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EXPEDIA INC
Form 425
March 19, 2003

Filed by USA Interactive
Pursuant to Rule 425 Under the Securities Act of 1933
And Deemed Filed Pursuant to Rule 14a-6
Under the Securities Exchange Act of 1934

Subject Company: Expedia, Inc.
Commission File No.:000-27429

PERSPECTIVE ON EXPEDIA TRANSACTION

[LOGO]

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In connection with the proposed transaction, USA Interactive and Expedia will file a proxy and information statement/prospectus with the Securities and Exchange Commission. Investors and security holders are urged to read carefully the proxy and information statement/prospectus regarding the proposed transaction when it becomes available, because it will contain important information. Pro forma information contained in the following materials may be changed in the proxy and information statement/prospectus. Investors and security holders may obtain a free copy of the proxy and information statement/prospectus (when it is available) and other documents containing information about USA Interactive and Expedia, without charge, at the SEC's web site at [HTTP://WWW.SEC.GOV](http://www.sec.gov). Free copies of USA Interactive's filings may be obtained by directing a request to USA Interactive, 152 West 57th Street, New York, New York, 10019, Attention: Investor Relations, and free copies of Expedia's filings may be obtained by directing a request to Expedia, Inc. 13810 SE Eastgate Way, Suite 400, Bellevue, Washington 98005, Attention: Investor Relations.

PARTICIPANTS IN SOLICITATION

USA Interactive, Expedia and their respective directors, executive officers and other members of their management and employees may be soliciting proxies from the companies' stockholders in connection with the proposed merger. Information concerning USA Interactive's participants in the solicitation is set forth in USA Interactive's proxy statement for its annual meeting of stockholders, filed with the SEC on April 30, 2002. Information concerning Expedia's participants in

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the solicitation is set forth in Expedia's proxy statement for its annual meeting of stockholders, filed with the SEC on April 30 2002.

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TRANSACTION SUMMARY

[LOGO]

(\$ AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

CURRENT EXPEDIA CAPITALIZATION	
Current Expedia Share Price (3/18/03)	\$38.90
Fully Diluted Expedia Shares Outstanding(a)	132
USA Current Fully Diluted Ownership of Expedia(a)	54%
Minority Current Fully Diluted Ownership of Expedia(a)	46%
USA STOCK OFFER FOR EXPEDIA SHARES	
Current USA Share Price (3/18/03)	\$26.49
Exchange Ratio	1.93875
Implied Offer Price per Expedia Share	\$51.36
PREMIUM ANALYSIS	
CURRENT TRADING RATIO (3/18/03)	1.46848
OFFER EXCHANGE RATIO IMPLIED PREMIUM TO CURRENT	32%
OFFER EXCHANGE RATIO IMPLIED PREMIUM TO 5 DAY AVERAGE RATIO(B)	32%
OFFER EXCHANGE RATIO IMPLIED PREMIUM TO 15 DAY AVERAGE RATIO(B)	33%
USA PRO FORMA FULLY DILUTED SHARES OUTSTANDING	
Current USA Fully Diluted Shares Outstanding(a) (c)	531
USA Shares Issued for Fully Diluted Minority Interest of Expedia(a)	125
<hr/>	
Pro Forma USA Fully Diluted Shares Outstanding(d)	656

- (a) FULLY DILUTED OWNERSHIP OF PUBLIC SUBSIDIARIES AND FULLY DILUTED USA SHARES ARE COMPUTED UNDER THE TREASURY METHOD ASSUMING THAT ALL PROCEEDS, INCLUDING THE STRIKE PRICE ON OPTION (VESTED AND UNVESTED) AND WARRANT EXERCISES AND TAX BENEFITS POTENTIALLY OBTAINABLE FROM THE EXERCISE OF NON-QUALIFIED STOCK OPTIONS AND WARRANTS (WHERE APPLICABLE), ARE USED TO REPURCHASE COMMON STOCK.
- (b) AVERAGE RATIOS MEASURED AS THE SIMPLE AVERAGE OF THE DAILY EXCHANGE RATIOS FOR THE SPECIFIED PERIOD (BASED ON TRADING DAYS).
- (c) SHARE COUNT IS PRO FORMA FOR TICKETMASTER MERGER WHICH WAS COMPLETED ON JANUARY 17, 2003 AND USA'S PENDING ACQUISITION OF EPI ASSUMING THE EPI TRANSACTION WILL BE COMPLETED WITH 50:50 CASH AND STOCK. NOT PRO FORMA FOR USA'S PENDING ACQUISITION OF UDATE.
- (d) ASSUMES LIBERTY MEDIA DOES NOT EXERCISE PREEMPTIVE RIGHT TO PURCHASE USA SECURITIES.
-

