

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2014**

Commission File No.: **0-25581**

The Priceline Group Inc.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other Jurisdiction of Incorporation or
Organization)

06-1528493

(I.R.S. Employer Identification No.)

**800 Connecticut Avenue
Norwalk, Connecticut**

(Address of Principal Executive Offices)

06854

(Zip Code)

Registrant's telephone number, including area code: **(203) 299-8000**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:

Name of Each Exchange on which Registered:

Common Stock, par value \$0.008 per share
2.375% Senior Notes Due 2024

The NASDAQ Global Select Market
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock held by non-affiliates of The Priceline Group Inc. as of June 30, 2014 was approximately \$62.8 billion based upon the closing price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of common stock held by executive officers and directors of The Priceline Group Inc. on June 30, 2014 have been excluded because such persons may be deemed to be affiliates of The Priceline Group Inc. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of The Priceline Group Inc.'s common stock was 51,939,191 as of February 11, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Annual Report on Form 10-K, to the extent not set forth in this Form 10-K, is incorporated herein by reference from The Priceline Group Inc.'s definitive proxy statement relating to the annual meeting of stockholders to be held on June 4, 2015, to be filed with the Securities and Exchange Commission within 120 days after the end of The Priceline Group Inc.'s fiscal year ended December 31, 2014.

The Priceline Group Inc. Annual Report on Form 10-K for the Year Ended December 31, 2014 Index

	<u>Page No.</u>
<u>Special Note Regarding Forward Looking Statements</u>	<u>1</u>
<u>PART I</u>	<u>1</u>
<u>Item 1. Business</u>	<u>1</u>
<u>Item 1A. Risk Factors</u>	<u>10</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>28</u>
<u>Item 2. Properties</u>	<u>29</u>
<u>Item 3. Legal Proceedings</u>	<u>30</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>36</u>
<u>PART II</u>	<u>36</u>
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>36</u>
<u>Item 6. Selected Financial Data</u>	<u>38</u>
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>68</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>69</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>69</u>
<u>Item 9A. Controls and Procedures</u>	<u>69</u>
<u>Item 9B. Other Information</u>	<u>71</u>
<u>PART III</u>	<u>71</u>
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>71</u>
<u>Item 11. Executive Compensation</u>	<u>71</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>71</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>71</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>71</u>
<u>PART IV</u>	<u>72</u>
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>72</u>
<u>Signatures</u>	<u>75</u>
<u>Consolidated Financial Statements</u>	<u>77</u>

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements. These forward-looking statements reflect our views regarding current expectations and projections about future events and conditions and are based on currently available information. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict, including the Risk Factors identified in Part I, Item 1A of this Annual Report; therefore, actual results could differ materially from those expressed, implied or forecast in any such forward-looking statements.

Expressions of future goals and expectations and similar expressions, including "may," "will," "should," "could," "expects," "plans," "anticipates," "intends," "believes," "estimates," "predicts," "potential," "targets," and "continue," reflecting something other than historical fact are intended to identify forward-looking statements. Our actual results could differ materially from those described in the forward-looking statements for various reasons including the risks we face, which are more fully described in Part I, Item 1A, "Risk Factors." Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. However, readers should carefully review the reports and documents we file or furnish from time to time with the Securities and Exchange Commission (the "SEC" or the "Commission"), particularly our quarterly reports on Form 10-Q and current reports on Form 8-K.

PART I

Item 1. Business

We are a leading provider of online travel and travel related reservation and search services. Through our online travel agent ("OTA") services, we connect consumers wishing to make travel reservations with providers of travel services around the world. We offer consumers accommodation reservations (including hotels, bed and breakfasts, hostels, apartments, vacation rentals and other properties) through our Booking.com, priceline.com and agoda.com brands. Our priceline.com brand also offers consumers reservations for rental cars, airline tickets, vacation packages and cruises. We offer rental car reservations worldwide through rentalcars.com. We also allow consumers to easily compare airline ticket, hotel reservation and rental car reservation information from hundreds of travel websites at once through KAYAK. We recently acquired OpenTable, a leading provider of online restaurant reservations. We believe that the online restaurant reservation business is complementary to our online travel businesses, and that both OpenTable and our travel businesses will benefit from adding OpenTable to The Priceline Group. We refer to our company and all of our subsidiaries and brands, including Booking.com, priceline.com, KAYAK, agoda.com, rentalcars.com and, as of July 24, 2014, OpenTable, collectively as "The Priceline Group," the "Company," "we," "our" or "us."

We launched our business in the United States in 1998 under the priceline.com brand and have since expanded our operations to include Booking.com, KAYAK, agoda.com, rentalcars.com and OpenTable, which are independently managed and operated brands. Our principal goal is to serve consumers and our travel service provider and restaurant partners with worldwide leadership in online reservation services. Our business is driven primarily by international results, which consist of the results of Booking.com, agoda.com and rentalcars.com and the results of the internationally based websites of KAYAK and, as of July 24, 2014, OpenTable (in each case regardless of where the consumer resides, where the consumer is physically located while making a reservation or the location of the travel service provider or restaurant). During the year ended December 31, 2014, our international business (the substantial majority of which is generated by Booking.com) represented approximately 87% of our gross bookings (an operating and statistical metric referring to the total dollar value, generally inclusive of all taxes and fees, of all travel services purchased by our customers), and approximately 94% of our consolidated operating income. A significant majority of our gross profit is earned in connection with facilitating accommodation reservations. See Note 18 to the Consolidated Financial Statements for more geographic information.

The Priceline Group Inc. was formed as a Delaware limited liability company in 1997 and was converted into a Delaware corporation in July 1998. On April 1, 2014, the Company changed its name from priceline.com Incorporated to The Priceline Group Inc. Our common stock is listed on the NASDAQ Global Select Market under the symbol "PCLN." Our principal executive offices are located at 800 Connecticut Avenue, Norwalk, Connecticut 06854.

The Priceline Group Business Model

We derive substantially all of our gross profit from the following sources:

- Commissions earned from facilitating reservations of accommodations, rental cars, cruises and other travel services;

- Transaction gross profit and customer processing fees from our accommodation, rental car, airline ticket and vacation package reservation services;
- Advertising revenues primarily earned by KAYAK from sending referrals to OTAs and travel service providers, as well as from advertising placements on KAYAK's websites and mobile apps;
- Beginning on July 24, 2014, revenues recognized by OpenTable, which consist of reservation revenues (a fee for each restaurant guest seated through OpenTable's online reservation service), subscription fees for reservation management services and other revenues; and
- Global distribution system ("GDS") reservation booking fees related to our *Name Your Own Price*[®] hotel, rental car and airline ticket reservation services and our price-disclosed airline ticket and rental car reservation services.

Our priceline.com brand offers merchant *Name Your Own Price*[®] opaque travel services, which are recorded in revenue on a "gross" basis and have associated cost of revenue. All of our other services are recorded in revenue on a "net" basis and have no associated cost of revenue. Therefore, revenue increases and decreases are impacted by changes in the mix of our revenues between *Name Your Own Price*[®] travel services and other services. Gross profit reflects the commission or net margin earned for our retail, *Name Your Own Price*[®] and semi-opaque travel services and our advertising and other services. Consequently, gross profit is an important measure to evaluate growth in our business because, in contrast to our revenues, it is not affected by the different methods of recording revenue and cost of revenue between our *Name Your Own Price*[®] travel services and our other services.

For the year ended December 31, 2014, we had gross profit of approximately \$7.6 billion comprised of "agency" gross profit, "merchant" gross profit, and "other" gross profit. Agency gross profit is derived from travel related transactions where we are not the merchant of record and where the prices of the travel services reserved through our websites are determined by third parties. Agency gross profit, which represented the substantial majority of our total gross profit in 2014, consists primarily of: (1) travel commissions earned from reservations at Booking.com, priceline.com and rentalcars.com; (2) GDS reservation booking fees related to certain of the agency services listed above; and (3) processing fees. Merchant gross profit is derived from transactions where we are the merchant of record and therefore charge the consumer's credit card for the travel services provided, and consists of: (1) transaction gross profit representing the amount charged to a consumer, less the amount charged to us by travel service providers in connection with (a) the accommodation reservations provided through our merchant accommodation reservation service at agoda.com and priceline.com and (b) the reservations provided through our merchant rental car service at rentalcars.com and *Express Deals*[®] service at priceline.com; (2) transaction gross profit representing revenue charged to a consumer less the cost of revenue amount charged to us by travel service providers in connection with the reservations provided through our *Name Your Own Price*[®] and vacation package reservation services; (3) processing fees charged in connection with our priceline.com merchant reservation services; and (4) ancillary fees, including GDS reservation booking fees related to certain of the services listed above. Advertising and other revenues are derived primarily from (1) revenues earned by KAYAK for sending referrals to OTAs and travel service providers; (2) advertising placements on KAYAK's websites and mobile apps; (3) reservation revenues earned by OpenTable (a fee for each restaurant guest seated through OpenTable's online reservation service); and (4) subscription fees earned by OpenTable for reservation management services. Revenues from KAYAK are net of intercompany revenues earned from other Priceline Group brands. See Note 2 to our Consolidated Financial Statements for more information.

The Priceline Group Strategy

The online travel category has continued to experience significant worldwide growth as consumer purchasing shifts from traditional off-line channels to interactive online channels, including mobile channels. We are the leader in the worldwide online accommodation reservation market based on room nights booked. Our strategy is to continue to participate broadly in online travel growth by expanding our service offerings and markets. In particular, we aim to be the world leader in online travel and travel related services by (a) providing consumers with the best experience through relentless execution and constant innovation, (b) partnering with travel service providers and restaurants to our mutual benefit, (c) operating entrepreneurial, independent brands that share best practices, and (d) investing in profitable and sustainable growth.

- **Providing the best consumer experience.** We believe that offering consumers an outstanding online experience is essential for our future success. To accomplish this, we focus on providing consumers with a variety of intuitive, easy-to-use online travel and restaurant reservation and search services, a continually increasing number, location and variety of accommodations available through our services, informative and useful content, such as pictures, accommodation details and reviews, and excellent customer service. For example, Booking.com increasingly provides reservation services for accommodations other than hotels. Further, we endeavor to provide excellent customer service in a variety of ways, including through our call centers and websites, so that our customers can be confident that booking reservations through us will lead to a positive experience. We are

constantly innovating our websites and mobile offerings to ensure that we are meeting the needs of online consumers while aiming to exceed their expectations.

- **Partnering with travel service providers and restaurants.** We aim to establish mutually beneficial relationships with travel service providers and restaurants around the world. We believe that travel service providers and restaurants can benefit from participating in our services by increasing their distribution channels, demand and inventory utilization in an efficient and cost-effective manner. Travel service providers and restaurants benefit from our well-known brands and online marketing efforts, expertise in offering an excellent consumer experience through our websites and mobile apps and ability to offer their inventory in markets and to consumers that the travel service provider or restaurant may be unable or unlikely to reach. For example, an independent hotel may not have the means or expertise to market itself to international travelers, including in other languages, to build and operate effective desktop and mobile websites and online reservation services or to engage in sophisticated online marketing techniques.
- **Maintaining multiple, independently managed brands.** We employ a strategy of operating multiple, independently managed brands, which we believe allows us the opportunity to offer our reservation services in ways that appeal to different consumers while maintaining an entrepreneurial, competitive spirit among our brands. We intend to invest resources to support organic growth by all of our brands, whether through increased advertising, geographic expansion, technology innovation or increased access to accommodations, rental cars, restaurants or other services. We also believe that by operating independently managed brands, we encourage innovation and experimentation by our brands, which allows us to more quickly discern and adapt to changing consumer behaviors and market dynamics. Although our brands are independently operated, we intend to continue to share best practices, access to services and customers across our brands. We believe that by promoting our brands worldwide, sharing accommodation reservation supply and customer flow, and applying our industry experiences in Europe and the United States to other regions, we can further expand our reservation services globally and maintain and grow our position as a leading provider of worldwide online travel and travel related reservation services.
- **Investing in profitable and sustainable growth.** Our strategy is to ensure that we offer online services that meet the needs and expectations of both consumers and travel service providers and restaurants and that we believe are or will be likely to result in long-term profitability and growth. We intend to accomplish this through continuous investment and innovation in growing our businesses in new and current markets, expanding our services and ensuring that we provide an appealing, intuitive and easy-to-use consumer experience through our websites and mobile applications. We also may pursue strategic transactions. For example, in 2013 we entered the meta-search business when we acquired KAYAK and in 2014 we entered the online restaurant reservation market when we acquired OpenTable. We regularly evaluate, and may pursue and consummate, other potential strategic acquisitions, partnerships, joint ventures or investments, whether to expand our businesses into complementary areas, expand our current businesses, acquire innovative technology or for other reasons.

Service Offerings

Through our OTA services, we connect consumers wishing to make travel reservations with providers of travel services around the world. We offer consumers accommodation reservations (including hotels, bed and breakfasts, hostels, apartments, vacation rentals and other properties) through our Booking.com, priceline.com and agoda.com brands. Our priceline.com brand also offers consumers reservations for rental cars, airline tickets, vacation packages and cruises. We offer rental car reservations worldwide through rentalcars.com. We also allow consumers to easily compare airline ticket, hotel reservation and rental car reservation information from hundreds of travel websites at once through KAYAK. Through OpenTable, we offer restaurant reservation services to consumers and reservation management services to restaurants.

Booking.com. Booking.com is the world's leading brand for booking online accommodation reservations with operations worldwide and headquarters in the Netherlands. As of February 13, 2015, Booking.com offered accommodation reservation services for more than 600,000 properties in over 200 countries and territories on its various websites and in 42 languages, which includes over 245,000 vacation rental properties (updated property counts are available on the Booking.com website). Vacation rentals generally consist of, among others, properties categorized as single-unit and multi-unit villas, apartments, "aparthotels" (which are apartments with a front desk and cleaning service) and chalets and are generally self-catered (i.e., include a kitchen), directly bookable properties. Accommodation providers participate in Booking.com, which operates under an agency model, by filing rates and information about the property in Booking.com's proprietary extranet. In addition, Booking.com has begun to offer website and other marketing services to accommodation providers as part of its BookingSuite initiative.

Priceline.com. Priceline.com offers online travel reservation services primarily in the United States and is headquartered in Norwalk, Connecticut. Through priceline.com, we offer consumers hotel, rental car and airline ticket reservations services, as well as vacation packages and cruises. Priceline.com is a leader in the "opaque" travel reservation business through its pioneering *Name Your Own Price*[®] and *Express Deals*[®] hotel, rental car and airline reservation services. We describe our *Name Your Own Price*[®] and *Express Deals*[®] travel services as "opaque" because certain elements of the service, including the identity of the travel service provider, are not disclosed to the consumer prior to making a reservation. Reservations made through priceline.com's opaque services are subject to various restrictions, depending on the type of reservation, such as being nonrefundable, not being eligible for frequent flyer or award program points and, in the case of airline tickets, requiring flexibility with respect to travel times and stops. We believe that the combination of priceline.com's retail and opaque models allows it to provide a broad array of options to value-conscious consumers.

