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Subject Company: Expedia, Inc.

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#### **SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements relating to our anticipated financial performance, business prospects, new developments, new merchandising strategies and similar matters, and/or statements preceded by, followed by or that include the words believes, could, expects, anticipates, estimates, intends, plans, projects, seeks, or similar expressions. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management 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 are subject to risks, uncertainties and assumptions that could have a material adverse effect on the proposed transaction between USA and Expedia and/or on our business, financial condition or results of operations. You should understand that the following important factors could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements: (1) the risk that Expedia's business will not be integrated successfully; (2) costs related to the proposed transaction; (3) material adverse changes in economic conditions generally or in our markets or industries; (4) future regulatory and legislative actions and conditions affecting our operating areas; (5) competition from others; (6) successful integration of our divisions' management structures; (7) product demand and market acceptance; (8) the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms; (9) the ability to expand into and successfully operate in foreign markets; (10) obtaining and retaining skilled workers and key executives; (11) acts of terrorism; and (12) war or political instability. In addition, investors should consider the other information contained in or incorporated by reference into Expedia's filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended 2001, especially in the Management's Discussion and Analysis section, our most recent Quarterly Report on Form 10-Q and our Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward looking events discussed in this press release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this press release.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this press release to reflect circumstances existing after the date of this press release or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

#### **ADDITIONAL INFORMATION AND WHERE TO FIND IT**

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. 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>. Free copies of USA Interactive's filings may be

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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.

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[The following document was circulated by Erik Blachford, incoming President and CEO, to employees of Expedia via electronic mail on March 19, 2003.]

I am writing to announce that, last night, our Board of Directors agreed to accept an offer from USA Interactive to purchase all of the common stock of Expedia that USAI doesn't already own. In other words, after this deal closes, USAI will own 100% of Expedia, Inc. The Board acted upon the recommendation of a special committee of independent directors. A press release describing the deal is attached. We'll also be holding casual discussions with employees later today. Keep an eye out for mail from Keri Aurora with the logistics on these meetings.

The economic terms of the offer are straightforward - each Expedia share will be replaced by 1.93875 shares of USAI stock, effective when the deal closes, which we expect to happen in August. At yesterday's closing prices, that ratio valued a share of Expedia stock at \$51.36, a 32% premium over Expedia's price at yesterday's market close.

As part of this announcement, we also released a preliminary view of our very strong Q1 results. Though the situation in Iraq casts more uncertainty than usual on the remainder of the quarter, our numbers through January and February suggest that we are trending toward \$194mm in revenue this quarter and at least \$0.25 of adjusted EPS, significantly exceeding the \$186mm and \$0.22 Operating Budget communicated publicly on February 5. In a nutshell, these numbers demonstrate that customers continue to turn to Expedia for help planning and purchasing travel, in good times and bad. It's great news.

We feel that the best part is that we have every opportunity to keep the momentum. The wind is at our backs as the giant migration continues from offline travel distribution channels to online channels like Expedia and WWTE partners. Our ownership structure is changing, but our core mission and strategy is not.

Expedia's Mission: To Become the Largest Seller of Travel in the World.

Expedia's Strategy: By Helping Everyone Everywhere Plan and Purchase Everything in Travel.

That doesn't change.

So what will change? Well, for most Expedia employees, not very much. Over time, we'll probably change some policies and procedures to line up with USAI's, which may affect our strategic planning and budgeting timelines. We'll also look for ways that we can save money by working with various USAI-wide cost savings initiatives, as you would expect.

Strategically, there's something more interesting going on here. Now that we'll own the same stock as the folks at sister companies like Interval International, TV Travel Store in the UK, and the nascent USA Travel Channel initiative, I suspect we'll be able to find some pretty creative ways to work together to further our common cause. We've done a good job working with our sister companies to date, but now we will be 100% aligned around the same company goals, and I believe that will make a difference.

I don't anticipate any change in our relationship with Hotels.com.

I'll be reporting directly to Barry Diller, and working closely with Anne Busquet, who will continue in her capacity as President of Travel Services at USAI, overseeing Interval, TVTS, USA Travel Channel, and the company's investment in Hotels.com. So I have new boss, replacing the Expedia Board of Directors, but my job is the same - executing Expedia's mission and strategy.