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EXPEDIA FINANCIAL SUMMARY

[LOGO]

 (\$ IN MILLIONS)

	2001A	2002A	2003EA
REVENUE	\$297	\$591	\$845
% GROWTH	NA	99%	43%
EBITA (B)	\$50	\$158	\$221
% MARGIN	17%	27%	26%
% GROWTH	NA	216%	40%
ADJUSTED EARNINGS (C)	\$53	\$108	\$155
% MARGIN	18%	18%	18%
% GROWTH	NA	103%	43%

-
- (a) BASED ON EXPEDIA BUDGET DATED FEBRUARY 5, 2003.
 - (b) EBITA IS DEFINED AS ADJUSTED NET INCOME MINUS NET INTEREST INCOME AND OTHER; AND PLUS, (1) PROVISION FOR INCOME TAXES AND (2) SHARE OF JOINT VENTURE NET LOSSES.
 - (c) ADJUSTED EARNINGS IS DEFINED AS NET INCOME EXCLUDING NON-CASH MARKETING EXPENSES RESULTING FROM IN-KIND MARKETING CONTRIBUTIONS BY USA INTERACTIVE, USA MERGER RELATED EXPENSES AND NON-CASH CHARGES FOR AMORTIZATION OF INTANGIBLES AND EQUITY COMPENSATION EXPENSE. EXPEDIA HAS HISTORICALLY PRESENTED "ADJUSTED EARNINGS" AND "ADJUSTED EPS" BEFORE THE TAX EFFECT OF THE ADJUSTED ITEMS. GOING FORWARD, MANAGEMENT INTENDS TO UTILIZE THE "ADJUSTED EARNINGS" AND "ADJUSTED EPS" NUMBERS AFTER AN EFFECT HAS BEEN GIVEN TO THE TAX IMPACT OF THESE ADJUSTMENTS ON THE TAX PROVISION. THE 2002 RESULTS HAVE BEEN RECOMPUTED UNDER THIS NEW "2003 METHODOLOGY" IN ORDER TO PROVIDE COMPARABILITY TO THE 2003 BUDGET.

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 USA PRO FORMA METRICS AND MULTIPLES

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 (\$ AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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	PRE-DEAL	PRO FORMA	ANTICIPATED PERFORMANCE
	-----	-----	-----
USA Share Price (3/18/03)	\$26.49	\$26.49	
Fully Diluted Shares Outstanding(a)	531	656 (b)	
	-----	-----	
MARKET CAPITALIZATION	\$14,055	\$17,365	
Less: Net Cash and VUE Securities(c)	(3,511)	(3,770)	
	-----	-----	
ENTERPRISE VALUE	\$10,544	\$13,595	
ATTRIBUTABLE EBITA (D)			
2002PF (e)	\$334	\$407 (f)	
2003E (e)	\$595	\$697 (f)	
ENTERPRISE VALUE / ATTRIBUTABLE EBITA			
2002PF	31.6x	33.4x	
2003E	17.7x	19.5x	
ADJUSTED NET INCOME (G) (H)			
2002PF (e)	\$236	\$288 (f)	
2003E (e)	\$414	\$485 (f)	
ADJUSTED EPS (H)			
2002PF (i)	\$0.44	\$0.44	
2003E (i) (j)	\$0.75	\$0.72	\$0.75 (k)
PRICE / ADJUSTED EPS			
2002PF	59.6x	60.3x	
2003E	35.2x	36.9x	