Agoda.com. Agoda.com is a leading online accommodation reservation service catering primarily to consumers in the Asia-Pacific region, with headquarters in Singapore and operations in Bangkok, Thailand and throughout the region. Accommodation providers participate in agoda.com, which operates primarily under a merchant model, by filing rates and information about the property in agoda.com's proprietary extranet.

Rentalcars.com. Rentalcars.com is a leading worldwide online rental car reservation service and is headquartered in Manchester, England. Rentalcars.com offers a primarily merchant, online retail and opaque rental car reservation service allowing consumers to make rental car reservations in more than 28,000 locations throughout the world, with customer support provided in 40 languages. Customers using rentalcars.com can book a full range of vehicles online through rentalcars.com's website or mobile app, or they can reserve their cars by phone.

KAYAK. KAYAK, headquartered in Stamford, Connecticut, provides an online price comparison service (often referred to as "meta-search") that allows consumers to easily search and compare travel itineraries and prices, including airline ticket, accommodation reservation and rental car reservation information, from hundreds of travel websites at once. KAYAK derives revenues from advertising placements on its websites and mobile apps and from sending referrals to travel service providers and OTAs. KAYAK currently does business primarily in the United States, though it intends to continue to invest in expanding its international offerings.

OpenTable. In July 2014 we acquired OpenTable, a leading brand for booking online restaurant reservations. Headquartered in San Francisco, California, OpenTable provides online restaurant reservation services to consumers and reservation management services to restaurants. OpenTable does business primarily in the United States, though it intends to continue to invest in expanding its international offerings.

Marketing and Brand Awareness

Booking.com, priceline.com, KAYAK, agoda.com, rentalcars.com and OpenTable have established widely used and recognized e-commerce brands through aggressive marketing and promotion campaigns. As a result, both our online and offline advertising expense has increased significantly in recent years, a trend we expect to continue. During 2014, our total online advertising expense was approximately \$2.4 billion, a substantial portion of which was spent internationally through Internet search engines (primarily Google), meta-search and travel research services and affiliate marketing. We also invested \$231 million in offline advertising. We intend to continue a strategy of aggressively promoting brand awareness, primarily through online means although we also intend to increase our offline advertising efforts, including by expanding offline campaigns into additional markets. For example, building on its first offline advertising campaign, which it launched in the United States in 2013, Booking.com has begun offline advertising campaigns in other markets, including Australia, Canada, the United Kingdom and Germany. We recognize a substantial majority of online advertising expense as incurred at the time a reservation is booked, but recognize most of our gross profit when the consumer's travel or dining experience is completed. As a result, online advertising expense may not be recognized in the same period as the associated gross profit.

Online advertising efficiency, expressed as online advertising as a percentage of gross profit, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including average daily rates ("ADRs"), costs per click, cancellation rates, foreign exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our websites or mobile apps for bookings. From 2011 to 2013 our online advertising grew faster than our gross profit due to (1) year-over-year declines in online advertising returns on investment ("ROIs") and (2) brand mix within The Priceline Group as our international brands grew faster than our U.S. brands and spent a higher percentage of gross profit on online advertising. In 2014, these trends continued, but were more than offset by the inclusion of KAYAK and OpenTable because they spend a lower percentage of gross profit on online advertising than our other

brands. Also, our consolidated results exclude intercompany advertising by our brands on KAYAK since our acquisition of KAYAK in May 2013.

Competition

We compete with both online and traditional travel reservation services. The market for the travel reservation services we offer is intensely competitive, and current and new competitors can launch new services at a relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Amazon and Facebook, have access to significantly greater and more diversified resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market through its acquisition in 2011 of ITA Software, Inc., a major flight information software company, its hotel meta-search service known as "Hotel Finder" and its license of hotel-booking software from Room 77.

We currently, or potentially may in the future, compete with a variety of companies, including:

- online travel reservation services such as Expedia, Hotels.com, Hotwire, Travelocity, Elong, Wotif, CarRentals.com and Venere, which are owned by Expedia; Orbitz.com, Cheaptickets, ebookers, HotelClub and RatesToGo, which are owned by Orbitz Worldwide (which has agreed to be acquired by Expedia); laterooms and asiarooms, which are owned by Tui Travel; Hotel Reservation Service and hotel.de, which are owned by Hotel Reservation Service; and AutoEurope, Car Trawler, Ctrip, MakeMyTrip, Webjet, Rakuten, Jalan, Hotel Urbano, ViajaNet, Submarino Viagens, Despegar/Decolar, 17u.com, Bookit.com, CheapOair, Mr. and Mrs. Smith and eDreams ODIGEO;
- online accommodation search and/or reservation services, such as HomeAway and Airbnb, focused on vacation rental properties, including individually owned properties;
- large online companies, including search, social networking and marketplace companies such as Google, Facebook, Alibaba, Amazon and Groupon;
- traditional travel agencies, wholesalers and tour operators, many of which combine physical locations, telephone services and online services, such as Carlson Wagonlit, American Express, Thomas Cook and Tui Travel, as well as thousands of individual travel agencies around the world;
- travel service providers such as accommodation providers, rental car companies and airlines, many of which have their own branded websites to which they drive business, including joint efforts by travel service providers such as Room Key, an online hotel reservation service owned by several major hotel companies;
- online travel search services and price comparison services (generally referred to as "meta-search" services), such as TripAdvisor, trivago (in which Expedia has acquired a majority ownership interest), Qunar, Skyscanner and HotelsCombined; and
- online restaurant reservation services, such as TripAdvisor's LaFourchette and Yelp's SeatMe.

TripAdvisor, a leading travel research and review website, Google, the world's largest search engine, and other large, established companies with substantial resources and expertise in developing online commerce and facilitating Internet traffic have launched meta-search services and may create additional inroads into online travel, both in the United States and internationally. Meta-search services leverage their search technology to aggregate travel search results for the consumer's specific itinerary across travel service provider (e.g., accommodations, rental car companies or airlines), OTA and other travel websites and, in many instances, compete directly with us for customers. Meta-search services intend to appeal to consumers by showing broader travel search results than may be available through OTAs or other travel websites, which could lead to travel service providers or others gaining a larger share of search traffic. TripAdvisor has begun supporting its meta-search service with offline advertising, and trivago, a leading meta-search service in Europe, has been aggressively advertising in the United States since 2013. Google offers "Hotel Finder", a meta-search service that Google has at times placed at or near the top of its hotel-related search results. Through our KAYAK meta-search service, we compete directly with other meta-search services. KAYAK depends on access to information related to travel service pricing, schedules, availability and other related information from OTAs and travel service providers.

Consumers may favor travel services offered by meta-search websites or search companies over OTAs, which could reduce traffic to our travel reservation websites, increase consumer awareness of our competitors' brands and websites and

increase our advertising and other customer acquisition costs. To the extent any such consumer behavior leads to growth in our KAYAK meta-search business, such growth may not result in sufficient increases in profits from our KAYAK meta-search business to offset any related decrease in profits experienced by our OTA brands. Further, meta-search services may evolve into more traditional OTAs by offering consumers the ability to make travel reservations directly through their websites. For example, TripAdvisor facilitates hotel reservations on its transactional websites Tingo and Jetsetter and now allows consumers to make a reservation while staying on TripAdvisor through its "Instant Booking" offering. We currently do not participate in "Instant Booking" and therefore risk losing share of reservations sourced through TripAdvisor. Other meta-search providers may also offer direct booking services with travel service providers, which may lead to more consumers booking directly with a travel service provider rather than an OTA. To the extent consumers book travel services through a meta-search website or directly with a travel service provider after visiting a meta-search website or meta-search utility on a traditional search engine without using an OTA like us, or if meta-search services limit our participation within their search results, we may need to increase our advertising or other customer acquisition costs to maintain or grow our reservation bookings and our business, gross bookings and results of operations could be adversely affected.

As a result of our acquisition of OpenTable, we now compete or may in the future compete with other restaurant reservation providers, such as LaFourchette, a European restaurant reservation business owned by TripAdvisor, and Yelp's SeatMe service.

Travel service providers, including multi-national hotel chains, rental car companies and airlines with which we conduct business, compete with us in online channels to drive consumers to their own websites in lieu of third-party distributors like us. Travel service providers that sell on their own websites may charge lower prices and, in some instances, offer advantages such as loyalty points or special discounts to members of closed user groups (such as loyalty program participants or customers with registered accounts), any of which could make their offerings more attractive to consumers than our services. Discounting may increase as competition authorities seek to allow increased pricing flexibility among providers of travel service reservations. We may need to offer similar advantages to maintain or grow our reservation bookings, which could adversely impact our profitability.

Widespread adoption of mobile devices, such as the iPhone, Android-enabled smart phones and tablets such as the iPad, coupled with the improved web browsing functionality and development of thousands of useful "apps" available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have experienced a significant shift of business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Our major competitors and certain new market entrants are offering mobile applications for travel products and other functionality, including proprietary last-minute discounts for accommodation reservations. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The gross profit earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay and are not made as far in advance. Further, given the device sizes and technical limitations of tablets and smart phones, mobile consumers may not be willing to download multiple apps from multiple companies providing a similar service and instead prefer to use one or a limited number of apps for their mobile travel and restaurant research and reservation activity. As a result, the consumer experience with mobile apps as well as brand recognition and loyalty are likely to become increasingly important. Our mobile offerings have received strong reviews and are driving a material and increasing share of our business. We believe that mobile bookings present an opportunity for growth and are necessary to maintain and grow our business as consumers increasingly turn to mobile devices instead of a personal computer. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile offerings are not used by consumers, we could lose market share to existing competitors or new entrants and our future growth and results of operations could be adversely affected.

Apple, Inc., one of the most innovative and successful companies in the world and producer of, among other things, the iPhone and iPad, obtained a patent for "iTravel," a mobile app that would allow a traveler to check in for a travel reservation. In addition, Apple's iPhone operating system includes "Passbook," a virtual wallet app that holds tickets, boarding passes, coupons and gift cards, and along with iTravel, may be indicative of Apple's intent to enter the travel reservations business in some capacity. Apple has substantial market share in the smart phone category and controls integration of offerings, including travel services, into its mobile operating system. Apple also has more experience producing and developing mobile apps and has access to greater resources than we have. Apple may use or expand iTravel, Passbook, Siri (Apple's voice recognition "concierge" service), Apple Pay (Apple's new mobile payment system) or another mobile app or functionality as a means of entering the travel reservations marketplace. Similarly, Google's Android operating system is the leading smart phone operating system in the world. As a result, Google could leverage its Android operating system to give its travel services a competitive advantage, either technically or with prominence on its Google Play app store or within its mobile

search results. To the extent Apple or Google use their mobile operating systems or app distribution channels to favor their own travel service offerings, our business could be harmed.

There has been a proliferation of new channels through which accommodation providers can offer reservations. For example, companies such as HomeAway and Airbnb offer services focused on providing vacation rental property owners, particularly individuals, an online place to list their accommodations where travelers can search and book such properties. Companies such as HotelTonight, Tingo and Hipmunk have developed new and differentiated offerings that endeavor to provide savings on accommodation reservations to consumers and that compete directly with us. Further, meta-search services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers directly to its website. If any of these services are successful in attracting consumers who would otherwise use our services, our business and results of operations would be harmed.

Competition in U.S. online travel remains intense and online travel companies are creating new promotions and consumer value features in an effort to gain competitive advantages. In particular, the competition to provide "opaque" accommodation reservation services to consumers, an area in which our priceline.com business has been a leader, has become more intense. For example, Expedia makes opaque accommodation room reservations available on its principal website under the name "Expedia Unpublished Rates" and has, we believe, supported this initiative with steeper discounts through lower margins. We believe these offerings, in particular "Expedia Unpublished Rates," have adversely impacted the market share and year-over-year growth rate of priceline.com's *Name Your Own Price*[®] opaque hotel reservation service, which has been experiencing a decline in room night reservations since 2011. These and other competitors could also launch opaque rental car services, which could negatively impact priceline.com's *Name Your Own Price*[®] and *Express Deals*[®] opaque rental car reservation services. As a result of this increased competition, our share of the discount accommodation reservation market in the United States could further decrease, which would harm our business and results of operations.

Operations and Technology

Our business is supported by multiple systems platforms, which were designed with an emphasis on scalability, performance and reliability. The platforms are largely independent among Booking.com, priceline.com, KAYAK, agoda.com, rentalcars.com and OpenTable. The software platforms and architecture use a variety of tools within each corporate implementation, including server-side Java, C++, ASP, .Net, Perl, PHP, JavaScript and SQL scripts integrated with Oracle, MySQL, MongoDB, Cassandra and Microsoft SQL-server database systems. These internal platforms were designed to include open application protocol interfaces that can provide connectivity to vendors in the industries in which we operate. These include large global systems, such as accommodation room, airline ticket and rental car reservation systems and financial service providers, as well as individual accommodation service providers, such as individual hotels. Our applications utilize digital certificates to help us conduct secure communications and transactions, as appropriate.

The systems infrastructure and web and database servers of our worldwide operations are primarily hosted in England, the Netherlands, Hong Kong, Switzerland and five locations in the United States, each of which provides network connectivity, networking infrastructure, UPS conditioned power and 24-hour monitoring and engineering support typical of hosted data centers. All data center facilities have a continuous power supply system, generators, redundant servers and multiple back-up systems. If one hosting facility were inaccessible, for any reason, we would need to divert traffic to another hosting facility, which may lead to a disruption to our services, foregone transactions and revenue and consumer complaints.

Customer service for our international business is provided primarily through in-house call centers. We outsource most of the call center and customer service functions for our U.S. businesses.

Intellectual Property

Over time and through acquisitions, we have assembled a portfolio of patents, trademarks, service marks, copyrights, domain names, and trade secrets covering our services. We regard the protection of our intellectual property as critical to our success. We protect our intellectual property rights by relying on national, federal, state and common law rights in the United States and internationally, as well as a variety of administrative procedures, regulations, conventions and treaties. We also rely on contractual restrictions to protect our proprietary rights in our services. We enter into confidentiality and invention assignment agreements with employees and contractors and nondisclosure agreements with parties with whom we conduct business in order to limit access to and disclosure of our proprietary information.

