares....................... 73,545 216,493
Other...
(5,821) (13,309) --------- --------- NET CASH PROVIDED BY
(USED IN) FINANCING ACTIVITIES......... 463,736 (220,805) -
-------- --------- Effect of exchange rate changes on cash
and cash
equivalents...
(2,401) (602) --------- --------- NET INCREASE (DECREASE)
IN CASH AND CASH EQUIVALENTS........ 625,989 (112,139) Cash
and cash equivalents at beginning of period...........
71,816 247,474 --------- --------- CASH AND CASH
EQUIVALENTS AT END OF PERIOD................. $ 697,805 $
135,335 ========= =========

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

HOME SHOPPING NETWORK, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

The five principal areas of business are:

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

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

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

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

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

BASIS OF PRESENTATION

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

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

ACCOUNTING ESTIMATES

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements.

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

They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

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

NEW ACCOUNTING PRONOUNCEMENTS

FILM ACCOUNTING

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the 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 benefit of $1.9 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, 2000 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 2000. The pro forma results reflect certain adjustments, including increased amortization related to goodwill, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 2000.

	NINE MONTHS ENDED SEPTEMBER 30, 2000
Net revenues...	$2,388,439
Net income...	63,999

NOTE 4--STATEMENTS OF CASH FLOWS

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.

NOTE 5--INDUSTRY SEGMENTS

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

(UNAUDITED)

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
REVENUE				
Cable and studios	$398,211	$336,047	$1,280,065	$1,105,688
Electronic retailing	453,447	427,058	1,364,248	1,245,323
Styleclick	901	5,147	7,358	17,556
Electronic commerce solutions	4,817	2,524	15,560	5,121
Emerging networks	5,784	8,591	18,125	12,862
	$863,160	$779,367	$2,685,356	$2,386,550
OPERATING PROFIT (LOSS)				
Cable and studios	$126,395	$ 90,394	$ 403,466	$ 312,371
Electronic retailing	1,026	21,139	27,431	72,666
Styleclick	(5,525)	(18,150)	(36,496)	(37,382)
Electronic commerce solutions	(12,749)	(4,310)	(28,076)	(12,259)
Emerging networks	(4,860)	(1,869)	(13,998)	(6,669)
Other	(11,875)	(5,857)	(29,888)	(29,627)
	$ 92,412	$ 81,347	$ 322,439	$ 299,100

NOTE 6--GUARANTEE OF NOTES

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

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

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
NET REVENUES				
Cable and Studios	$398,211	$336,047	$1,280,065	$1,105,688
Electronic retailing	453,447			

427,058 1,364,248 1,245,323
Styleclick....................................
901 5,147 7,358 17,556 Electronic commerce
solutions.................. 4,817 2,524 15,560
5,121 Emerging
networks............................. 5,784
8,591 18,125 12,862 -------- -------- --------
-- ---------- Total net
revenues............................ 863,160
779,367 2,685,356 2,386,550 Operating costs
and expenses: Cost of
sales.................................
305,142 280,851 918,987 823,741 Program
costs.................................
166,917 146,000 569,423 485,037 Selling and
marketing......................... 115,551
97,940 304,380 280,928 General and
administrative..................... 79,742
71,519 254,056 222,433 Other operating
costs......................... 34,110 33,391
104,490 90,343 Amortization of cable
distribution fees........ 9,986 8,845 29,384
25,335 Amortization of non-cash
compensation.......... 792 503 4,137 4,688
Depreciation and
amortization.................. 58,508 58,971
178,060 154,945 -------- -------- ---------- -
--------- Total operating costs and
expenses............. 770,748 698,020
2,362,917 2,087,450 -------- -------- --------
-- ---------- Operating
profit................................ 92,412
81,347 322,439 299,100 Other income (expense):
Interest
income............................... 11,846
18,437 35,241 52,075 Interest
expense..............................
(17,547) (19,483) (54,155) (57,687) Other,
net...................................
(5,516) 70,575 (26,196) 66,567 -------- ------
-- ---------- ---------- (11,217) 69,529
(45,110) 60,955 -------- -------- ---------- -
--------- Earnings before income taxes and
minority interest and cumulative effect of
accounting
change..
81,195 150,876 277,329 360,055 Income tax
expense.............................. (1,687)
(7,562) (13,491) (18,525) Minority
interest.............................. 3,416
4,706 9,508 392 -------- -------- ---------- -
--------- Earnings before cumulative effect of
accounting
change..
82,924 148,020 273,346 341,922 Cumulative
effect of accounting change........... -- --
6,470 -- -------- -------- --------- --------
-- NET
EARNINGS...................................
$ 82,924 $148,020 $ 279,816 $ 341,922 ========
======== ========= ==========