-
- (a) FULLY DILUTED USA SHARES ARE COMPUTED UNDER THE TREASURY METHOD ASSUMING THAT ALL PROCEEDS, INCLUDING THE STRIKE PRICE ON OPTION (VESTED AND UNVESTED) AND WARRANT EXERCISES AND TAX BENEFITS POTENTIALLY OBTAINABLE FROM THE EXERCISE OF NON-QUALIFIED STOCK OPTIONS AND WARRANTS (WHERE APPLICABLE), ARE USED TO REPURCHASE COMMON STOCK. SHARE COUNT IS PRO FORMA FOR TICKETMASTER MERGER WHICH WAS COMPLETED ON JANUARY 17, 2003 AND USA'S PENDING ACQUISITION OF EPI ASSUMING THE EPI TRANSACTION WILL BE COMPLETED WITH 50:50 CASH AND STOCK. NOT PRO FORMA FOR USA'S PENDING ACQUISITION OF UPDATE.
- (b) ASSUMES LIBERTY MEDIA DOES NOT EXERCISE PREEMPTIVE RIGHT TO PURCHASE USA SECURITIES.
- (c) PRE-DEAL AMOUNTS REPRESENT ATTRIBUTABLE CASH. PRO FORMA CASH REPRESENTS FULLY CONSOLIDATED CASH BALANCE OF EXPEDIA. SEE PAGE 5 FOR DETAIL.
- (d) EBITA IS DEFINED AS OPERATING INCOME PLUS (1) AMORTIZATION OF NON-CASH DISTRIBUTION AND MARKETING EXPENSE, (2) AMORTIZATION OF NON-CASH COMPENSATION EXPENSE, (3) AMORTIZATION OF OTHER INTANGIBLES (AND GOODWILL IN 2001), AND (4) DISENGAGEMENT RELATED PAYMENTS TO CABLE OPERATORS AND MARKETING EXPENSES RELATED TO THE TRANSFER OF HSN'S DISTRIBUTION TO CABLE (WHICH HAS BEEN ACCOMPLISHED). EXCLUDES NON-RECURRING ITEMS. ATTRIBUTABLE EBITA IS DEFINED AS EBITA, LESS THE PERCENTAGE OF EBITA ATTRIBUTABLE TO MINORITY SHAREHOLDERS OF USA'S PUBLIC AND OTHER NON-WHOLLY OWNED SUBSIDIARIES.
- (e) BASED ON USA BUDGET RELEASED ON FEBRUARY 6, 2003.
- (f) ASSUMES NO SYNERGIES OR COST SAVINGS FROM THE TRANSACTION.
- (g) ADJUSTED NET INCOME IS DEFINED AS NET INCOME AVAILABLE TO COMMON SHAREHOLDERS PLUS: (1) AMORTIZATION OF NON-CASH DISTRIBUTION AND MARKETING EXPENSE, (2) AMORTIZATION OF NON-CASH COMPENSATION, (3) AMORTIZATION OF OTHER INTANGIBLES (AND GOODWILL IN 2001), NET OF RELATED TAX AND MINORITY

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INTEREST EXPENSE AND (4) EQUITY INCOME FROM USA'S 5.44% COMMON INTEREST IN VUE. EXCLUDES NON-RECURRING ITEMS. ALL AMOUNTS ARE PRESENTED ON A FULLY DILUTED, TREASURY METHOD BASIS EXCEPT WITH RESPECT TO RESTRICTED STOCK, ALL OF WHICH IS TREATED AS OUTSTANDING FOR PURPOSES OF ADJUSTED EPS.