Speaking of which, I want to point out that this deal with USAI, coming on the likely eve of a conflict in Iraq, represents a tremendous vote of confidence in the Expedia team. It's a vote of confidence on our ability to weather whatever storms may wash over the travel industry in the next several months. Be proud of that, folks. It's a huge compliment.

Finally, I know that many of you are knee-deep in contingency planning right now for the days and weeks ahead, anticipating a range of outcomes from the situation in Iraq, and I urge you not to let this deal distract you from the task at hand. It's never been more important for us to focus our energies and attentions on our customers and our suppliers. They are counting on us to help them through this difficult time in travel. The pressure is on. Don't let up.

Erik

P.S. (because I'm sure inquiring minds want to know.) The exchange ratio will apply all shares, option and warrants. A handy way to think about the impact this has on options is that each Expedia option will become 1.92875 USAI options, and the strike price for each option will get divided by 1.92875.

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[LOGO OF USA INTERACTIVE]

[LOGO OF EXPEDIA, INC.]

**\*SEE IMPORTANT NOTES AT END OF RELEASE**

**USA INTERACTIVE AND EXPEDIA ANNOUNCE MERGER AGREEMENT**

**USA TO ACQUIRE THE EXPEDIA SHARES IT DOES NOT ALREADY OWN**

**IN A \$3.3 BILLION TRANSACTION**

**USA ANNOUNCES BOARD AUTHORIZATION OF**

**STOCK REPURCHASE PLAN**

New York, NY and Bellevue, WA March 19, 2003 USA Interactive (Nasdaq: USAI) and Expedia, Inc. (NASDAQ: EXPE) announced today that they have entered into an agreement by which USA, already the majority owner of Expedia, would acquire the Expedia shares it does not currently own in a stock-for-stock transaction that is generally tax-free to Expedia shareholders. The transaction is valued at \$3.3 billion, based on the closing price of USA common stock on March 18, 2003. The transaction allows USA to further simplify its corporate structure. The Expedia Board of Directors approved the agreement following the unanimous recommendation and approval of an independent Special Committee of the Expedia Board.

Under the agreement, Expedia shareholders would receive 1.93875 shares of USA common stock for each share of Expedia stock that they own, which represents approximately a 30% premium, based on the closing price of USA stock and Expedia stock on March 18, 2003. In the transaction, USA would issue to Expedia public shareholders approximately 92.5 million basic shares and 124.9 million shares on a fully diluted, treasury method basis. In connection with the merger, Expedia warrants and options will be converted into warrants and options to acquire USA common stock. The transaction is expected to be slightly dilutive to USA's adjusted earnings per share (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. In addition, USA expects Q1 2003 EBITA to very significantly exceed last year's Q1 EBITA and to beat its Q1 2003 EBITA budgeted amount, and expects to meet or exceed its Q1 2003 adjusted EPS budget. Please note that USA's projections are based on the expectation of a short conflict in Iraq without any other significant geopolitical disruptions during the year.

USA also announced that its Board of Directors has authorized the repurchase of up to 30 million shares of USA common stock. USA may purchase shares from time to time on the open market or through private transactions, depending on market conditions, share price and other factors.

Barry Diller, Chairman and CEO of USA Interactive, said, "The timing in relation to world events is an accident—as often happens with transactions, they take the time they take to reach conclusion—however, we were of course mindful of events beyond our own control—and our decision to acquire the balance of Expedia under these circumstances does dramatically underscore our great belief in the robust growth and long term value of online travel. Travel may be affected by this or that event, for a day or a month or whatever, but if there is life then there is travel—we bet on the latter."

"We all have so much respect for Rich Barton, Erik Blachford and the superb group they have assembled that has executed so flawlessly building Expedia into a leadership position in online travel—we hope by this consolidation of ownership at USA that this great Expedia group will play an ever expanding role across all our 14 Divisions."

"The Special Committee carefully reviewed the transaction in consultation with our financial and legal advisors and we believe that the merger creates significant value for Expedia's minority shareholders," said Jay Hoag, Chairman of the Special Committee of Expedia's Board of Directors. "Expedia shareholders have an opportunity to participate in the significant upside potential of USA, which is further enhanced by its full ownership of Expedia."