We pursue the registration of our domain names, trademarks and service marks in the United States and internationally. We currently hold numerous issued U.S. and international patents and pending U.S. and international patent applications. We file additional patent applications on new inventions, as we deem appropriate. Effective trademark,

copyright, patent, domain name, trade dress and trade secret protection is expensive to maintain and may require litigation. As we continue to expand internationally, protecting our intellectual property rights and other proprietary rights involves an increasing number of jurisdictions, a process that is expensive and time consuming and may not be successful in every location. See "*Risk Factors - We face risks related to our intellectual property.*"

Governmental Regulation

The services we provide are subject to various laws and regulations. For example, our travel services are subject to laws governing the offer and/or sale of travel services as well as laws requiring us to register as a "seller of travel" in certain jurisdictions. In addition, our services may be subject to various taxing regulations. See "*Risk Factors - We may have exposure to additional tax liabilities,*" "*Risk Factors - Our financial results will likely be materially impacted by payment of income taxes in the future*" and "*Risk Factors - Adverse application of state and local tax laws could have an adverse effect on our business and results of operations.*"

We are subject to laws that require protection of user privacy and user data. In our processing of reservations, we receive and store a large volume of personally identifiable data in the United States, Europe and Asia. This data is increasingly subject to laws and regulations in numerous jurisdictions around the world, including the Commission of the European Union through its Data Protection Directive and variations and implementations of that directive in the member states of the European Union. Such government action is typically intended to protect the privacy of personal data that is collected, processed and transmitted in or from the governing jurisdiction. See "*Risk Factors - Our processing, storage, use and disclosure of personal data exposes us to risks of internal or external security breaches and could give rise to liabilities*" and "*Risk Factors - 'Cookie' laws could negatively impact the way we do business.*"

We are also subject to anti-trust and competition laws, and the competition authorities in various jurisdictions have begun investigations into competitive practices within the online travel industry, including with respect to our business. See "*Risk Factors - As the size of our business grows, we may become increasingly subject to the scrutiny of anti-trust and competition regulators.*"

In addition, our strategy involves rapid geographic expansion around the world, including in Asia, South America and elsewhere, many of which regions and countries have different legislation, regulatory environments and tax laws. Compliance with legal, regulatory and tax requirements around the world places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences, which may have an adverse effect on our business. See "*Risk Factors - Regulatory and legal requirements and uncertainties could harm our business.*"

Seasonality

A meaningful amount of gross bookings are generated early in the year, as customers plan and reserve their spring and summer vacations in Europe and North America. From a cost perspective, we expense the substantial majority of our advertising activities as the expense is incurred, which is typically in the quarter in which reservations are booked. However, we generally do not recognize associated revenue until future quarters when the travel occurs. As a result, we typically experience our highest levels of profitability in the second and third quarters of the year, which is when we experience the highest levels of accommodation checkouts for the year for our North American and European businesses.

In addition, the date on which certain holidays fall can have an impact on our quarterly results. For example, in 2013 our second quarter year-over-year growth rates in revenue, gross profit, operating income and operating margins were adversely affected by Easter falling in the first quarter instead of the second quarter, as it did in 2012. Conversely, our second quarter 2014 year-over-year growth rates in revenue, gross profit, operating income and operating margins were favorably impacted by Easter falling in the second quarter instead of the first quarter, as it did in 2013.

The impact of seasonality can be exaggerated in the short-term by the gross bookings growth rate of the business. For example, in periods where our growth rate substantially decelerates, our operating margins typically benefit from relatively less variable advertising expense. In addition, gross profit growth is typically less impacted in the near term due to the benefit of revenue related to reservations booked in previous quarters.

We experience the highest levels of booking and travel consumption for our Asia-Pacific and South American businesses in the first and fourth quarters. Therefore, if these businesses continue to grow faster than our North American and European businesses, our operating results for the first and fourth quarters of the year may become more significant over time as a percentage of full year operating results.

Employees

As of December 31, 2014, we employed approximately 12,700 employees, of which approximately 2,800 are based in the United States and approximately 9,900 are based outside the United States. We also retain independent contractors to support our customer service, website content translation and system support functions.

We have never had a work stoppage and our employees are not represented by any collective bargaining unit. We consider our relations with our employees to be good. Our future success will depend, in part, on our ability to continue to attract, integrate, retain and motivate highly qualified technical and managerial personnel, for whom competition is intense. See "*Risk Factors - We rely on the performance of highly skilled personnel and, if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.*"

The Priceline Group Websites

We maintain websites with the addresses www.pricelinegroup.com, www.booking.com, www.priceline.com, www.kayak.com, www.agoda.com, www.rentalcars.com and www.opentable.com, among others. We are not including the information contained on our websites as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge through the www.pricelinegroup.com website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. These reports and other information are also available, free of charge, at www.sec.gov. Alternatively, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the The Priceline Group Inc. Code of Conduct is available through the www.pricelinegroup.com website and any amendments to or waivers from the Code of Conduct will be disclosed on that website.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also impair our business, results of operations or financial condition. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Declines or disruptions in the travel industry could adversely affect our business and financial performance.

Our financial results and prospects are significantly dependent upon the sale of travel services, particularly leisure travel. Travel, including accommodation (including hotels, bed and breakfasts, hostels, apartments, vacation rentals and other properties), rental car and airline ticket reservations, is dependent on discretionary spending levels. As a result, sales of travel services tend to decline during general economic downturns and recessions when consumers engage in less discretionary spending, are concerned about unemployment or inflation, have reduced access to credit or experience other concerns or effects that reduce their ability or willingness to travel. For example, the recent worldwide recession led to a weakening in the fundamental demand for our travel reservation services and an increase in the number of consumers who canceled existing travel reservations with us. Also during the recession, the accommodation industry experienced a significant decrease in occupancy rates and average daily rates ("ADR's"). While lower occupancy rates have historically resulted in accommodation providers increasing their distribution of accommodation reservations through third-party intermediaries such as us, our remuneration for accommodation reservation transactions changes proportionately with price, and therefore, lower ADRs generally have a negative effect on our accommodation reservation business and a negative effect on our gross profit. Further, during periods of higher occupancy rates, accommodation providers may decrease their distribution of accommodation reservations through third-party intermediaries like us, in particular through our discount services such as priceline.com's *Name Your Own Price*[®] and *Express Deals*[®].

Many governments around the world, including the U.S. government and certain European governments, are operating at large financial deficits, resulting in high levels of sovereign debt in such countries. Greece, Ireland, Portugal and certain other European Union countries with high levels of sovereign debt at times have had difficulty refinancing their debt. Failure to reach political consensus regarding workable solutions to these issues has resulted in a high level of uncertainty regarding the future economic outlook. This uncertainty, as well as concern over governmental austerity measures including higher taxes and reduced government spending, could impair consumer spending and adversely affect travel demand. Greece's newly elected government, which campaigned against austerity measures, may not be able to reach an acceptable solution to the country's debt crisis with the European Union. This may increase the likelihood that Greece, and in turn other countries, could exit the European Union, which could lead to added economic uncertainty and further devaluation or eventual abandonment of the Euro common currency. At times, we have experienced volatility in transaction growth rates and weaker trends in hotel ADRs across many regions of the world, particularly in those European countries that appear to be most affected by economic uncertainties. We believe that these business trends are likely impacted by weak economic conditions and sovereign debt concerns. Disruptions in the economies of such countries could cause, contribute to or be indicative of deteriorating macro-economic conditions.

The uncertainty of macro-economic factors and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

In addition, other unforeseen events beyond our control, such as oil prices, terrorist attacks, unusual weather patterns, natural disasters such as earthquakes, hurricanes, tsunamis, floods and volcanic eruptions, travel related health concerns including pandemics and epidemics such as Ebola, Influenza H1N1, avian bird flu and SARS, political instability, regional hostilities, imposition of taxes or surcharges by regulatory authorities or travel related accidents, can disrupt travel or otherwise result in declines in travel demand. Because these events or concerns are largely unpredictable, they can dramatically and suddenly affect travel behavior by consumers, and therefore demand for our services, which can adversely affect our business and results of operations. For example, in late 2012 Hurricane Sandy disrupted travel in the northeastern United States. In early 2011, Japan was struck by a major earthquake, tsunami and nuclear emergency. In October 2011, severe flooding in Thailand, a key market for our agoda.com business and the Asian business of Booking.com, negatively impacted booking volumes and cancellation rates in that market. In addition, Thailand recently experienced disruptive civil unrest, which negatively impacted booking volumes and cancellation rates in this market. In early 2010, Thailand also experienced civil unrest, which caused the temporary relocation of agoda.com's Thailand-based operations. Future natural disasters, health

concerns or civil or political unrest could further disrupt our business and operations and adversely affect our results of operations.

We face risks related to the growth rate and expansion of our international business.

We derive a substantial portion of our revenues, and have significant operations, outside the United States. Our international operations include the Netherlands-based accommodation reservation service Booking.com, the Asia-based accommodation reservation service agoda.com, the U.K.-based rental car reservation service rentalcars.com and, to a lesser extent, KAYAK's international meta-search services and OpenTable's international restaurant reservation business. Our international operations have achieved significant year-over-year growth in their gross bookings (an operating and statistical metric referring to the total dollar value, generally inclusive of all taxes and fees, of all travel services purchased by our customers). This growth rate, which has contributed significantly to our growth in consolidated revenue, gross profit and earnings per share, has declined, a trend we expect to continue as the absolute level of our gross bookings grows larger. Other factors may also slow the growth rates of our revenues derived from our international business, including, for example, worldwide economic conditions, any strengthening of the U.S. Dollar versus the Euro and other currencies, declines in ADRs, increases in cancellations, adverse changes in travel market conditions and the competitiveness of the market. A decline in the growth rates of our international businesses could have a negative impact on our future gross profit and earnings per share growth rates and, as a consequence, our stock price.

Our strategy involves continued rapid international expansion in regions throughout the world. Many of these regions have different customs, currencies, levels of consumer acceptance and use of the Internet for commerce, legislation, regulatory environments, tax laws and levels of political stability. International markets may have strong local competitors with an established brand and travel service provider or restaurant relationships that may make expansion in that market difficult and costly and take more time than anticipated. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. In some markets such as China, legal and other regulatory requirements may prohibit or limit participation by foreign businesses, such as by making foreign ownership or management of Internet or travel-related businesses illegal or difficult, or may make direct participation in those markets uneconomic, which could make our entry into and expansion in those markets difficult or impossible, require that we work with a local partner or result in higher operating costs. If we are unsuccessful in rapidly expanding in new and existing markets and effectively managing that expansion, our business, results of operations and financial condition could be adversely affected.

Certain markets in which we operate that are in earlier stages of development have lower operating margins compared to more mature markets, which could have a negative impact on our overall margins as these markets increase in size over time. Also, we intend to continue to invest in adding accommodations available for reservation on our websites, including hotels, bed and breakfasts, hostels and vacation rentals. Vacation rentals generally consist of, among others, properties categorized as single-unit and multi-unit villas, apartments, "aparthotels" (which are apartments with a front desk and cleaning service) and chalets and are generally self-catered (i.e., include a kitchen), directly bookable properties. Many of the newer accommodations we add to our travel reservation services, especially in highly penetrated markets, may have fewer rooms, lower ADRs or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts), and therefore may also negatively impact our margins. For example, because a vacation rental is typically either a single unit or a small collection of independent units, vacation rental properties represent more limited booking opportunities than non-vacation rental properties, which generally have more units to rent per property. Our non-hotel accommodations in general may be subject to increased seasonality due to local tourism seasons, weather or other factors. As we increase our non-hotel accommodation business, these different market characteristics could negatively impact our profit margins; and, to the extent these properties represent an increasing percentage of the properties added to our websites, our gross bookings growth rate and property growth rate will likely diverge over time (since each such property has fewer booking opportunities). As a result of the foregoing, as the percentage of non-hotel accommodations increases, the number of reservations per property will likely decrease. In addition, non-hotel accommodations, including vacation rentals, tend to be more seasonal in nature and may close during "off-season," which impacts our property counts quarter to quarter.

We believe that the increase in the number of accommodation providers that participate on our websites, and the corresponding access to accommodation room nights, has been a key driver of the growth of our accommodation reservation business. The growth in our accommodation bookings typically makes us an attractive source of consumer demand for our accommodation providers. However, accommodation providers may wish to limit the amount of business that flows through a single distribution channel. As a result, we may experience constraints on the number of accommodation room nights available to us, which could negatively impact our growth rate and results of operations.

The number of our employees worldwide has grown from less than 700 in the first quarter of 2007, to approximately 12,700 as of December 31, 2014, which growth is mostly comprised of hires by our international operations, including as a

result of our international acquisitions. We may not be able to hire, train, retain, motivate and manage required personnel, which may limit our growth, damage our reputation, negatively affect our financial performance, and otherwise harm our business. In addition, expansion increases the complexity of our business and places additional strain on our management, operations, technical performance, financial resources and internal financial control and reporting functions. Our current and planned personnel, systems, procedures and controls may not be adequate to support and effectively manage this growth and our future operations, especially as we employ personnel in multiple geographic locations around the world. We are subject to risks typical of international businesses, including differing economic conditions, differing customs, languages and consumer expectations, changes in political climate, differing tax structures and other regulations and restrictions, including labor laws and customs, and foreign exchange rate volatility.

Intense competition could reduce our market share and harm our financial performance.

We compete with both online and traditional travel reservation services. The market for the travel reservation services we offer is intensely competitive, and current and new competitors can launch new services at a relatively low cost. Some of our current and potential competitors, such as Google, Apple, Alibaba, Amazon and Facebook, have access to significantly greater and more diversified resources than we do, and they may be able to leverage other aspects of their businesses (e.g., search or mobile device businesses) to enable them to compete more effectively with us. For example, Google has entered various aspects of the online travel market through its acquisition in 2011 of ITA Software, Inc., a major flight information software company, its hotel meta-search service known as "Hotel Finder" (discussed below) and its license of hotel-booking software from Room 77.

We currently, or potentially may in the future, compete with a variety of companies, including:

- online travel reservation services such as Expedia, Hotels.com, Hotwire, Travelocity, eLong, Wotif, CarRentals.com and Venere, which are owned by Expedia; Orbitz.com, Cheaptickets, ebookers, HotelClub and RatesToGo, which are owned by Orbitz Worldwide (which has agreed to be acquired by Expedia); laterooms and asiarams, which are owned by Tui Travel; Hotel Reservation Service and hotel.de, which are owned by Hotel Reservation Service; and AutoEurope, Car Trawler, Ctrip, MakeMyTrip, Webjet, Rakuten, Jalan, Hotel Urbano, ViajaNet, Submarino Viagens, Despegar/Decolar, 17u.com, Bookit.com, CheapOair, Mr. and Mrs. Smith and eDreams ODIGEO;
- online accommodation search and/or reservation services, such as HomeAway and Airbnb, focused on vacation rental properties, including individually owned properties;
- large online companies, including search, social networking and marketplace companies such as Google, Facebook, Alibaba, Amazon and Groupon;
- traditional travel agencies, wholesalers and tour operators, many of which combine physical locations, telephone services and online services, such as Carlson Wagonlit, American Express, Thomas Cook and Tui Travel, as well as thousands of individual travel agencies around the world;
- travel service providers such as accommodation providers, rental car companies and airlines, many of which have their own branded websites to which they drive business, including joint efforts by travel service providers such as Room Key, an online hotel reservation service owned by several major hotel companies;
- online travel search and price comparison services (generally referred to as "meta-search" services), such as TripAdvisor, trivago (in which Expedia has acquired a majority ownership interest), Qunar, Skyscanner and HotelsCombined; and
- online restaurant reservation services, such as TripAdvisor's LaFourchette and Yelp's SeatMe.