- (h) USA EXPECTS TO INCUR SIGNIFICANT NON-CASH CHARGES AS A RESULT OF THIS TRANSACTION FROM (1) AMORTIZATION OF INTANGIBLES THAT WILL BE CREATED AS A RESULT OF PURCHASE PRICE ALLOCATION AND (2) AMORTIZATION OF NON-CASH COMPENSATION RELATED TO THE ASSUMPTION BY USA OF EXISTING UNVESTED EXPEDIA EMPLOYEE OPTIONS, WARRANTS AND RESTRICTED STOCK. USA IS NOT IN A POSITION TO ESTIMATE THESE COSTS, WHICH WILL BE AFFECTED BY A NUMBER OF FACTORS INCLUDING VALUATION ANALYSES, STOCK PRICE VOLATILITY AND OTHER FACTORS. THESE CHARGES WILL NOT AFFECT ADJUSTED NET INCOME OR ADJUSTED EPS.
- (i) REFLECTS CURRENT FULLY DILUTED SHARES.
- (j) IN CONNECTION WITH THE EXPEDIA TRANSACTION WHICH WAS COMPLETED IN FEBRUARY 2002, USA ISSUED \$656 MILLION FACE VALUE 1.99% CONVERTIBLE PREFERRED STOCK, WHICH IS INITIALLY CONVERTIBLE AT \$33.75 INTO APPROXIMATELY 19.4 MILLION SHARES. THE COMPANY ANTICIPATES THAT THE PREFERRED STOCK WILL HAVE A DILUTIVE IMPACT TO ADJUSTED EPS IN 2003, THUS 19.4 MILLION SHARES WILL BE TREATED ON AN AS CONVERTED BASIS FOR PURPOSES OF ADJUSTED EPS IN 2003.
- (k) THE TRANSACTION IS EXPECTED TO BE SLIGHTLY DILUTIVE TO USA'S ADJUSTED EPS FOR 2003, HOWEVER, DUE TO EXPECTED OVER PERFORMANCE BY EXPEDIA AND USA'S OTHER BUSINESSES, USA BELIEVES THAT IT WILL MEET ITS CURRENT 2003 BUDGETED ADJUSTED EPS OF \$0.75 PER SHARE BASED ON THE EXPECTATION OF A SHORT CONFLICT IN IRAQ WITHOUT ANY OTHER SIGNIFICANT GEOPOLITICAL DISRUPTIONS DURING THE YEAR.

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USA PRO FORMA NET CASH POSITION

[LOGO]

 (\$ IN MILLIONS)

PRO FORMA AS OF 12/31/02 (A)
 ATTRIBUTABLE (B) CONSOLIDATED

CASH

USA (c) (d) (e)	\$2,681	\$2,681
Expedia (f) (g)	559	559
Hotels.com (f) (h)	219	323
	-----	-----
Total	\$3,459	\$3,562

INVESTMENTS

Total Value of VUE Securities (Net of Estimated Taxes) (i)	\$2,203	\$2,203
	-----	-----
TOTAL CASH & VUE SECURITIES	\$5,662	\$5,765
	-----	-----
LONG-TERM DEBT (e)	\$1,236	\$1,236
1.99% CONVERTIBLE PREFERRED STOCK (j)	\$656	\$656
	-----	-----

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TOTAL DEBT & PREFERRED STOCK	\$1,892	\$1,892
	-----	-----
NET CASH AND VUE SECURITIES	\$3,770	\$3,873
	-----	-----

- (a) PRO FORMA FOR FULL CONSOLIDATION OF EXPEDIA CASH.
- (b) CALCULATED BASED ON USA'S TREASURY METHOD, FULLY DILUTED OWNERSHIP IN USA'S PUBLICLY-TRADED SUBSIDIARIES.
- (c) REFLECTS TICKETMASTER ACQUISITION AND EXCLUDES TICKETMASTER CASH DUE TO CLIENTS.
- (d) PRO FORMA FOR USA'S PENDING ACQUISITION OF EPI ASSUMING THE EPI TRANSACTION WILL BE COMPLETED WITH 50:50 CASH AND STOCK. NOT PRO FORMA FOR USA'S PENDING ACQUISITION OF UDATE
- (e) REFLECTS \$750 MILLION DEBT ISSUANCE.
- (f) CASH INCLUDES \$149.3 MILLION IN DEFERRED MERCHANT BOOKINGS AT EXPEDIA AND \$76.4 MILLION IN DEFERRED REVENUE AT HOTELS.COM.
- (g) PRO FORMA FOR COMPLETED 0.4M SHARE REPURCHASE IN Q1 2003,
- (h) PRO FORMA FOR COMPLETED 1.6M SHARE REPURCHASE IN Q1 2003.
- (i) BASED ON BALANCE SHEET CARRYING VALUES. TAXES REPRESENT ESTIMATED PRESENT VALUE OF TAXES TO BE PAID UPON MATURITY OF VUE SECURITIES.
- (j) THE BALANCE SHEET CARRYING VALUE OF THE CONVERTIBLE PREFERRED STOCK ISSUED IN THE EXPEDIA TRANSACTION IS BASED ON PAR VALUE, WHICH IS \$0.01 PER SHARE OR APPROXIMATELY \$131,000 AND IS ADJUSTED TO REFLECT THE FACE VALUE OF THE SECURITY, OR \$50 PER SHARE.