"This transaction gives us the opportunity to accelerate our work of building a great travel company," said Erik Blachford, incoming President and CEO of Expedia. "We are looking forward to working with USA and its other entities in a more integrated fashion, and believe there is substantial value to be created in the process."

USA currently owns approximately 54% of the outstanding Expedia stock and controls approximately 94.9% of the combined voting power of the outstanding Expedia shares. USA has agreed to vote all of its Expedia shares in favor of the merger at the Expedia stockholders meeting relating to the merger. USA shareholders holding a majority of the voting power of USA have acted by written consent to approve the transaction. An information statement will be mailed to USA shareholders and a proxy statement/prospectus will be mailed to Expedia shareholders. The transaction, which is subject to customary conditions, is expected to be completed in the summer of 2003. The transaction is not subject to any material adverse effect conditions (including the possible effects of war).

Based on results through February, Expedia is trending toward revenue of \$194 million and adjusted earnings per share of at least \$0.25 for the first quarter ending March 31. These trends compare with Expedia's operating budget, which calls for revenue of \$186 million and adjusted EPS of \$0.22. Neither the current estimates nor the operating

budget incorporate any assumption relating to war or other significant disruption to the travel industry.

USA and Expedia will audiocast their conference call today, Wednesday, March 19, 2003, at 12:00 p.m. Eastern Time (ET). The live audiocast is open to the public at [www.usainteractive.com/investor.relations](http://www.usainteractive.com/investor.relations).

#### **About USA Interactive**

USA Interactive (Nasdaq: USAI) engages worldwide in the business of interactivity via the Internet, the television and the telephone. USA's multiple brands are organized across three areas: Electronic Retailing, Information & Services and Travel Services. Electronic Retailing is comprised of HSN, America's Store, HSN.com, and Home Shopping Europe and Euvía in Germany. Information & Services includes Ticketmaster, Match.com, uDate (transaction pending), Citysearch, Evite, Entertainment Publications (transaction pending) and Precision Response Corporation. Travel Services consists of Expedia (Nasdaq: EXPE), Hotels.com (Nasdaq: ROOM), Interval International, TV Travel Group and USA's forthcoming U.S. cable travel network.

#### **About Expedia, Inc.**

Expedia, Inc. (NASDAQ: EXPE) is the world's leading online travel service and the eighth largest travel agency in the U.S. Expedia's award-winning Expert Searching and Pricing (ESP) technology delivers the most comprehensive flight options available online. ESP also allows customers to dynamically build complete trips that combine flights, Expedia® Special Rate hotels and other lodging, ground transportation, and destination services and activities. Expedia's quality and leadership have been recognized in awards such as PC Magazine's Editors' Choice and Forbes' Favorite General Travel Site. Expedia operates Classic Custom Vacations, a leading wholesaler of premiere vacation packages to destinations such as Hawaii, Mexico, Europe and the Caribbean; and Metropolitan Travel, a corporate travel agency. Travelscape, Inc., wholly owned by Expedia, also operates as WWTE, a private-label online travel business that supplies travel inventory to third parties. Expedia is a majority-owned subsidiary of USA Interactive (NASDAQ: USAI).

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assumptions that could have a material adverse effect on the proposed transaction between USA and Expedia and/or on our businesses, financial condition or results of operations. You should understand that the following important factors could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements: (1) the risk that USA's and Expedia's businesses will not be integrated successfully; (2) costs related to the proposed transaction; (3) material adverse changes in economic conditions generally or in our markets or industries; (4) future regulatory and legislative actions and conditions affecting our operating areas; (5) competition from others; (6) successful integration of our divisions' management structures; (7) product demand and market acceptance; (8) the ability to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms; (9) the ability to expand into and successfully operate in foreign markets; (10) obtaining and retaining skilled workers and key executives; (11) acts of terrorism; and (12) war or political instability. In addition, investors should consider the other information contained in or incorporated by reference into USA's and Expedia's filings with the U.S. Securities and Exchange Commission (the "SEC"), including their Annual Reports on Form 10-K for the fiscal year ended 2001, especially in the Management's Discussion and Analysis section, their most recent Quarterly Reports on Form 10-Q and their Current Reports on Form 8-K. Other unknown or unpredictable factors also could have material adverse effects on our future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this press release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this press release.

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**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 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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