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

USANI LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

SEPTEMBER 30, DECEMBER 31, 2001 2000 ------------ --------
---- (IN THOUSANDS) ASSETS CURRENT ASSETS Cash and cash
equivalents................................ $ 697,805 $
71,816 Accounts and notes receivable, net of allowance of
$51,875 and $50,646,
respectively............................... 528,668
519,365 Inventories,
net... 440,109
396,523 Investments held for

sale.................................. 320 750 Other current assets, net.................................. 33,978 18,024 ---------- ---------- Total current assets...................................... 1,700,880 1,006,478 PROPERTY, PLANT AND EQUIPMENT Computer and broadcast equipment........................... 140,894 143,559 Buildings and leasehold improvements....................... 77,328 71,979 Furniture and other equipment.............................. 90,308 76,623 Land.. 10,302 10,281 Projects in progress.. 33,567 32,747 ---------- ---------- 352,399 335,189 Less accumulated depreciation and amortization............ (120,986) (83,549) ---------- ---------- 231,413 251,640 OTHER ASSETS Intangible assets, net.................................... 5,031,748 5,099,476 Cable distribution fees, net............................... 148,449 159,473 Long-term investments.................................... 33,386 29,187 Notes and accounts receivable, net ($81,091 and $22,575, respectively, from related parties)...................... 128,936 33,571 Inventories, net.. 475,374 430,215 Advances to USA and subsidiaries.......................... 524,225 918,817 Deferred charges and other, net........................... 42,161 44,011 ---------- ---------- $8,316,572 $7,972,868 ========== ========== LIABILITIES AND MEMBERS' EQUITY CURRENT LIABILITIES Current maturities of long-term obligations................ $ 40,702 $ 20,053 Accounts payable, trade.................................... 183,314 201,484 Obligations for program rights and film costs............... 289,097 283,812 Cable distribution fees payable........................... 33,556 33,598 Deferred revenue.. 65,156 41,335 Other accrued liabilities.................................. 348,988 342,995 ---------- ---------- Total current liabilities.................................. 960,813 923,277 LONG-TERM OBLIGATIONS (NET OF CURRENT MATURITIES).......... 500,294 504,063 OBLIGATIONS FOR PROGRAM RIGHTS AND FILM COSTS, net of current.. 323,801 295,210 OTHER LONG-TERM LIABILITIES............................... 59,269 81,925 MINORITY INTEREST... 13,463 28,662 COMMITMENTS AND CONTINGENCIES.............................. -- -- MEMBERS' EQUITY Class A (261,197,579 and 252,679,887 shares, respectively)... 2,083,147 2,007,736 Class B (282,161,530 shares)............................... 2,978,635 2,978,635 Class C (45,774,708 shares)............................... 466,252 466,252 Retained earnings... 945,062 695,986 Accumulated other comprehensive loss....................... (14,164) (8,878) ---------- ---------- Total members' equity.................................... 6,458,932 6,139,731 ---------- ---------- $8,316,572 $7,972,868 ========== ==========

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

USANI LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
(UNAUDITED)