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STRATEGIC RATIONALE

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/ / USA BELIEVES:

/ / THE ONLINE MIGRATION OF TRAVEL, ALREADY THE SINGLE LARGEST INTERACTIVE COMMERCE CATEGORY, REMAINS AT AN EARLY STAGE

/ / EXPEDIA'S BRAND, TECHNOLOGY AND MANAGEMENT WILL CONTINUE TO SUPPORT ITS CATEGORY LEADERSHIP

/ / REGARDLESS OF NEAR-TERM WORLD EVENTS, THE BUY-IN OF EXPEDIA WILL DELIVER SIGNIFICANT VALUE TO USA'S SHAREHOLDERS OVER TIME

/ / USA FURTHER BELIEVES THAT:

/ / IT WILL BE ABLE TO MEET ITS 2003E ADJUSTED EPS BUDGET OF \$0.75 PER SHARE, BASED ON THE EXPECTATION OF A SHORT CONFLICT IN IRAQ WITHOUT ANY OTHER SIGNIFICANT GEOPOLITICAL DISRUPTIONS DURING THE YEAR

/ / THE FULL CONSOLIDATION OF EXPEDIA WILL SUBSTANTIALLY SIMPLIFY USA'S CORPORATE STRUCTURE AND REMOVE A SOURCE OF MARKET DISCOUNT

/ / THE TRANSACTION WILL GIVE USA ACCESS TO EXPEDIA'S SUBSTANTIAL FREE CASH FLOW

/ / EXPEDIA'S MANAGEMENT AND TECHNOLOGY WILL PROVIDE BROADER AND SIGNIFICANTLY INCREASED BENEFITS / LEADERSHIP TO THE WHOLE USA FAMILY AS A

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RESULT OF THE TRANSACTION

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TRAVEL IS THE SINGLE LARGEST INTERACTIVE COMMERCE VERTICAL

LOGO

 (\$ IN BILLIONS)

// ONLINE TRAVEL REPRESENTS APPROXIMATELY ONE-THIRD OF TOTAL ONLINE COMMERCE

U.S. ONLINE TRANSACTION VALUE BY CATEGORY (A) (B)

YEAR	ONLINE TRAVEL	ALL OTHER
2002	\$27.8	\$52.1
2003	\$37.4	\$69.9
2004	\$48.3	\$90.9
2005	\$59.8	\$117.3
2006	\$71.3	\$147.5

// EACH SUBCATEGORY WITHIN TRAVEL IS EXPECTED TO GROW AT ATTRACTIVE RATES

U.S. Online Retail Forecast

	2002	2003	2004	2005	2006	CAGR
	----	----	----	----	----	----
Air(a)	\$16.1	\$20.9	\$25.7	\$30.4	\$34.3	21%
Hotel(a)	\$6.8	\$9.6	\$13.0	\$16.8	\$20.8	32%
Car(a)	\$3.7	\$5.2	\$7.1	\$9.1	\$11.3	32%
Vacation / Cruise(a)	\$1.1	\$1.7	\$2.5	\$3.6	\$4.9	45%
Online Travel	\$27.8	\$37.4	\$48.3	\$59.8	\$71.3	27%
All Other(b)	\$52.1	\$69.9	\$90.9	\$117.3	\$147.5	30%
Total Online Retail	\$79.9	\$107.3	\$139.2	\$177.1	\$218.3	29%

(a) ONLINE TRAVEL ESTIMATES BASED ON CSFB EQUITY RESEARCH, JANUARY 21, 2003.