TripAdvisor, a leading travel research and review website, Google, the world's largest search engine, and other large, established companies with substantial resources and expertise in developing online commerce and facilitating Internet traffic have launched meta-search services and may create additional inroads into online travel, both in the United States and internationally. Meta-search services leverage their search technology to aggregate travel search results for the consumer's specific itinerary across travel service provider (e.g., accommodations, rental car companies or airlines), online travel agent ("OTA") and other travel websites and, in many instances, compete directly with us for customers. Meta-search services intend to appeal to consumers by showing broader travel search results than may be available through OTAs or other travel websites, which could lead to travel service providers or others gaining a larger share of search traffic. TripAdvisor has begun supporting its meta-search service with offline advertising, and trivago, a leading meta-search service in Europe, has been aggressively

advertising in the United States since 2013. Google offers "Hotel Finder", a meta-search service that Google has at times placed at or near the top of hotel-related search results. Through our KAYAK meta-search service, we compete directly with other meta-search services. KAYAK depends on access to information related to travel service pricing, schedules, availability and other related information from OTAs and travel service providers. To the extent OTAs or travel service providers do not provide such information to KAYAK, KAYAK's business and results of operations could be harmed.

Consumers may favor travel services offered by meta-search websites or search companies over OTAs, which could reduce traffic to our travel reservation websites, increase consumer awareness of our competitors' brands and websites and increase our advertising and other customer acquisition costs. To the extent any such consumer behavior leads to growth in our KAYAK meta-search business, such growth may not result in sufficient increases in profits from our KAYAK meta-search business to offset any related decrease in profits experienced by our OTA brands. Further, meta-search services may evolve into more traditional OTAs by offering consumers the ability to make travel reservations directly through their websites. For example, TripAdvisor facilitates hotel reservations on its transaction websites Tingo and Jetsetter and intends to allow consumers to make a reservation while staying on TripAdvisor through its "Instant Booking" offering. We currently do not participate in "Instant Booking" and therefore risk losing share of reservations sourced through TripAdvisor. Other meta-search providers may also offer direct booking services with travel service providers, which may lead to more consumers booking directly with a travel service provider rather than an OTA. To the extent consumers book travel services through a meta-search website or directly with a travel service provider after visiting a meta-search website or meta-search utility on a traditional search engine without using an OTA like us, or if meta-search services limit our participation within their search results, we may need to increase our advertising or other customer acquisition costs to maintain or grow our reservation bookings and our business, gross bookings and results of operations could be adversely affected.

As a result of our acquisition of OpenTable, we now compete or may in the future compete with other restaurant reservation providers, such as LaFourchette, a European restaurant reservation business owned by TripAdvisor, and Yelp's SeatMe service.

Travel service providers, including multi-national hotel chains, rental car companies and airlines with which we conduct business, compete with us in online channels to drive consumers to their own websites in lieu of third-party distributors such as us. Travel service providers may charge lower prices and, in some instances, offer advantages such as loyalty points or special discounts to members of closed user groups (such as loyalty program participants or customers with registered accounts), any of which could make their offerings more attractive to consumers than our services. Discounting may increase as competition authorities seek to allow increased pricing flexibility among providers of travel service reservations. We may need to offer similar advantages to maintain or grow our reservation bookings, which could adversely impact our profitability.

There has been a proliferation of new channels through which accommodation providers can offer reservations. For example, companies such as HomeAway and Airbnb offer services focused on providing vacation rental property owners, particularly individuals, an online place to list their accommodations where travelers can search and book such properties. Companies such as HotelTonight, Tingo and Hipmunk have developed new and differentiated offerings that endeavor to provide savings on accommodation reservations to consumers and that compete directly with us. Further, meta-search services may lower the cost for new companies to enter the market by providing a distribution channel without the cost of promoting the new entrant's brand to drive consumers directly to its website. If any of these services are successful in attracting consumers who would otherwise use our services, our business and results of operations would be harmed.

Competition in U.S. online travel remains intense and online travel companies are creating new promotions and consumer value features in an effort to gain competitive advantages. In particular, the competition to provide "opaque" accommodation reservation services to consumers, an area in which our priceline.com business has been a leader, has become more intense. For example, Expedia makes opaque accommodation room reservations available through its Hotwire brand and on its principal website under the name "Expedia Unpublished Rates" and has, we believe, supported this initiative with steeper discounts through lower margins. We believe these offerings, in particular "Expedia Unpublished Rates," have adversely impacted the market share and year-over-year growth rate for priceline.com's *Name Your Own Price*[®] opaque hotel reservation service, which has been experiencing a decline in room night reservations since 2011. These and other competitors could also launch opaque rental car services, which could negatively impact priceline.com's opaque *Name Your Own Price*[®] rental car reservation service. If Expedia or others are successful in growing their opaque reservation services, we may have less consumer demand for our opaque reservation services over time, and we would face more competition for access to the limited supply of discounted reservation rates. As a result of this increased competition, our share of the discount accommodation reservation market in the United States could further decrease, which could harm our business and results of operations. In addition, high hotel occupancy levels in the United States have had an adverse impact on our access to hotel rooms for our opaque hotel reservation services. Further, growth in discounted closed user group retail prices for hotel rooms lessens the

price difference for members of the closed user group between a retail hotel reservation and an opaque hotel reservation, which may lead to fewer consumers using our opaque hotel reservation services.

In addition, after entering into an exclusive, long-term strategic marketing agreement in August 2013, Expedia acquired Travelocity in January 2015. On February 12, 2015, Expedia announced that it had entered into an agreement to acquire Orbitz. To the extent these acquisitions enhance Expedia's ability to compete with us, in particular in the United States, which is Expedia's, Travelocity's and Orbitz's largest market, our market share and results of operations could be adversely affected.

We are exposed to fluctuations in currency exchange rates.

We conduct a substantial majority of our business outside the United States but we report our results in U.S. Dollars. As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our international business are translated from local currency (principally the Euro and the British Pound Sterling) into U.S. Dollars. The U.S. Dollar significantly strengthened against the Euro during 2014, moving from an exchange rate of 1.38 U.S. Dollars per Euro as of January 1, 2014 to 1.21 U.S. Dollars per Euro as of December 31, 2014. The U.S. Dollar also strengthened significantly during this time frame as compared to many other currencies. As a result, our foreign currency denominated net assets, gross bookings, gross profit, operating expenses and net income have been negatively impacted as expressed in U.S. Dollars. For example, gross profit from our international businesses grew year-over-year on a local currency basis by approximately 32% for the three months ended December 31, 2014, but, as a result of the impact of changes in currency exchange rates, grew by 24.2% as reported in U.S. Dollars.

Certain European Union countries with high levels of sovereign debt have had difficulty at times refinancing their debt. Concern around devaluation or abandonment of the Euro common currency, or that sovereign default risk may become more widespread and could include the United States, has led to significant volatility in the exchange rate between the Euro, the British Pound Sterling, the U.S. Dollar and other currencies. The European Central Bank, in an effort to stimulate the European economy, recently launched a quantitative easing program to purchase public debt, which in turn has caused the Euro exchange rate to weaken compared to the U.S. Dollar.

Significant fluctuations in currency exchange rates can affect consumer travel behavior. For example, recent dramatic depreciation of the Russian Ruble has resulted in it becoming more expensive for Russians to travel to Europe and most other non-Ruble destinations. Consumers traveling from a country whose currency has weakened against other currencies may book lower ADR accommodations, choose to shorten or cancel their international travel plans or choose to travel domestically rather than internationally, any of which could adversely affect our gross bookings, revenues and results of operations, in particular when expressed in U.S. Dollars.

Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses that are reflected in our financial results.

The volatility in foreign exchange rates and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

We rely on online advertising channels to enhance our brand awareness and to generate a significant amount of traffic to our websites.

We believe that maintaining and expanding the Booking.com, priceline.com, KAYAK, agoda.com, rentalcars.com and OpenTable brands, along with our other owned brands, are important aspects of our efforts to attract and retain customers. Effective online advertising has been an important factor in our growth, and we believe it will continue to be important to our future success. As our competitors spend increasingly more on advertising, we are required to spend more in order to maintain our brand recognition and, in the case of online advertising, to maintain and grow traffic to our websites. In addition, we have invested considerable money and resources in the establishment and maintenance of our brands, and we will continue to invest resources in advertising, marketing and other brand building efforts to preserve and enhance consumer awareness of our brands. We may not be able to successfully maintain or enhance consumer awareness and acceptance of our brands, and, even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness and acceptance of our brands in a cost-effective manner, our business, market share and results of operations would be materially adversely affected.

Our online advertising efficiency, expressed as online advertising as a percentage of gross profit, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our websites or mobile apps for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers, could increase our costs-per-click and reduce our online advertising efficiency. We use third party websites, including online search engines (primarily Google), meta-search and travel research services, and affiliate marketing as primary means of generating traffic to our websites. Our online advertising expense has increased significantly in recent years, a trend we expect to continue. In addition, from 2011 to 2013 our online advertising grew faster than our gross profit due to (1) year-over-year declines in online advertising returns on investment and (2) brand mix within The Priceline Group as our international brands grew faster than our U.S. brands and spent a higher percentage of gross profit on online advertising. In 2014, these trends continued, but were more than offset by the inclusion of KAYAK and OpenTable because they spend a lower percentage of gross profit on online advertising than our other brands. Also, our consolidated results exclude intercompany advertising by our brands on KAYAK since our acquisition of KAYAK in May 2013. Any reduction in our online advertising efficiency could have an adverse effect on our business and results of operations, whether through reduced gross profit or gross profit growth or through advertising expenses increasing faster than gross profit and thereby reducing margins and earnings growth.

We believe that a number of factors could cause consumers to engage in increased shopping behavior before making a travel purchase than they engaged in previously. Increased shopping behavior reduces our online advertising efficiency and effectiveness because traffic becomes less likely to result in a purchase on our website, and such traffic is more likely to be obtained through paid online advertising channels than through free direct channels. Further, consumers may favor travel services offered by search companies or meta-search sites over OTAs, which could reduce traffic to our travel reservation websites, increase consumer awareness of our competitors' brands and websites, increase our advertising and other customer acquisition costs and adversely affect our business, margins and results of operations. To the extent any such increased shopping behavior leads to growth in our KAYAK meta-search business, such growth may not result in sufficient increases in revenues from our KAYAK meta-search business to offset any related decrease in gross profit or increase in advertising and other customer acquisition costs experienced by our OTA brands.

Our business could be negatively affected by changes in Internet search engine algorithms and dynamics or traffic-generating arrangements.

We use Google to generate a significant portion of the traffic to our websites, and, to a lesser extent, we use other search engines and meta-search websites to generate traffic to our websites, principally through pay-per-click advertising campaigns. The pricing and operating dynamics on these search engines can experience rapid change commercially, technically and competitively. For example, Google frequently updates and changes the logic which determines the placement and display of results of a consumer's search, such that the placement of links to our websites can be negatively affected and our costs to improve or maintain our placement in search results can increase. Google's "Hotel Finder," a utility that allows consumers to search and compare hotel accommodations, has at times placed at or near the top of hotel-related search results. If Google changes how it presents travel search results or the manner in which it conducts the auction for placement among search results, in either case in a manner that is competitively disadvantageous to us, whether to support its own travel related services or otherwise, our ability to efficiently generate traffic to our websites could be harmed, which in turn would have an adverse effect on our business, market share and results of operations.

In addition, we purchase website traffic from a number of other sources, including some operated by our competitors, in the form of pay-per-click arrangements that can be terminated with little or no notice. If one or more of such arrangements is terminated, our business, market share and results of operations could be adversely affected. Lastly, we rely on various third party distribution channels (i.e., marketing affiliates) to distribute accommodation, rental car and airline ticket reservations. Should one or more of such third parties cease distribution of reservations made through us, or suffer deterioration in its search engine ranking, due to changes in search engine algorithms or otherwise, our business and results of operations could be negatively affected.

Recent trends in consumer adoption and use of mobile devices create new challenges and may enable device companies such as Apple to compete directly with us.

Widespread adoption of mobile devices, such as the iPhone, Android-enabled smart phones and tablets such as the iPad, coupled with the improved web browsing functionality and development of thousands of useful "apps" available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have experienced a significant shift of business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Our major competitors and certain new market entrants are offering mobile applications for travel products and other functionality,

including proprietary last-minute discounts for accommodation reservations. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The gross profit earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay and are not made as far in advance. Further, given the device sizes and technical limitations of tablets and smartphones, mobile consumers may not be willing to download multiple apps from multiple companies providing a similar service and instead prefer to use one or a limited number of apps for their mobile travel and restaurant research and reservation activity. As a result, the consumer experience with mobile apps as well as brand recognition and loyalty are likely to become increasingly important. Our mobile offerings have received strong reviews and are driving a material and increasing share of our business. We believe that mobile bookings present an opportunity for growth and are necessary to maintain and grow our business as consumers increasingly turn to mobile devices instead of a personal computer. As a result, it is increasingly important for us to develop and maintain effective mobile apps and websites optimized for mobile devices to provide customers with an appealing, easy-to-use mobile experience. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile offerings are not used by consumers, we could lose market share to existing competitors or new entrants and our future growth and results of operations could be adversely affected.

Apple, one of the most innovative and successful companies in the world and producer of, among other things, the iPhone and iPad, obtained a patent for "iTravel," a mobile app that would allow a traveler to check in for a travel reservation. In addition, Apple's iPhone operating system includes "Passbook," a virtual wallet app that holds tickets, boarding passes, coupons and gift cards, and, along with iTravel, may be indicative of Apple's intent to enter the travel reservations business in some capacity. Apple has substantial market share in the smart phone category and controls integration of offerings, including travel services, into its mobile operating system. Apple also has more experience producing and developing mobile apps and has access to greater resources than we have. Apple may use or expand iTravel, Passbook, Siri (Apple's voice recognition "concierge" service), Apple Pay (Apple's new mobile payment system) or another mobile app or functionality as a means of entering the travel reservations marketplace. Similarly, Google's Android operating system is the leading smart phone operating system in the world. As a result, Google could leverage its Android operating system to give its travel services a competitive advantage, either technically or with prominence on its Google Play app store or within its mobile search results. To the extent Apple or Google use their mobile operating systems or app distribution channels to favor their own travel service offerings, our business could be harmed.

Our processing, storage, use and disclosure of personal data exposes us to risks of internal or external security breaches and could give rise to liabilities.