ACCUMULATED OTHER CLASS A CLASS B CLASS C RETAINED COMPREHENSIVE TOTAL LLC

SHARES LLC SHARES LLC SHARES
EARNINGS INCOME ---------- -
--------- --------- -------
--- -------- ------------
(IN THOUSANDS) BALANCE AT
DECEMBER 31, 2000...
$6,139,731 $2,007,736
$2,978,635 $466,252 $695,986
$ (8,878) COMPREHENSIVE
INCOME: Net earnings for the
nine months ended September
30,
2001.......................
279,816 -- -- -- 279,816 --
Foreign currency
translation...............
(4,855) -- -- -- -- (4,855)
Decrease in unrealized gains
in available for sale
securities................
(431) -- -- -- -- (431) ----
------ Comprehensive
income......... 274,530 ----
------ Issuance of LLC
shares related to option
exercises.................
73,545 73,545 -- -- -- --
Issuance of LLC shares
related to other
transactions..............
3,267 3,267 -- -- -- --
Repurchase of LLC
shares..... (1,401) (1,401)
-- -- -- -- Mandatory tax
distribution to LLC
partners..............
(30,740) -- -- -- (30,740) -
- ---------- ---------- ----
------ -------- -------- ---
----- BALANCE AT SEPTEMBER
30,
2001.........................
$6,458,932 $2,083,147
$2,978,635 $466,252 $945,062
$(14,164) ==========
========== ==========
======== ======== ========

Accumulated other comprehensive income is comprised of unrealized gains on available for sale securities of $(9,722) and $(9,291) at September 30, 2001 and December 31, 2000, respectively and foreign currency translation adjustments of $(4,442) and $413 at September 30, 2001 and December 31, 2000, respectively.

Comprehensive income for the three months ended September 30, 2001 was $84,070.

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

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

NINE MONTHS ENDED SEPTEMBER 30, ------------------- 2001
2000 -------- -------- (IN THOUSANDS) CASH FLOWS FROM
OPERATING ACTIVITIES: Net
earnings..
$279,816 $341,922 ADJUSTMENTS TO RECONCILE NET EARNINGS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:
Depreciation and
amortization............................ 178,060 154,945
Amortization of cable distribution
fees................... 29,384 25,335 Amortization of
program rights and film costs............. 506,230
428,537 Gain on sale of subsidiary
stock.......................... -- (104,625) Cumulative
effect of accounting change.................... (6,470) -
- Non-cash

compensation.................................... 4,137 4,688 Equity in losses of unconsolidated affiliates............ 16,026 38,260 Minority interest benefit................................ (9,508) (392) CHANGES IN CURRENT ASSETS AND LIABILITIES: Accounts receivable...................................... (59,414) (67,348) Inventories.. 3,801 (1,615) Accounts payable... (27,423) (28,228) Accrued liabilities and deferred revenue.................. 18,516 45,153 Payment for program rights and film costs................ (566,036) (528,053) Increase in cable distribution fees...................... (18,511) (39,251) Other, net... (20,180) 21,696 -------- -------- NET CASH PROVIDED BY OPERATING ACTIVITIES.................. 328,428 291,024 -------- -------- CASH FLOWS FROM INVESTING ACTIVITIES: Acquisitions, net of cash acquired....................... (35,845) (107,934) Capital expenditures..................................... (50,626) (49,247) Increase in long-term investments and notes receivable.... (81,127) (21,769) Other, net... 3,824 (2,806) -------- -------- NET CASH USED IN INVESTING ACTIVITIES...................... (163,774) (181,756) -------- -------- CASH FLOWS FROM FINANCING ACTIVITIES: Borrowings.. 21,347 50,029 Intercompany.. 411,571 (181,052) Payment of mandatory tax distribution to LLC partners..... (30,740) (118,169) Principal payments on long-term obligations............... (4,765) (44,890) Repurchase of LLC shares................................. (1,401) (129,907) Proceeds from issuance of LLC shares..................... 73,545 216,493 Other... (5,821) (13,309) -------- -------- NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES......... 463,736 (220,805) Effect of exchange rate changes on cash and cash equivalents.. (2,401) (602) -------- -------- NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS........ 625,989 (112,139) Cash and cash equivalents at beginning of period.......... 71,816 247,474 -------- -------- CASH AND CASH EQUIVALENTS AT END OF PERIOD.................. $697,805 $135,335 ======== ========