(b) ESTIMATES FOR ALL OTHER ONLINE COMMERCE BASED ON FORRESTER RESEARCH, OCTOBER 10, 2002. ESTIMATES DO NOT INCLUDE ONLINE FINANCIAL SERVICES AND ONLINE CONTENT.

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ONLINE TRAVEL MIGRATION

LOGO

 // ONLINE TRAVEL HAS SIMILAR GROWTH CHARACTERISTICS TO ONLINE EVENT TICKETING

// USA BELIEVES ONLINE TRAVEL MIGRATION WILL CONTINUE TO ACCELERATE OVER TIME

ONLINE PENETRATION (A) (B)

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EVENT TICKETING

Year	Online Penetration
-----	-----
1999	13%
2000	25%
2001	32%
2002	41%

TRAVEL

Year	Online Penetration
-----	-----
2002	15%
2003E	19%
2004E	24%
2005E	29%

- (a) ONLINE TICKETING PENETRATION BASED ON ONLINE REVENUE FROM TICKETMASTER, AS REPORTED IN USA SEC FILINGS.
- (b) ONLINE TRAVEL PENETRATION ESTIMATES BASED ON PHOCUSWRIGHT RESEARCH, FEBRUARY 2003.

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EXPEDIA IS THE LEADER IN ONLINE TRAVEL

LOGO

(\$ IN MILLIONS)

GROSS BOOKINGS VOLUME (A)

	Expedia	Travelocity	ROOM	Orbitz
1Q00	401	504.3	77	
2Q00	450	610.2	78	
3Q00	467.25	649.5	100	
4Q00	475.171	696.4	88	
1Q01	673.592	833.6	132	
2Q01	801.501	879	138	100
3Q01	723	784.8	151	298.7
4Q01	703.98	630.2	142	419.83
1Q02	1,107	783	166	542.581
2Q02	1,333	910	230	
3Q02	1,466	916	277	
4Q02	1380	888	273	

(A) SOURCE: COMPANY REPORTS. ROOM FIGURE REPRESENTS GROSS SALES AS ROOM DOES NOT REPORT GROSS BOOKINGS.

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EXPEDIA SHOULD CONTINUE TO GENERATE SUBSTANTIAL CASH FLOW

[LOGO]

(\$ IN MILLIONS)

[] Assuming Expedia grows in line with online travel and margins remain constant, a hypothetical estimate for Expedia implies over \$400 million in EBITA by 2006

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[] Expedia has consistently outperformed its online travel peers

HYPOTHETICAL EXPEDIA FINANCIAL PERFORMANCE (A)

	2003E -----		2006 HYPOTHETICAL -----	
Expedia Revenue	\$ 845		\$ 1,600 +	
Expedia EBITA	\$ 221		\$ 420 +	(Represents nearly 2x 2003E EBITA. USA believes Expedia will continue to outperform...)

(A) 2003 ESTIMATES BASED EXPEDIA BUDGET DATED FEBRUARY 5, 2003. THROUGH 2006, REVENUE GROWTH ASSUMED TO BE EQUAL TO THE GROWTH RATE OF ONLINE TRAVEL, AS PER CSFB EQUITY RESEARCH, JANUARY 21, 2003, AND EBITA MARGINS ASSUMED TO BE EQUAL TO 2003 EBITA MARGINS.