The security of data when engaging in electronic commerce is essential to maintaining consumer and travel service provider confidence in our services. Any security breach whether instigated internally or externally on our system or other Internet based systems could significantly harm our reputation and therefore our business, brand, market share and results of operations. We currently require consumers who use certain of our services to guarantee their offers with their credit card, either online or, in some instances, through our toll-free telephone service. We require user names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data and prevent access to our data or accounts. It is possible that computer circumvention capabilities, new discoveries or advances or other developments, including our own acts or omissions, could result in a compromise or breach of consumer data. For example, third parties may attempt to fraudulently induce employees or customers to disclose user names, passwords or other sensitive information ("phishing"), which may in turn be used to access our information technology systems or to defraud our customers. We have experienced targeted and organized phishing attacks and may experience more in the future. Our efforts to protect information from unauthorized access may be unsuccessful or may result in the rejection of legitimate attempts to book reservations through our services, any of which could result in lost business and materially adversely affect our business, reputation and results of operations.

Our existing security measures may not be successful in preventing security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal consumer information or transaction data or other proprietary information. In the last few years, several major companies, including Sony, HomeDepot, JPMorgan, Target, Zappos, Apple, AOL, LinkedIn, Google, and Yahoo! experienced high-profile security breaches that exposed their customers' and employees' personal information. We expend significant resources to protect against security breaches, and we may need to increase our security related expenditures to maintain or increase our systems' security or to address problems caused and liabilities incurred by breaches. These issues are likely to become more difficult to manage as we expand the number of places where we operate and as the tools and techniques used in such attacks become more advanced. As recently experienced by Sony, security breaches could result in severe damage to our information technology infrastructure, including damage that could impair our ability to offer our services or the ability of consumers to make reservations or conduct searches through our services, as well as loss of customer, financial or other data that could materially

and adversely affect our ability to conduct our business, satisfy our commercial obligations or meet our public reporting requirements in a timely fashion or at all. Security breaches could also result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability, subject us to regulatory penalties and sanctions, or cause consumers to lose confidence in our security and choose to use the services of our competitors, any of which would have a negative effect on the value of our brand, our market share and our results of operations. Our insurance policies carry low coverage limits, and would likely not be adequate to reimburse us for losses caused by security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Consumers generally are concerned with security and privacy on the Internet, and any publicized security problems could inhibit the growth of the Internet and negatively affect consumers' willingness to provide private information or effect commercial transactions on the Internet generally, including through our services. Some of our business is conducted with third party marketing affiliates, which may generate travel reservations through our infrastructure or through other systems. Additionally, consumers using our services could be affected by security breaches at third parties such as travel service providers, payroll providers, health plan providers, payment processors or global distribution systems ("GDSs") upon which we rely. A security breach at any such third party marketing affiliate, travel service provider, GDS or other third party on which we rely could be perceived by consumers as a security breach of our systems and in any event could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure requirements, which could expose us to liability.

In our processing of travel transactions, we receive and store a large volume of personally identifiable data. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world, including the European Union's Data Protection Directive and variations and implementations of that directive in the member states of the European Union. In addition, the European Union is actively considering a new General Data Protection Regulation designed to unify data protection with the European Union under a single law, which may result in significantly greater compliance burdens for companies with users and operations in the European Union. Under the draft General Data Protection Regulation fines of up to 100,000,000 Euros or up to 5% of the annual global turnover of the infringer could be imposed. This government action is typically intended to protect the privacy of personal data that is collected, processed and transmitted in or from the governing jurisdiction. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Non-compliance with these laws could result in penalties or significant legal liability. We could be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations or financial condition.

We are also subject to payment card association rules and obligations under our contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for associated expenses and penalties. In addition, if we fail to follow payment card industry security standards, even if no customer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

System capacity constraints, system failures or "denial-of-service" or other attacks could harm our business.

We have experienced rapid growth in consumer traffic to our websites and through our mobile apps, the number of accommodations on our extranets and the geographic breadth of our operations. If our systems cannot be expanded to cope with increased demand or fail to perform, we could experience unanticipated disruptions in service, slower response times, decreased customer service and customer satisfaction and delays in the introduction of new services, any of which could impair our reputation, damage our brands and materially and adversely affect our results of operations. Further, as an online business, we are dependent on the Internet and maintaining connectivity between ourselves and consumers, sources of Internet traffic, such as Google, and our travel service providers. As consumers increasingly turn to mobile devices, we also become dependent on consumers' access to the Internet through mobile carriers and their systems. Disruptions in Internet access, whether generally, in a specific market or otherwise, especially if widespread or prolonged, could materially adversely affect our business and results of operations. While we do maintain redundant systems and hosting services, it is possible that we could experience an interruption in our business, and we do not carry business interruption insurance sufficient to compensate us for all losses that may occur.

Our computer hardware for operating our services is currently located at hosting facilities around the world. These systems and operations are vulnerable to damage or interruption from human error, floods, fires, power loss, telecommunication failures and similar events. They are also subject to break-ins, sabotage, intentional acts of vandalism, terrorism and similar misconduct. Despite any precautions we may take, the occurrence of any disruption of service due to any

such misconduct, natural disaster or other unanticipated problems at such facilities, or the failure by such facilities to provide our required data communications capacity could result in lengthy interruptions or delays in our services. Any system failure that causes an interruption or delay in service could impair our reputation, damage our brands or result in consumers choosing to use a competitive service, any of which could have a material adverse effect on our business and results of operations.

Our existing security measures may not be successful in preventing attacks on our systems, and any such attack could cause significant interruptions in our operations. For instance, from time to time, we have experienced "denial-of-service" type attacks on our systems that have made portions of our websites slow or unavailable for periods of time. There are numerous other potential forms of attack, such as "phishing" (where a third party attempts to infiltrate our systems or acquire information by posing as a legitimate inquiry or electronic communication), SQL injection (where a third party attempts to obtain information or otherwise insert malicious code into our software through data entry fields in our websites) and attempting to use our websites as a platform to launch a "denial-of-service" attack on another party, each of which could cause significant interruptions in our operations and potentially adversely affect our brand, operations and results of operations or involve us in legal or regulatory proceedings. We expend significant resources in an attempt to prepare for and mitigate the effects of any such attacks. Reductions in website availability and response time could cause loss of substantial business volumes during the occurrence of any such attack on our systems, and measures we may take to divert suspect traffic in the event of such an attack could result in the diversion of bona fide customers. These issues are likely to become more difficult to manage as we expand the number of places where we operate and as the tools and techniques used in such attacks become more advanced. Successful attacks could result in negative publicity, damage our reputation and prevent consumers from booking travel services, researching travel services or making restaurant reservations through us during the attack, any of which could cause consumers to use the services of our competitors, which would have a negative effect on the value of our brands, our market share and our results of operations.

We rely on certain third party computer systems and third party service providers, including GDSs and computerized central reservation systems of the accommodation, rental car and airline industries in connection with providing some of our services. Any interruption in these third party services and systems or deterioration in their performance could prevent us from booking related accommodation, rental car and airline reservations and have a material adverse effect on our business, brands and results of operations. Our agreements with some third party service providers are terminable upon short notice and often do not provide recourse for service interruptions. In the event our arrangement with any such third party is terminated, we may not be able to find an alternative source of systems support on a timely basis or on commercially reasonable terms and, as a result, it could have a material adverse effect on our business and results of operations.

We depend upon various third parties to process credit cards for our merchant transactions around the world. In addition, we rely on third parties to provide credit card numbers which we use as a payment mechanism for merchant transactions. If any such third party were wholly or partially compromised, our cash flows could be disrupted or we may not be able to generate merchant transactions (and related revenues) until such a time as a replacement process could be put in place with a different vendor.

We do not have a completely formalized or comprehensive disaster recovery plan in every geographic region in which we conduct business. In the event of certain system failures, we may not be able to switch to back-up systems immediately and the time to full recovery could be prolonged. Like many online businesses, we have experienced system failures from time to time. In addition to placing increased burdens on our engineering staff, these outages create a significant amount of consumer questions and complaints that need to be addressed by our customer support personnel. Any unscheduled interruption in our service could result in an immediate loss of revenues that can be substantial, increase customer service cost, harm our reputation and cause some consumers to switch to our competitors. If we experience frequent or persistent system failures, our reputation and brand could be permanently and significantly harmed. We have taken and continue to take steps to increase the reliability and redundancy of our systems. These steps are expensive, may reduce our margins and may not be successful in reducing the frequency or duration of unscheduled downtime.

We use both internally developed systems and third-party systems to operate our services, including transaction processing, order management and financial systems. If the number of consumers using our services increases substantially, or if critical third-party systems stop operating as designed, we will need to significantly expand and upgrade our technology, transaction processing systems, financial and accounting systems and other infrastructure. We may not be able to upgrade our systems and infrastructure to accommodate such conditions in a timely manner, and, depending on the third-party systems affected, our transactional, financial and accounting systems could be impacted for a meaningful amount of time before upgrade, expansion or repair.

We may have exposure to additional tax liabilities.

As an international business providing reservation and advertising services around the world, we are subject to income taxes and non-income based taxes in both the United States and various non-U.S. jurisdictions. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets or changes in tax laws or their interpretation. If our effective tax rates were to increase, our cash flows, financial condition and results of operations would be adversely affected.

Although we believe that our tax filing positions are reasonable, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions and accruals. To date, we have been audited in several taxing jurisdictions with no significant impact on our financial condition, results of operations or cash flows. If future audits find that additional taxes are due, we may be subject to incremental tax liabilities, possibly including interest and penalties, which could have a material adverse effect on our cash flows, financial condition and results of operations.

For example, French authorities have initiated an audit to determine whether we are in compliance with our tax obligations in France, and we expect to get a preliminary response in the first half of 2015. While we believe that we comply with French tax law, we expect French tax authorities to assert that we owe additional taxes and issue an assessment, which could be significant and which could include penalties and interest. In addition, we may be required to pay upfront the full amount of any such assessment in order to appeal it, though any such payment would not constitute an admission by us that we owe the tax. In general, governments in the United States and Europe are increasingly focused on ways to increase revenues, which has contributed to an increase in audit activity and harsher stances taken by tax authorities. Any such additional taxes or other assessments may be in excess of our current tax provisions or may require us to modify our business practices in order to reduce our exposure to additional taxes going forward, any of which could have a material adverse effect on our business, results of operations and financial condition.

We will be subject to increased income taxes in the event that our cash balances held outside the United States are remitted to the United States. As of December 31, 2014, we held approximately \$6.9 billion of cash, cash equivalents, short-term investments and long-term investments outside of the United States. We currently intend to use our cash held outside the United States to reinvest in our non-U.S. operations. If our cash balances outside the United States continue to grow and our ability to reinvest those balances outside the United States diminishes, it will become increasingly likely that we will be subject to additional income tax expense in the United States with respect to our unremitted non-U.S. earnings. We would not make additional income tax payments unless we were to actually repatriate our international cash to the United States. We would pay only U.S. federal alternative minimum tax and certain U.S. state income taxes as long as we have net operating loss carryforwards available to offset our U.S. taxable income. This could result in us being subject to a cash income tax liability on the earnings of our U.S. businesses sooner than would otherwise have been the case.

Various legislative proposals that would reform U.S. corporate income tax laws have been proposed by President Obama's administration as well as members of the U.S. Congress, including proposals that would significantly impact how U.S. multinational corporations are taxed on foreign earnings. Such proposals include changes that would reduce U.S. tax deferral on certain foreign digital goods and services transactions, impose a minimum U.S. tax on foreign earnings, limit U.S. deductions for interest expense related to un-repatriated non-U.S.-source income, limit interest and royalty deductions in connection with certain related party transactions and put in place certain tax disincentives for offshoring jobs or business segments. We cannot determine whether some or all of these or other proposals will be enacted into law or what, if any, changes may be made to such proposals prior to being enacted into law. If U.S. tax laws change in a manner that increases our tax obligations, our financial position and results of operations could be adversely impacted.

Additionally, the Organisation for Economic Co-Operation and Development ("OECD") issued an action plan in July 2013 calling for a coordinated multi-jurisdictional approach to "base erosion and profit shifting" by multinational companies. The action plan expressed the OECD's view that international tax standards have not kept pace with changes in global business practices and concluded that changes are needed to international tax laws to address situations where multinationals may pay little or no tax in certain jurisdictions by shifting profits away from jurisdictions where the activities creating those profits may take place. The action plan identified 15 actions the OECD determined are needed to address "base erosion and profit shifting" and generally set target dates for completion of each of the items between 2014 and 2015. Reports addressing 7 of these actions were released by the OECD in September 2014. The proposed measures contained in these reports are not yet finalized as they may be affected by the proposals to be made with respect to the remaining actions. Any changes to international tax laws, including new definitions of permanent establishment or changes affecting the benefits of preferential tax regimes such as the Dutch "Innovation Box Tax" (discussed below), could impact the tax treatment of our foreign earnings and adversely impact our effective tax rate. Due to the large and expanding scale of our international business activities, any changes in U.S.

or international taxation of our activities may increase our worldwide effective tax rate and could adversely affect our financial position and results of operations.

We are also subject to non-income based taxes, such as value-added, payroll, sales, use, net worth, property and goods and services taxes, in the United States and various non-U.S. jurisdictions, as well as the potential for travel transaction taxes in the United States as discussed below and in Note 16 to our Consolidated Financial Statements. For example, in July 2012 and December 2013, the Dutch Government enacted certain amendments to Dutch tax law including one-time levies on an employer applied to employee earnings, equal to 16% of an employee's earnings in excess of 150,000 Euros. These irrevocable levies resulted in additional payroll taxes of approximately \$12 million (approximately \$9 million after tax) in the fourth quarter of 2013 and approximately \$14 million (approximately \$10 million after tax) principally recorded in the third quarter of 2012. From time to time, we are under audit by tax authorities with respect to these non-income based taxes and may have exposure to additional non-income based tax liabilities.

We may not be able to maintain our "Innovation Box Tax" benefit.

The Netherlands corporate income tax law provides that income generated from qualifying "innovative" activities is taxed at the rate of 5% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. Booking.com obtained a ruling from the Dutch tax authorities confirming that a portion of its earnings ("qualifying earnings") is eligible for Innovation Box Tax treatment. This ruling was renewed in July 2013 and is valid through December 31, 2017.

In order to be eligible for Innovation Box Tax treatment, Booking.com must, among other things, apply for and obtain a research and development ("R&D") certificate from a Dutch governmental agency every six months confirming that the activities that Booking.com intends to be engaged in over the subsequent six month period are "innovative." The R&D certificate is current but should Booking.com fail to secure such a certificate in any future period - for example, because the governmental agency does not view Booking.com's new or anticipated activities as innovative - or should this agency determine that the activities contemplated to be performed in a prior period were not performed as contemplated or did not comply with the agency's requirements, Booking.com may lose its certificate and, as a result, the Innovation Box Tax benefit may be reduced or eliminated. Booking.com intends to apply for continued Innovation Box Tax treatment for future periods. However, Booking.com's application may not be accepted, or, if accepted, the amount of qualifying earnings may be reduced or the applicable tax rate on qualifying earnings may be higher than the current rate.