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

\

USANI LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1--ORGANIZATION AND BASIS OF PRESENTATION

COMPANY FORMATION

USANi LLC (the "Company" or "LLC"), a Delaware limited liability company, was formed on February 12, 1998 and is a subsidiary of Home Shopping Network, Inc. ("Home Shopping" or "Holdco"), which is a subsidiary of USA Networks, Inc. ("USA"), formerly known as HSN, Inc.

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

COMPANY BUSINESS

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

The five principal areas of business are:

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

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

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

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

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

BASIS OF PRESENTATION

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

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

ACCOUNTING ESTIMATES

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

principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements.

They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

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

NEW ACCOUNTING PRONOUNCEMENTS

FILM ACCOUNTING

The Company adopted SOP 00-2, ACCOUNTING BY PRODUCERS OR DISTRIBUTORS OF FILMS ("SOP 00-2") during the 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 benefit of $6.5 million. The benefit is reflected as a cumulative effect of an accounting change in the accompanying consolidated statement of operations.

GOODWILL AND OTHER INTANGIBLE ASSETS

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

RECLASSIFICATIONS

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

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3--BUSINESS ACQUISITIONS

The following unaudited pro forma condensed consolidated financial information for the nine months ended September 30, 2000 is presented to show the results of the Company as if the Styleclick Transaction had occurred on January 1, 2000. The pro forma results reflect certain adjustments, including increased amortization related to goodwill, and are not necessarily indicative of what the results would have been had the transactions actually occurred on January 1, 2000.

	NINE MONTHS ENDED SEPTEMBER 30, 2000
Net revenues	$2,388,439
Net income	308,416

NOTE 4--STATEMENTS OF CASH FLOWS

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.

NOTE 5--INDUSTRY SEGMENTS

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

NOTE 5--INDUSTRY SEGMENTS (CONTINUED)

and NewsWorld International, which were acquired on May 19, 2000, and SciFi.com, an emerging Internet content and commerce site.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
	(IN THOUSANDS)			
REVENUE				
Cable and studios	$398,211	$336,047	$1,280,065	$1,105,688
Electronic retailing	453,447	427,058	1,364,248	1,245,323
Styleclick	901	5,147	7,358	17,556
Electronic commerce solutions	4,817	2,524	15,560	5,121
Emerging networks	5,784	8,591	18,125	12,862
	$863,160	$779,367	$2,685,356	$2,386,550
OPERATING PROFIT (LOSS)				
Cable and studios	$126,395	$ 90,394	$ 403,466	$ 312,371
Electronic retailing	1,026	21,139	27,431	72,666
Styleclick	(5,525)	(18,150)	(36,496)	(37,382)
Electronic commerce solutions	(12,749)	(4,310)	(28,076)	(12,259)
Emerging networks	(4,860)	(1,869)	(13,998)	(6,669)
Other	(11,875)	(5,857)	(29,888)	(29,627)
	$ 92,412	$ 81,347	$ 322,439	$ 299,100

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

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

The following tables present condensed consolidating financial information for the three and nine months ended September 30, 2001 for (1) the Company, on a stand-alone basis, (2) the combined wholly owned Subsidiary Guarantors of the Company (3) the combined non-guarantor subsidiaries of the Company, and (4) the Company on a consolidated basis.

Separate financial statements for each of the Wholly Owned Subsidiary Guarantors are not presented and such Wholly Owned Subsidiary Guarantors are not filing separate reports under the Securities Exchange Act of 1934 because USA's and the Company's management has determined that

NOTE 6--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (Continued)

the information contained in such documents would not be material to investors. USANi LLC and its subsidiaries have no material restrictions on their ability to transfer amounts to fund USA's operations.