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USA IS UNDERVALUED RELATIVE TO ITS PEERS [LOGO]

 (\$ AND SHARES IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	USA			
	PRO FORMA (A)	AMAZON (B)	EBAY (C)	YAHOO! (C)
	-----	-----	-----	-----
Share Price (3/18/03)	\$26.49	\$26.78	\$88.08	\$ 21.97
Shares Outstanding	656	407	314	608
Market Capitalization	\$17,365	\$10,901	\$27,692	\$13,347
Less: Net Cash	(3,770)	976	(1,093)	(1,534)
Enterprise Value	\$13,595	\$11,877	\$26,600	\$11,813
Attributable EBITA				

2002PF	\$407	\$180	\$370	\$118
2003E	\$697	\$252	\$573	\$227
Enterprise Value/ Attributable EBITA				

2002PF	33.4x	65.9x	71.9x	100.2x
2003E	19.5x	47.2x	46.5x	52.1x
Adjusted EPS				

2002PF	\$0.44	\$0.17	\$0.87	\$0.17
2003E	\$0.75 (d)	\$0.30	\$1.34	\$0.28
Price/Adjusted EPS				

2002PF	60.3x	157.5x	101.2x	129.2x
2003E	35.3x	89.3x	65.7x	78.5x

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COMSCORE MEDIA METRIX (E)

	PROPERTY	UNIQUE VISITORS (000S)
1	AOL Time Warner Network	109,158
2	MSN-Microsoft Sites	106,966
3	Yahoo! Sites	105,554
4	ebay	53,488
5	Terra Lycos	50,037
6	Google Sites	49,405
7	About/Primedia	47,868
8	Amazon Sites	37,721
[9	USA INTERACTIVE	37,556]
10	Gator Network	36,201

- (a) Please see important footnotes on page 4 which explain and qualify the USA pro forma figures in this column.
- (b) Source: CSFB equity research report dated 1/24/03.
- (c) Source: Thomas Weisel Partners equity research report dated 1/7/03 for eBay and 2/13/03 for Yahoo!.
- (d) Reflects anticipated performance.
- (e) Source: comScore Media Metrix, February 2003. Data for USA is from a comScore Media Metrix unranked custom entity report defined by USA, representing combined home/work unduplicated reach for all of USA's subsidiaries, and is compared to the comScore Media Metrix Top 100 Properties list.

READ IMPORTANT FOOTNOTES AND DISCLAIMERS

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USA VS. EBAY

[LOGO]

(\$ IN MILLIONS)

	USA	
	PRO FORMA (A)	EBAY (B)
	-----	-----
2002 GROSS TRANSACTION VALUE (C)	\$12,903	\$14,868
2003E ESTIMATES		

Revenue	\$6,008	\$1,979
FREE CASH FLOW	\$811 (D)	\$459
PEG RATIO (E)		

Price / 2003E Adjusted EPS	35.3x	65.7x

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2002PF-2003E Adjusted EPS Growth	64%	54%
PEG RATIO(E)	0.6X	1.2X

- (a) Please see important footnotes on page 4 which explain and qualify the USA pro forma figures in this column.
- (b) Source: Thomas Weisel Partners equity research report dated 1/7/03.
- (c) USA gross transaction value based on USA earnings release dated February 6, 2003. eBaygross transaction value reflects gross merchandise sales.
- (d) Free Cash Flow is defined as Net Cash Provided by Operating Activities, less capital expenditures, other investments relating to operations and preferred dividends paid. Free Cash Flow also includes cash received and tax payments related to the VUE securities. Free Cash Flow includes cash distributions of 3.6% of the face value of the VUE Class B preferred interest and assumes in 2003 the receipt of \$29.2 million in tax distributions relating to the VUE preferred interests, which tax distributions are currently the subject of dispute between USA and Vivendi. The tax distributions assume there is sufficient income at VUE and a tax rate of 40%. Estimated tax payments of \$100-\$125 million in 2003 related to the sale of USA Broadcasting to Univision which closed in August 2001 are included in discontinued operations and accordingly have no impact on net cash from operations or free cash flow.
- (e) Reflects current share price divided by 2003E adjusted EPS divided by 2002PF-2003E adjusted EPS growth.