In addition, the tax law may change resulting in a reduction or elimination of the tax benefit. As discussed above, the OECD's action plan involves, in part, evaluation of tax regimes such as the Innovation Box Tax. The European Union Council of Economics and Finance Ministers ("ECOFIN") has endorsed changes to limit member states' existing innovation and patent box tax regimes providing benefits related to profits derived from intangible assets such as intellectual property. The changes endorsed by ECOFIN would, if adopted, limit such benefits only to profits derived from patentable intellectual property. It is expected that the legislative process related to the proposed changes will begin in 2015. However, the proposals may not be adopted in the form endorsed by ECOFIN or at all, and it is expected that any changes will include transition rules and will be fully implemented no later than July 2021. To the extent Booking.com's intellectual property developed by its innovative activities do not meet the requirements under any new legislation, Booking.com would eventually lose the benefit of the Innovation Box Tax.

The loss of the Innovation Box Tax benefit would substantially increase our effective tax rate and adversely impact our results of operations.

Our financial results will likely be materially impacted by payment of income taxes in the future.

Until our U.S. net operating loss carryforwards are utilized or expire, we do not expect to make tax payments on most of our U.S. income, except for U.S. federal alternative minimum tax and state income taxes. However, we expect to pay non-U.S. taxes on our non-U.S. income other than in countries where we have operating loss carryforwards. We expect that our international business will continue to generate most of our revenues and profits and will continue to grow pretax income at a higher rate than our U.S. business and, therefore, we expect that our tax payments will continue to increase. Any increase in our effective tax rate would have an adverse effect on our results of operations.

Adverse application of U.S. state and local tax laws could have an adverse effect on our business and results of operations.

A number of jurisdictions in the United States have initiated lawsuits against online travel companies, including us, related to, among other things, the payment of travel transaction taxes (e.g., hotel occupancy taxes, excise taxes, sales taxes, etc.). In addition, a number of U.S. states, counties and municipalities have initiated audit proceedings, issued proposed tax

assessments or started inquiries relating to the payment of travel transaction taxes. See Part I Item 3 Legal Proceedings and Note 16 to the Consolidated Financial Statements for a description of these pending cases and proceedings. Additional state and local jurisdictions may assert that we are subject to, among other things, travel transaction taxes and could seek to collect such taxes, either retroactively or prospectively, or both.

In connection with some travel transaction tax audits and assessments, we may be required to pay any assessed taxes, which amounts may be substantial, prior to being allowed to contest the assessments and the applicability of the laws in judicial proceedings. This requirement is commonly referred to as "pay to play" or "pay first." Payment of these amounts, if any, is not an admission that we believe that we are subject to such taxes and, even if we make such payments, we intend to continue to vigorously assert our position that we should not be subject to such taxes.

Litigation is subject to uncertainty and there could be adverse developments in these pending or future cases and proceedings. For example, in September 2012, the Superior Court in the District of Columbia granted a summary judgment in favor of the city and against online travel companies. Similarly, in January 2013, the Tax Appeal Court for the State of Hawaii held that online travel companies, including us, are liable for the State's general excise tax on the full amount the online travel company collects from the customer for a hotel room reservation, without any offset for amounts passed through to the hotel. We recorded an accrual for travel transaction taxes (including estimated interest and penalties) of approximately \$16.5 million in December 2012 and approximately \$18.7 million in the three months ended March 31, 2013, primarily related to this ruling. During the year ended December 31, 2013 and December 31, 2014 the Company paid approximately \$20.6 million and \$2.2 million, respectively, to the State of Hawaii related to this ruling. The Company has filed an appeal with the Tax Appeal Court and intends to vigorously appeal this ruling. These decisions and any similar decisions in other jurisdictions could have a material adverse effect on our business, margins and results of operations. An unfavorable outcome or settlement of pending litigation may encourage the commencement of additional litigation, audit proceedings or other regulatory inquiries. In addition, an unfavorable outcome or settlement of these actions or proceedings could result in substantial liabilities for past and/or future bookings, including, among other things, interest, penalties, punitive damages and/or attorney fees and costs. There have been, and will continue to be, substantial ongoing costs, which may include "pay first" payments, associated with defending our position in pending and any future cases or proceedings. An adverse outcome in one or more of these unresolved proceedings could have a material adverse effect on our business and results of operations and could be material to our results of operations or cash flows in any given fiscal period.

To the extent that any tax authority succeeds in asserting that we have a tax collection responsibility, or we determine that we have such a responsibility, with respect to future transactions we may collect any such additional tax obligation from our customers, which would have the effect of increasing the cost of travel reservations to our customers and, consequently, could make our travel reservation service less competitive (i.e., versus the websites of other online travel companies or travel service providers) and reduce our travel reservation transactions; alternatively, we could choose to reduce our profit on affected travel transactions. Either action could have a material adverse effect on our business and results of operations.

In many of the judicial and other proceedings initiated to date, the taxing jurisdictions seek not only historical taxes that are claimed to be owed on our gross profit, but also, among other things, interest, penalties, punitive damages and/or attorney fees and costs. Therefore, any liability associated with travel transaction tax matters is not constrained to our liability for tax owed, but may also include, among other things, penalties, interest and attorneys' fees. To date, the majority of the taxing jurisdictions in which we facilitate travel reservations have not asserted that taxes are due and payable on our travel services. With respect to taxing jurisdictions that have not initiated proceedings to date, it is possible that they will do so in the future or that they will seek to amend their tax statutes and seek to collect taxes from us only on a prospective basis.

We face increased risks as the level of our debt increases.

We have a substantial amount of outstanding indebtedness and we may incur substantial additional indebtedness in the future, including through public or private offerings of debt securities. Our outstanding indebtedness and any additional indebtedness we incur may have significant consequences, which could include:

- requiring the dedication of a significant portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures, share repurchases and acquisitions;
- increased vulnerability to downturns in our business, to competitive pressures and to adverse changes in general economic and industry conditions;

- decreased ability to obtain additional financing for working capital, capital expenditures, acquisitions, share repurchases or other general corporate purposes; and
- decreased flexibility when planning for or reacting to changes in our business and industry.

Our ability to make payments of principal of and interest on our indebtedness depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated results of operations and financial condition, many of which are beyond our control. Further, we may not have access to equity or debt markets or other sources of financing, or such financing may not be available to us on commercially reasonable terms, to repay or refinance our debt as it comes due or, in the case of our convertible notes, upon conversion. If we are unable to generate sufficient cash flow from our U.S. operations in the future to service our debt, we may be required to, among other things, repatriate funds to the United States at substantial tax cost.

We are dependent on providers of accommodations, rental cars and airline tickets and on restaurants.

We rely on providers of accommodations, rental cars and airline tickets and on restaurants to make their services available to consumers through us. Our arrangements with travel service providers generally do not require them to make available any specific quantity of accommodation reservations, rental cars or airline tickets, or to make accommodation reservations, rental cars or airline tickets available in any geographic area, for any particular route or at any particular price. Similarly, our arrangements with restaurants generally do not require them to provide all of their available tables and reservations to customers through us. During the course of our business, we are in continuous dialog with our major travel service providers about the nature and extent of their participation in our services. A significant reduction on the part of any of our major travel service providers or providers that are particularly popular with consumers in their participation in our services for a sustained period of time or their complete withdrawal could have a material adverse effect on our business, market share and results of operations. To the extent any of those major or popular travel service providers ceased to participate in our services in favor of one of our competitors' systems or decided to require consumers to purchase services directly from them, our business, market share and results of operations could be harmed. Further, as consolidation among travel service providers increases, the potential adverse effect of a decision by any particular significant travel service provider (such as a large hotel chain, airline or rental car company) to withdraw from or reduce its participation in our services also increases. To the extent restaurants limit the availability of reservations through OpenTable, consumers may not continue to use our services and/or our revenues could be adversely affected, especially if reservations during highly desirable times on high volume days are not made available through us.

Further, KAYAK, a meta-search service, depends on access to information related to travel service pricing, schedules, availability and other related information from OTAs and travel service providers to attract consumers. To obtain this information, KAYAK maintains relationships with travel service providers and OTAs. Many of KAYAK's agreements with travel service providers and OTAs are short-term agreements that may be terminated on 30 days' notice. To the extent OTAs or travel service providers no longer provide such information to KAYAK, KAYAK's ability to provide comprehensive travel service information to consumers could be diminished and its brand, business and results of operations could be harmed. To the extent consumers do not view KAYAK as a reliable source of comprehensive travel service information, fewer consumers would likely visit its websites, which would also likely have a negative impact on KAYAK's advertising revenue and results of operations. In addition, if travel service providers or OTAs choose not to advertise with KAYAK or choose to reduce or eliminate the fees paid to KAYAK for referrals from query results, KAYAK's results of operations could be adversely affected.

We rely on the performance of highly skilled personnel; and, if we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business would be harmed.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. In particular, the contributions of certain key senior management in the United States, Europe and Asia are critical to the overall management of our business. We may not be able to retain the services of any members of our senior management or other key employees, the loss of whom could harm our business.

In addition, competition for well-qualified employees in all aspects of our business, including software engineers, mobile communication talent and other technology professionals, is intense both in the United States and abroad. Our international success in particular has led to increased efforts by our competitors and others to hire our international employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate existing employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business would be adversely affected. We do not maintain any key person life insurance policies.

As the size of our business grows, we may become increasingly subject to the scrutiny of anti-trust and competition regulators.

In July 2012, the Office of Fair Trading (the "OFT"), the predecessor competition authority in the United Kingdom to the Competition and Markets Authority ("CMA"), issued a "Statement of Objections" ("SO") to Booking.com, which set out the OFT's preliminary views on why it believed Booking.com and others in the online accommodation reservation sector were allegedly in breach of E.U. and U.K. competition law. The SO alleged, among other things, that there were agreements or concerted practices between accommodations and Booking.com and at least one other online travel company that restricted Booking.com's (and the other online travel company's) ability to discount hotel room reservations, which the OFT alleged was a form of resale price maintenance. We dispute the allegations in the SO. Booking.com runs an agency model accommodation reservation platform in which accommodations have complete discretion and control over setting the prices that appear on the Booking.com website. Booking.com is a facilitator of accommodation room reservations; it does not take possession of or title to accommodation rooms and is not a reseller of accommodation rooms. Because Booking.com plays no role in price setting, does not control pricing and does not resell accommodation rooms, it does not believe that it engages in the conduct alleged in the SO. On January 31, 2014, the OFT announced that it had accepted commitments offered by Booking.com, as well as by Expedia and Intercontinental Hotel Group, ("Commitments") to close the investigation on the basis that they address the OFT's competition concerns. The OFT closed its investigation with no finding of infringement or admission of wrongdoing and no imposition of a fine. The Commitments provide, among other things, that hotels will continue to be able to set retail prices for hotel room reservations on all online travel company websites, such as Booking.com. Under the Commitments, online travel companies, such as Booking.com, have the flexibility to discount a hotel's retail price, but only to members of closed groups, a concept that is defined in the Commitments, who have previously made a reservation with the online travel company. The discount may be up to Booking.com's commission. In addition, the Commitments provide that Booking.com will not require rate parity from hotels in relation to discounted rates that are provided by other online travel companies or hotels to members of their closed groups, provided the discounted rate is not made public. The Commitments apply to bookings by European Economic Area residents at U.K. hotels. On March 31, 2014, Skyscanner, a meta-search site based in the United Kingdom, filed an appeal in the Competition Appeal Tribunal ("CAT") against the OFT's decision to accept the Commitments. Booking.com intervened in support of the CMA in the CAT. In its decision dated September 26, 2014, the CAT found that the CMA was wrong to reject Skyscanner's arguments about the negative impact of the Commitments on its business and price transparency generally without properly exploring these arguments. The CAT's decision vacates the CMA's Commitments decision and remits the matter to the CMA for reconsideration in accordance with the CAT's ruling. It is uncertain what action the CMA will take in response to the CAT's ruling, which could involve re-opening, closing or suspending the investigation. The CMA did not appeal the CAT's decision. As many industry participants have been operating based on the substance of the Commitments since they were adopted, it is uncertain how the CAT's decision and any resulting action by the CMA will affect industry practice, including discounting to closed user groups, the status of rate parity clauses found in many online travel companies' contracts with hotels and other travel service providers, and our business and results of operations.

The competition authorities of many governments have begun investigations into competitive practices within the online travel industry, and we may be involved or affected by such investigations and their results. In addition to the U.K. investigation discussed above, national competition authorities in the Czech Republic, France, Germany, Italy, Austria, Hungary, Sweden, Ireland, Denmark and Switzerland, have opened investigations that focus on Booking.com's rate parity clause in its contracts with accommodation providers in those jurisdictions. Competition related inquiries have also been received from the competition authority in China. We are in ongoing discussions with the relevant regulatory authorities regarding their concerns. We are currently unable to predict the outcome of all of these investigations or how our business may be affected. Possible outcomes include requiring Booking.com to remove its rate parity clause from its contracts with accommodation providers in those jurisdictions and/or the imposition of fines.

On December 15, 2014, the French, Italian and Swedish national competition authorities, working in close cooperation with the European Commission, announced their intention to seek public feedback on commitments offered by Booking.com in connection with investigations of Booking.com's rate parity provisions in its contractual arrangements with accommodation providers. If the proposed commitments are accepted by the French, Italian and Swedish competition authorities, the investigations in those countries will be closed with no finding of infringement or admission of wrongdoing and no imposition of a fine. Under the terms of the proposed commitments, Booking.com would replace its existing price parity agreements with accommodation providers - sometimes also referred to as "most favored nation" or "MFN" provisions - with "narrow" price parity agreements. Under the "narrow" price parity agreement, an accommodation provider would still be required to offer the same or better rates on Booking.com as it offered to a consumer directly, but it would no longer be required to offer the same or better rates on Booking.com as it offered to other on-line travel companies. If the commitments are accepted by the French, Italian and Swedish competition authorities after they have been market tested, Booking.com will implement the commitments within six months of their being accepted. We are currently unable to predict the outcome of the market test of the proposed commitments offered in France, Italy and Sweden or the impact the proposed commitments in France, Italy and Sweden will

have on the on-going investigations in other European countries or how our business may be affected by the proposed commitments if accepted. We note that the German competition authority has required Hotel Reservation Service to remove its rate parity clause from its contracts with hotels, and Hotel Reservation Service's initial appeal was denied. To the extent that regulatory authorities require changes to our business practices or to those currently common to the industry, our business, competitive position and results of operations could be materially and adversely affected. Negative publicity regarding any such investigations could adversely affect our brands and therefore our market share and results of operations.

Further, as our business grows, we may increasingly become the target of such investigations or be limited by anti-trust or competition laws. For example, our size and market share may negatively affect our ability to obtain regulatory approval of proposed acquisitions or our ability to expand into complementary businesses, any of which could adversely affect our ability to grow and compete.