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

	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
BALANCE SHEET AS OF SEPTEMBER 30, 2001:					
Current assets	$ 720,833	$ 981,352	$ (1,305)	$ --	$ 1,700,880
Property and equipment net	23,502	203,635	4,276	--	231,413
Goodwill and other intangible assets, net	--	4,941,366	90,382	--	5,031,748
Investment in subsidiaries	5,705,123	101,355	--	(5,806,478)	--
Other assets	644,229	1,869,653	10,811	(1,172,162)	1,352,531
TOTAL ASSETS	$7,093,687	$ 8,097,361	$ 104,164	$(6,978,640)	$ 8,316,572
Current liabilities	$ 40,927	$ 901,734	$ 18,152	$ --	$ 960,813
Long-term debt, less current portion	498,439	--	1,855	--	500,294
Other liabilities	95,389	273,792	13,889	--	383,070
Minority interest	--	10,365	--	3,098	13,463
Interdivisional equity	--	6,911,470	70,268	(6,981,738)	--
Stockholders' equity	6,458,932	--	--	--	6,458,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$7,093,687	$ 8,097,361	$ 104,164	$(6,978,640)	$ 8,316,572
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001					
Revenue	$ --	$ 852,408	$ 10,752	$ --	$ 863,160
Operating expenses	(11,878)	(726,593)	(32,277)	--	(770,748)
Interest expense, net	2,455	(8,112)	(44)	--	(5,701)
Other income (expense), net	92,347	(5,516)	--	(92,347)	(5,516)
Provision for income taxes	--	(535)	(1,152)	--	(1,687)
Minority interest	--	1,825	--	1,591	3,416
NET EARNINGS (LOSS)	$ 82,924	$ 113,477	$ (22,721)	$ (90,756)	$ 82,924

STATEMENT OF

OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001					
Revenue	$ --	$ 2,646,011	$ 39,345	$ --	$ 2,685,356
Operating expenses	(29,891)	(2,218,043)	(114,983)	--	(2,362,917)
Interest expense, net	5,683	(24,848)	251	--	(18,914)
Other income (expense), net	191,400	(11,259)	(7,844)	(198,493)	(26,196)
Provision for income taxes	106,154	(10,379)	(4,600)	(104,666)	(13,491)
Minority interest	--	(3,001)	(2,200)	14,709	9,508
Income (loss) before cumulative effect on accounting change	273,346	378,481	(90,031)	(288,450)	273,346
Cumulative effect on accounting change	6,470	6,470	--	(6,470)	6,470
NET EARNINGS (LOSS)	$ 279,816	$ 384,951	$ (90,031)	$ (294,920)	$ 279,816

NOTE 6--NOTES OFFERING AND GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION (Continued)

	USANI LLC	WHOLLY OWNED SUBSIDIARY GUARANTORS	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOW FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001					
Cash flows from operations	$ (8,726)	$ 393,543	$ (56,389)	$ --	$ 328,428
Cash flows used in investing activities	(4,367)	(163,959)	4,552	--	(163,774)
Cash flows from financing activities	651,691	(221,659)	33,704	--	463,736
Effect of exchange rate	(278)	(2,123)	--	--	(2,401)
Cash at the beginning of the period	78,079	(22,574)	16,311	--	71,816
CASH AT THE END OF THE PERIOD	$ 716,399	$ (16,772)	$ (1,822)	$ --	$ 697,805

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1	Amended and Restated Agreement and Plan of Recapitalization and Merger, dated as of July 15, 2001, by and among USA Networks, Inc., Expedia, Inc., Taipei, Inc., Microsoft Corporation and Microsoft E-Holdings, Inc. filed as Annex A to USA's Registration Statement on Form S-4 (No. 333-68120), is incorporated herein by reference.
3.1	Restated Certificate of Incorporation of USA filed as Exhibit 3.1 to USA's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000, is incorporated herein by reference.
3.2	Amended and Restated By-Laws of USA filed as Exhibit 3.1 to USA's Form 8-K dated January 9, 1998, is incorporated herein by reference.