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Simplifying USA's Structure [LOGO]

[] Pro forma for the transaction, USA's stock will capture 95% of the value of USA's operating subsidiaries

USA Ownership of Operations(a)

	May 31, 2002		March 18, 2003		Pro Forma For Expedia
Pre-Original Buy-in Announcement (b)		Post-Ticketmaster Acquisition (c)		Pro Forma For Expedia Buy-in(d)	
Owned by USA	77%	Owned by USA	81%	Owned by USA	95%
Publicly-Held	23%	Publicly-Held	19%	Publicly-Held	5%

- (a) Value owned by USA reflects market capitalization of USA.

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- (b) Publicly-held share reflects the market capitalization of the fully diluted minority ownership in Ticketmaster, Expedia and Hotels.com.
- (c) Publicly-held share reflects the market capitalization of the fully diluted minority ownership in Expedia and Hotels.com.
- (d) Publicly-held share reflects the market capitalization of the fully diluted minority ownership in Hotels.com.

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Improving Access to Cash Flow

[LOGO]

[] The transaction will give USA full access to Expedia's substantial cash flow

SOURCES OF USA 2003E EBITA(A) 100% = \$751 MILLION

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Wholly-Owned operations	49%
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Expedia	29%
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Hotels.com	22%
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(a) Based on USA budget released on February 6, 2003.

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As filed with the Securities and Exchange Commission on March 19, 2003.

Pro Forma USA Travel Concentration

[LOGO]

(\$ IN MILLIONS)

[] Transaction moderately increases USA travel concentration

[] USA will continue to be a balanced company, growing both organically and through targeted acquisitions into new verticals

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	CURRENT (A)	PRO FORMA (B)
USA FULLY DILUTED MARKET CAPITALIZATION(C)	\$14,055	\$17,365
Value of USA Fully Diluted Stake in Hotels.com(c)	\$2,076	\$2,076
Value of USA Fully Diluted Stake in Expedia(c)	\$2,757	\$5,135
Value of USA Stake Interval International(d)	\$533	\$533
Value of USA Stake in TV Travel Shop(e)	\$100	\$100
USA EQUITY VALUE IN TRAVEL	\$5,466	\$7,844
AS % OF TOTAL EQUITY VALUE	38.9%	45.2%
% INCREASE IN TRAVEL EXPOSURE		6.3%

- (a) CURRENT DATA REFLECTS PUBLIC MARKET VALUES AS OF MARCH 18, 2003, UNLESS OTHERWISE NOTED.
- (b) PRO FORMA VALUES REFLECT EXPEDIA TRANSACTION ASSUMING CURRENT MARKET VALUES.
- (c) FULLY DILUTED OWNERSHIP OF PUBLIC SUBSIDIARIES AND FULLY DILUTED USA SHARES ARE COMPUTED UNDER THE TREASURY METHOD ASSUMING THAT ALL PROCEEDS, INCLUDING THE STRIKE PRICE ON OPTION (VESTED AND UNVESTED) AND WARRANT EXERCISES AND TAX BENEFITS POTENTIALLY OBTAINABLE FROM THE EXERCISE OF NON-QUALIFIED STOCK OPTIONS AND WARRANTS (WHERE APPLICABLE), ARE USED TO REPURCHASE COMMON STOCK.
- (d) INTERVAL INTERNATIONAL VALUE BASED ON PURCHASE PRICE.
- (e) TV TRAVEL SHOP VALUE BASED ON PURCHASE PRICE.

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NOTES ON FORWARD-LOOKING STATEMENTS

[LOGO]

 This supplemental information contains forward-looking statements relating to possible or assumed future results of USA. It refers to the USA budget released on February 6, 2003. The data contained herein is as of the February 6, 2003 budget, other than as specifically mentioned herein. The budgeted and outlook data is not being reconfirmed or updated herein. These forward-looking statements are subject to risks and uncertainties that could cause future results to materially differ. These risks and uncertainties are described in USA's Securities and Exchange Commission filings. Any statements non factual in nature constitute forward-looking statements which are made as of the date this information was initially released, and in all cases, this information is subject to change without notice. USA undertakes no obligation to update or revise any of the forward-looking statements, whether as a result of new information, future events or for any other reason. These statements do not include the potential impact of any mergers, acquisitions or other business combinations that may be completed in the future, other than as specifically mentioned herein.

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