Regulatory and legal requirements and uncertainties could harm our business.

The services we offer are subject to legal regulations (including laws, ordinances, rules and other requirements and regulations) of national and local governments and regulatory authorities around the world, many of which are evolving and subject to the possibility of new or revised interpretations. Our ability to provide our services is and will continue to be affected by such regulations. For example, laws and proposed legislation relating to data localization in some countries could adversely affect our ability to conduct business in those countries. The implementation of unfavorable regulations or unfavorable interpretations of existing regulations by judicial or regulatory bodies could require us to incur significant compliance costs, cause the development of the affected markets to become impractical and otherwise have a material adverse effect on our business and results of operations.

Compliance with the laws and regulations of multiple jurisdictions increases our cost of doing business. These laws and regulations, which vary and sometimes conflict, include the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and local laws which also prohibit corrupt payments to governmental officials or third parties, data privacy requirements, labor relations laws, tax laws, anti-trust or competition laws, U.S., E.U. or U.N. sanctioned country or sanctioned persons mandates, and consumer protection laws. Violations of these laws and regulations could result in fines and/or criminal sanctions against us, our officers or our employees and/or prohibitions on the conduct of our business. Any such violations could result in prohibitions on our ability to offer our services in one or more countries, could delay or prevent potential acquisitions, and could also materially damage our reputation, our brands, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. In addition, these restrictions may provide a competitive advantage to our competitors unless they are also subject to comparable restrictions. Our success depends, in part, on our ability to anticipate these risks and manage these difficulties. We are also subject to a variety of other regulatory and legal risks and challenges in managing an organization operating in various countries, including those related to:

- regulatory changes or other government actions;
- additional complexity to comply with regulations in multiple jurisdictions, as well as overlapping or inconsistent legal regimes, in particular with respect to tax, labor, consumer protection, digital content, advertising, promotions, privacy and anti-trust laws;
- our ability to repatriate funds held by our non-U.S. subsidiaries to the United States at favorable tax rates;
- difficulties in transferring funds from or converting currencies in certain countries; and
- reduced protection for intellectual property rights in some countries.

Our business has grown substantially over the last several years and continues to expand into new geographic locations. In addition, we have made efforts and expect to make further efforts to integrate access to travel services across our various brands. These changes add complexity to legal and tax compliance, and our increased size and operating history may increase the likelihood that we will be subject to audits by tax authorities in various jurisdictions.

"Cookie" laws could negatively impact the way we do business.

A "cookie" is a text file that is stored on a user's web browser by a website. Cookies are common tools used by thousands of websites, including ours, to, among other things, store or gather information (e.g., remember log-on details so a user does not have to re-enter them when revisiting a website), market to consumers and enhance the user experience on a website. Cookies are valuable tools for websites like ours to improve the customer experience and increase conversion on their websites.

The European Union's ePrivacy Directive requires member countries to adopt regulations governing the use of "cookies" by websites servicing consumers in the European Union. For example, on June 5, 2012, an amendment to the Dutch Telecommunications Act became effective. The amended act requires websites, including Booking.com, to provide Dutch users with clear and comprehensive information about the storage and use of certain cookies and obtain prior consent from the user before placing certain cookies on a user's web browser. To the extent any such regulations require "opt-in" consent before certain cookies can be placed on a user's web browser, our ability, in particular Booking.com's ability, to serve certain customers in the manner we currently do might be adversely affected and our ability to continue to improve and optimize performance on our websites might be impaired, either of which could negatively affect a consumer's experience using our services. As a result, these regulations could have a material adverse effect on our business, market share and results of operations.

Our stock price is highly volatile.

The market price of our common stock is highly volatile and is likely to continue to be subject to wide fluctuations in response to factors such as the following, some of which are beyond our control:

- operating results that vary from the expectations of securities analysts and investors;
- quarterly variations in our operating results;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- worldwide economic conditions in general and in Europe in particular;
- fluctuations in currency exchange rates, particularly between the U.S. Dollar and the Euro;
- announcements of technological innovations or new services by us or our competitors;
- changes in our capital structure;
- changes in market valuations of other Internet or online service companies;
- announcements by us or our competitors of price reductions, promotions, significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major travel service provider participant, such as a hotel chain, rental car company or airline, from our services;
- changes in the status of our intellectual property rights;
- lack of success in the expansion of our business model geographically;
- announcements by third parties of significant claims or initiation of litigation proceedings against us or adverse developments in pending proceedings;
- occurrences of a significant security breach;
- additions or departures of key personnel; and
- trading volume fluctuations.

Sales of a substantial number of shares of our common stock, including through the conversion of our convertible notes, could adversely affect the market price of our common stock by introducing a large number of sellers to the market. Given the volatility that exists for our shares, such sales could cause the market price of our common stock to decline significantly. In addition, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis.

The trading prices of Internet company stocks in general, including ours, have experienced extreme price and volume fluctuations. To the extent that the public's perception of the prospects of Internet or e-commerce companies is negative, our stock price could decline, regardless of our results. Other broad market and industry factors may decrease the market price of our common stock, regardless of our operating performance. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations, could cause our stock price to decline. Negative market conditions could adversely affect our ability to raise additional capital or the value of our stock for purposes of acquiring other companies or businesses.

We have, in the past, been a defendant in securities class action litigation. Securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. To the extent our stock price declines or is volatile, we may in the future be the target of additional litigation. This additional litigation could result in substantial costs and divert management's attention and resources, either of which could adversely affect our business, financial condition and results of operations.

We may not be able to keep up with rapid technological changes.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, consolidation, frequent new service announcements, introductions and enhancements and changing consumer demands. We may not be able to keep up with these rapid changes. In addition, these market characteristics are heightened by the progress of technology adoption in various markets, including the continuing adoption of the Internet and online commerce in certain geographies and the emergence and growth of the use of smart phones and tablets for mobile e-commerce transactions, including through the increasing use of mobile apps. As a result, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to evolving industry standards and to continually innovate and improve the performance, features and reliability of our services in response to competitive service offerings and the evolving demands of the marketplace. In particular, we believe that it will be increasingly important for us to effectively offer our services through mobile applications and mobile optimized websites on smart phones and tablets. Any failure by us to successfully develop and achieve customer adoption of our mobile applications and mobile optimized websites would likely have a material and adverse effect on our growth, market share, business and results of operations. We believe that increasingly ease-of-use, comprehensive functionality and the look and feel of our mobile apps and mobile optimized websites will be competitively critical as consumers obtain more of their travel and restaurant services through mobile devices. As a result, we intend to continue to spend significant resources maintaining, developing and enhancing our websites, including our mobile optimized websites, and our mobile apps and other technology.

In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require us to incur substantial expenditures to modify or adapt our services or infrastructure to those new technologies, which could adversely affect our results of operations or financial condition. For example, KAYAK generates revenues, in part, by allowing consumers to compare search results that appear in additional "pop-under" windows. Changes in browser functionality, such as changes that either block or otherwise limit the use of "pop-under" windows, at times has had a negative impact on our revenues. Any failure to implement or adapt to new technologies in a timely manner or at all could adversely affect our ability to compete, increase our customer acquisition costs or otherwise adversely affect our business, and therefore adversely affect our brand, market share and results of operations.

We face risks related to our intellectual property.

We regard our intellectual property as critical to our success, and we rely on domain name, trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees, travel service providers, partners and others to protect our proprietary rights. We have filed various applications for protection of certain aspects of our intellectual property in the United States and other jurisdictions, and we currently hold a number of issued patents in multiple jurisdictions. Further, in the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. However, we may choose not to patent or otherwise register some of our intellectual property and instead rely on trade secret or other means of protecting our intellectual property. We have licensed in the past, and may license in the future, certain of our proprietary rights, such as trademarks or copyrighted material, to third parties, and these licensees may take

actions that diminish the value of our proprietary rights or harm our reputation. In addition, effective intellectual property protection may not be available in every country in which our services are made available online. We may be required to expend significant time and resources to prevent infringement or to enforce our intellectual property rights.

While we believe that our intellectual property rights, including our issued patents and pending patent applications, help to protect our business, there can be no assurance that:

- a third party will not have or obtain one or more patents that can prevent us from practicing features of our business or that will require us to pay for a license to use those features;
- our operations do not or will not infringe valid, enforceable patents of third parties;
- we can successfully defend our patents against challenges by third parties;
- pending patent applications will result in the issuance of patents;
- competitors or potential competitors will not devise new methods of competing with us that are not covered by our patents or patent applications;
- because of variations in the application of our business model to each of our services, our patents will be effective in preventing one or more third parties from utilizing a copycat business model to offer the same service in one or more categories;
- new prior art will not be discovered that may diminish the value of or invalidate an issued patent; or
- legislative or judicial action will not directly or indirectly affect the scope and validity of any of our patent rights, including the ability to obtain and enforce so called "business method patents".

If we are not successful in protecting our intellectual property, it could have a material adverse effect on our business, brands and results of operations.

From time to time, in the ordinary course of our business, we have been subject to, and are currently subject to, legal proceedings and claims relating to the intellectual property rights of others, and we expect that third parties will continue to assert intellectual property claims, in particular patent claims, against us, particularly as we expand the complexity and scope of our business. For example, in February 2015, IBM sued us and certain of our subsidiaries asserting that we infringe certain IBM patents and claiming damages and injunctive relief. While we believe the suit to be without merit and intend to contest it vigorously, litigation is uncertain and we may not be successful. We endeavor to defend our intellectual property rights diligently, but intellectual property litigation is extremely expensive and time consuming, and may divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in significant monetary liability or prevent us from operating our business, or portions of our business. In addition, resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or possibly to cease using those rights altogether. Any of these events could have a material adverse effect on our business, results of operations or financial condition.

Our use of "open source" software could adversely affect our ability to protect our proprietary software and subject us to possible litigation.

We use open source software in connection with our software development. From time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source license terms. We could be subject to suits by parties claiming ownership of what we believe to be open source software, or claiming non-compliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose our proprietary source code or pay damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop services that are similar to or better than ours.

Our business is exposed to risks associated with processing credit card transactions.

Our results have been negatively impacted by purchases made using fraudulent credit cards. Because we act as the merchant of record in a majority of our priceline.com transactions as well as those of agoda.com and rentalcars.com, we may be held liable for accepting fraudulent credit cards on our websites as well as other payment disputes with our customers. Additionally, we may be held liable for accepting fraudulent credit cards in certain retail transactions when we do not act as merchant of record. Accordingly, we calculate and record an allowance for the resulting credit card chargebacks. If we are unable to combat the use of fraudulent credit cards on our websites, our business, results of operations and financial condition could be materially adversely affected.

In addition, in the event that one of our major travel service providers voluntarily or involuntarily declares bankruptcy, we could experience an increase in credit card chargebacks from customers with travel reservations with such travel service provider. For example, airlines that participate in our services and declare bankruptcy or cease operations may be unable or unwilling to honor tickets sold for their flights. Our policy in such event is to direct customers seeking a refund or exchange to the airline, and not to provide a remedy ourselves. Because we are the merchant-of-record on sales of *Name Your Own Price*® and *Express Deals*® airline tickets to our customers, however, we could experience a significant increase in demands for refunds or credit card chargebacks from customers, which could materially adversely affect our results of operations and financial condition. For example, in April 2008, Aloha Airlines and ATA Airlines each ceased operations, and we experienced an increase in credit card chargebacks from customers with tickets on those airlines. Agoda.com and rentalcars.com process credit card transactions and operate in numerous currencies. Credit card costs are typically higher for foreign currency transactions and in instances where cancellations occur.

The success of our acquisition of OpenTable is subject to numerous risks and uncertainties.

On July 24, 2014, we acquired OpenTable, a leading brand for booking online restaurant reservations. We believe that the online restaurant reservation business is complementary to our online travel businesses, and that both OpenTable and our travel businesses will benefit from adding OpenTable to The Priceline Group. As a result of our acquisition of OpenTable, we are subject to risks associated with OpenTable's business, many of which are the same risks that our other businesses face. Other risks include: OpenTable's ability to increase the number of restaurants and diners using its products and services and retain existing restaurants and diners; competition both to provide reservation management services to restaurants and to attract diners to make reservations through OpenTable's websites and apps; OpenTable's ability to expand internationally; OpenTable's ability to effectively and efficiently market to new restaurants and diners; and any risks that cause people to refrain from dining at restaurants, such as economic downturns, severe weather, outbreaks of pandemic or contagious diseases, or threats of terrorist attacks. If OpenTable is unsuccessful in profitably growing its global online restaurant reservation business or it experiences a significant reduction in revenues due to factors such as competition, increased capital expenditures or investments we make in growing OpenTable's business, in particular internationally, or any other reason, the value of our investment in OpenTable may be adversely affected and we may incur an impairment charge related to goodwill.

Investment in new business strategies and acquisitions could disrupt our ongoing business and present risks not originally contemplated.

We have invested, and in the future may invest, in new business strategies and acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return on capital, and unidentified issues not discovered in our investigations and evaluations of those strategies and acquisitions. We may decide to make minority investments, including through joint ventures, in which we have limited or no management or operational control. The controlling person in such a case may have business interests, strategies or goals that are inconsistent with ours, and decisions of the company or venture in which we invested may result in harm to our reputation or adversely affect the value of our investment. Further, we may issue shares of our common stock in these transactions, which could result in dilution to our stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters and the headquarters of our priceline.com business are located in Norwalk, Connecticut, United States of America, where we lease approximately 70,000 square feet of office space. Our Booking.com business is headquartered in Amsterdam, Netherlands, where we lease approximately 202,000 square feet of office space; our agoda.com business has significant support operations in Bangkok, Thailand, where we lease approximately 118,000 square feet of office space; our KAYAK business is headquartered in Stamford, Connecticut, United States of America, where we lease approximately 18,000 square feet of office space; our OpenTable business is headquartered in San Francisco, California, United States of America, where we lease approximately 51,000 square feet of office space; and our rentalcars.com business is headquartered in Manchester, England, where we lease approximately 63,000 square feet of office space. We lease additional office space to support our operations in various locations around the world, including hosting and data center facilities in the United States, the United Kingdom, Switzerland, the Netherlands and Hong Kong and sales and support facilities in numerous locations. We do not own any real estate as of December 31, 2014.

We believe that our existing facilities are adequate to meet our current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further expansion of corporate operations.

Item 3. Legal Proceedings

Competition Reviews

In July 2012, the Office of Fair Trading (the "OFT"), the predecessor competition authority in the United Kingdom to the Competition and Markets Authority ("CMA"), issued a "Statement of Objections" ("SO") to Booking.com, which set out the OFT's preliminary views on why it believed Booking.com and others in the online hotel reservation industry were allegedly in breach of E.U. and U.K. competition law. The SO alleged, among other things, that there were agreements or concerted practices between hotels and Booking.com and between hotels and at least one other OTC that restricted Booking.com's (and the other OTC's) ability to discount hotel room reservations, which the OFT alleged was a form of resale price maintenance. We dispute the allegations in the SO.

On January 31, 2014, the OFT announced that it had accepted commitments offered by Booking.com, as well as Expedia and Intercontinental Hotel Group, (the "Commitments") to close the investigation on the basis that they address the OFT's competition concerns. The OFT closed its investigation with no finding of infringement or admission of wrongdoing and no imposition of a fine.

The Commitments provide, among other things, that hotels will continue to be able to set retail prices for hotel room reservations on all OTC websites, such as Booking.com. Under the Commitments, OTCs, such as Booking.com, have the flexibility to discount a hotel's retail price, but only to members of closed groups, a concept that is defined in the Commitments, who have previously made a reservation through the OTC. The discount may be up to Booking.com's commission. In addition, the Commitments provide that Booking.com will not require rate parity from hotels in relation to discounted rates that are provided by other OTCs or hotels to members of their closed groups, provided the discounted rate is not made public. The Commitments apply to bookings by European Economic Area residents at U.K. hotels.

On March 31, 2014, Skyscanner, a meta-search site based in the United Kingdom, filed an appeal in the Competition Appeal Tribunal ("CAT") against the OFT's decision to accept the Commitments. Booking.com intervened in support of the CMA in the CAT. In its decision dated September 26, 2014, the CAT found that the CMA was wrong to reject Skyscanner's arguments about the negative impact of the Commitments on its business and price transparency generally without properly exploring these arguments. The CAT's decision vacates the CMA's Commitments decision and remits the matter to the CMA for reconsideration in accordance with the CAT's ruling. The CMA did not appeal the CAT's decision. It is uncertain what action the CMA will take in response to the CAT's ruling, which could involve re-opening, closing or suspending the investigation.

Investigations have also been opened by the national competition authorities in the Czech Republic, France, Germany, Italy, Austria, Hungary, Sweden, Ireland, Denmark and Switzerland that focus on Booking.com's rate parity clause in its contracts with accommodation providers in those jurisdictions. Competition related inquiries have also been received from the competition authority in China. We are in ongoing discussions with the relevant regulatory authorities regarding their concerns. We are currently unable to predict the outcome of these investigations or how our business may be affected. Possible outcomes include requiring Booking.com to amend or remove its rate parity clause from its contracts with accommodation providers in those jurisdictions and/or the imposition of fines.

On December 15, 2014, the French, Italian and Swedish national competition authorities, working in close cooperation with the European Commission, announced their intention to seek public feedback on commitments offered by Booking.com in connection with investigations of Booking.com's rate parity provisions in its contractual arrangements with accommodation providers. If the proposed commitments are accepted by the French, Italian and Swedish competition authorities, the investigations in those countries will be closed with no finding of infringement or admission of wrongdoing and no imposition of a fine. Under the terms of the proposed commitments, Booking.com would replace its existing price parity agreements with accommodation providers - sometimes also referred to as "most favored nation" or "MFN" provisions - with "narrow" price parity agreements. Under the "narrow" price parity agreement, an accommodation provider would still be required to offer the same or better rates on Booking.com as it offered to a consumer directly, but it would no longer be required to offer the same or better rates on Booking.com as it offered to other on-line travel companies. If the commitments are accepted by the French, Italian and Swedish competition authorities after they have been market tested, Booking.com will implement the commitments within six months of their being accepted. We are currently unable to predict the outcome of the market test of the proposed commitments offered in France, Italy and Sweden or the impact the proposed commitments in France, Italy and Sweden will have on the on-going investigations in other European countries or how our business may be affected by the proposed commitments if accepted. We note that the German competition authority has required Hotel Reservation Service to remove its rate parity clause from its contracts with hotels, and Hotel Reservation Service's initial appeal was denied. To the extent that

regulatory authorities require changes to our business practices or to those currently common to the industry, our business, competitive position and results of operations could be materially and adversely affected. Negative publicity regarding any such investigations could adversely affect our brands and therefore our market share and results of operations.

Lawsuits Alleging Antitrust Violations

On August 20, 2012, one complaint was filed on behalf of a putative class of persons who purchased hotel room reservations from certain hotels (the "Hotel Defendants") through certain OTC defendants, including us. The initial complaint, *Turik v. Expedia, Inc.*, Case No. 12-cv-4365, filed in the U.S. District Court for the Northern District of California, alleged that the Hotel Defendants and the OTC defendants violated U.S. federal and state laws by entering into a conspiracy to enforce a minimum resale price maintenance scheme pursuant to which putative class members paid inflated prices for hotel room reservations that they purchased through the OTC defendants. Thirty-one other complaints containing similar allegations were filed in a number of federal jurisdictions across the country. Plaintiffs in these actions sought treble damages and injunctive relief.

The Judicial Panel on Multidistrict Litigation ("JPML") consolidated all of the pending cases under 28 U.S.C. §1407 before Judge Boyle in the U.S. District Court for the Northern District of Texas. On May 1, 2013, an amended consolidated complaint was filed.

On February 18, 2014, Judge Boyle dismissed the amended consolidated complaint without prejudice. On October 27, 2014 the court denied plaintiffs' motion for leave to file a proposed Second Consolidated Amended Complaint, and on October 28, 2014 the court issued a final judgment dismissing the case with prejudice. The time to appeal the court's October 27, 2014 decision has expired and the matter is closed.

Litigation Related to Travel Transaction Taxes

We and certain third-party online travel companies ("OTCs") are currently involved in approximately forty lawsuits, including certified and putative class actions, brought by or against U.S. states, cities and counties over issues involving the payment of travel transaction taxes (e.g., hotel occupancy taxes, excise taxes, sales taxes, etc.). Our subsidiaries priceline.com LLC, Lowestfare.com LLC and Travelweb LLC are named in some but not all of these cases. Generally, the complaints allege, among other things, that the OTCs violated each jurisdiction's respective relevant travel transaction tax ordinance with respect to the charge and remittance of amounts to cover taxes under each law. The complaints typically seek compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. In addition, approximately seventy-nine municipalities or counties, and at least eleven states, have initiated audit proceedings (including proceedings initiated by more than forty municipalities in California, which have been inactive for several years), issued proposed tax assessments or started inquiries relating to the payment of travel transaction taxes. Additional state and local jurisdictions are likely to assert that we are subject to travel transaction taxes and could seek to collect such taxes, retroactively and/or prospectively.

With respect to the principal claims in these matters, we believe that the laws at issue do not apply to the services we provide, namely the facilitation of travel reservations, and, therefore, that we do not owe the taxes that are claimed to be owed. Rather, we believe that the laws at issue generally impose travel transaction taxes on entities that own, operate or control hotels (or similar businesses) or furnish or provide hotel rooms or similar accommodations or other travel services. In addition, in many of these matters, the taxing jurisdictions have asserted claims for "conversion" - essentially, that we have collected a tax and wrongfully "pocketed" those tax dollars - a claim that we believe is without basis and have vigorously contested. The taxing jurisdictions that are currently involved in litigation and other proceedings with us, and that may be involved in future proceedings, have asserted contrary positions and will likely continue to do so. From time to time, we have found it expedient to settle, and may in the future agree to settle, claims pending in these matters without conceding that the claims at issue are meritorious or that the claimed taxes are in fact due to be paid.

In connection with some of these tax audits and assessments, we may be required to pay any assessed taxes, which amounts may be substantial, prior to being allowed to contest the assessments and the applicability of the laws in judicial proceedings. This requirement is commonly referred to as "pay to play" or "pay first." For example, the City and County of San Francisco assessed the Company approximately \$3.4 million (an amount that includes interest and penalties) relating to hotel occupancy taxes, which the Company paid in July 2009, and issued a second assessment totaling approximately \$2.7 million, which the Company paid in January 2013. Payment of these amounts, if any, is not an admission that we believe we are subject to such taxes. In the San Francisco action, for example, the court ruled in February 2013 that we and OTCs do not owe transient accommodations tax to the city and ordered the city to refund the amount paid in July 2009; we also are seeking a refund of the amount paid in January 2013. San Francisco has appealed the court's ruling and has not refunded the amount paid

in July 2009 pending resolution of the appeal. The matter has been stayed while the appeal in another case with the City of San Diego is pending before the California Supreme Court.

Litigation is subject to uncertainty and there could be adverse developments in these pending or future cases and proceedings. For example, in January 2013, the Tax Appeal Court for the State of Hawaii held that we and other OTCs are not liable for the State's transient accommodations tax, but held that the OTCs, including us, are liable for the State's general excise tax on the full amount the OTC collects from the customer for a hotel room reservation, without any offset for amounts passed through to the hotel. We recorded an accrual for travel transaction taxes (including estimated interest and penalties), with a corresponding charge to cost of revenues, of approximately \$16.5 million in December 2012 and approximately \$18.7 million in the three months ended March 31, 2013, primarily related to this ruling. During the years ended December 31, 2013 and December 31, 2014, we paid approximately \$20.6 million and \$2.2 million, respectively, to the State of Hawaii related to this ruling. We have filed an appeal now pending before the Hawaii Supreme Court.

Other adverse rulings include a decision in September 2012, in which the Superior Court in the District of Columbia granted summary judgment in favor of the District and against the OTCs ruling that tax is due on the OTCs' margin and service fees, which we are appealing. As a result, we increased our accrual for travel transaction taxes (including estimated interest), with a corresponding charge to cost of revenues, by approximately \$4.8 million in September 2012 and by approximately \$5.6 million in the three months ended March 31, 2013. Also, in July 2013, the Circuit Court of Cook County, Illinois, ruled that we and the other OTCs are liable for tax and other obligations under the Chicago Hotel Accommodations Tax. In July 2014, we resolved all claims in this case through settlement and the claims against us were dismissed on September 3, 2014. In addition, in October 2009, a jury in a San Antonio class action found that we and the other OTCs that are defendants in the lawsuit "control" hotels for purposes of the local hotel occupancy tax ordinances at issue and are, therefore, subject to the requirements of those ordinances. We intend to vigorously appeal the trial court's judgment when it becomes final.

An unfavorable outcome or settlement of pending litigation may encourage the commencement of additional litigation, audit proceedings or other regulatory inquiries and also could result in substantial liabilities for past and/or future bookings, including, among other things, interest, penalties, punitive damages and/or attorney fees and costs. There have been, and will continue to be, substantial ongoing costs, which may include "pay first" payments, associated with defending our position in pending and any future cases or proceedings. An adverse outcome in one or more of these unresolved proceedings could have a material adverse effect on our business and could be material to our results of operations or cash flow in any given operating period. However, we believe that even if we were to suffer adverse determinations in the near term in more of the pending proceedings than currently anticipated, given results to date it would not have a material impact on our liquidity because of our available cash.

To the extent that any tax authority succeeds in asserting that our services are subject to travel transaction taxes and that we have a tax collection responsibility for those taxes, or we determine that we have such a responsibility, with respect to future transactions we may collect any such additional tax obligation from our customers, which would have the effect of increasing the cost of travel reservations to our customers and, consequently, could make our travel reservation services less competitive (as compared to the services of other OTCs or travel service providers) and reduce our travel reservation transactions; alternatively, we could choose to reduce the compensation for our services. Either action could have a material adverse effect on our business and results of operations.

In many of the judicial and other proceedings initiated to date, the taxing jurisdictions seek not only historical taxes that are claimed to be owed on our gross profit, but also, among other things, interest, penalties, punitive damages and/or attorney fees and costs. Therefore, any liability associated with travel transaction tax matters is not constrained to our liability for tax owed on its historical gross profit, but may also include, among other things, penalties, interest and attorneys' fees. To date, the majority of the taxing jurisdictions in which we facilitate hotel reservations have not asserted that these taxes are due and payable. With respect to taxing jurisdictions that have not initiated proceedings to date, it is possible that they will do so in the future or that they will seek to amend their tax statutes and seek to collect taxes from us only on a prospective basis.

Accrual for Travel Transaction Taxes

As a result of this litigation and other attempts by jurisdictions to levy similar taxes, we have established an accrual (including estimated interest and penalties) for the potential resolution of issues related to travel transaction taxes in the amount of approximately \$52 million at December 31, 2014 compared to approximately \$55 million at December 31, 2013. Our legal expenses for these matters are expensed as incurred and are not reflected in the amount accrued. The actual cost may be less or greater, potentially significantly, than the liabilities recorded. An estimate for a reasonably possible loss or range of loss in excess of the amount accrued cannot be reasonably made.

We intend to vigorously defend against the claims in all of the proceedings described below.

Statewide Class Actions and Putative Class Actions

Such actions include:

- City of Los Angeles, California v. Hotels.com, Inc., et al. (California Superior Court, Los Angeles County; filed in December 2004); (California Court of Appeal; appeal filed in March 2014);
- City of San Antonio, Texas v. Hotels.com, L.P., et al. (U.S. District Court for the Western District of Texas; filed in May 2006);
- Pine Bluff Advertising and Promotion Commission, Jefferson County, Arkansas, et al. v. Hotels.com, LP, et al. (Circuit Court of Jefferson County, Arkansas; filed in September 2009); (Arkansas Supreme Court; appeal filed in March 2013);
- County of Lawrence, Pennsylvania v. Hotels.com, L.P., et al. (Court of Common Pleas of Lawrence County, Pennsylvania; filed Nov. 2009); (Commonwealth Court of Pennsylvania; appeal filed in November 2010);
- City of Columbia, South Carolina, et al. v. Hotelguides.com, Inc. et al. (Court of Common Pleas, Ninth Judicial Circuit, County of Charleston; filed in July 2013); and
- City of Charleston, et al. v. Hotelguides.com, Inc. et al. (Court of Common Pleas for Charleston County, South Carolina; filed January 2014).

Actions Filed on Behalf of Individual Cities, Counties and States

Such actions include:

- City of San Diego, California v. Hotels.com L.P., et al. (California Superior Court, San Diego County; filed in September 2006) (Superior Court of California, Los Angeles County) (California Court of Appeal; appeal filed in August 2012); (California Supreme Court; petition for review granted in July 2014);
- City of Atlanta, Georgia v. Hotels.com L.P., et al. (Superior Court of Fulton County, Georgia; filed in March 2006); (Court of Appeals of the State of Georgia; appeal filed in January 2007); (Georgia Supreme Court; further appeal filed in December 2007; petition for writs of mandamus and prohibition filed in December 2012; further appeal filed in November 2013 but transferred to Georgia Court of Appeals in July 2014);
- Leon County, et al. v. Expedia, Inc., et al. (Second Judicial Circuit Court for Leon County, Florida; filed November 2009); (Florida First District Court of Appeal; appeal filed in May 2012); (Florida Supreme Court; jurisdiction accepted in September 2013);
- Leon County v. Expedia, Inc. et al. (Second Judicial Circuit Court for Leon County, Florida; filed in December 2009); (Florida First District Court of Appeal; appeal filed in October 2012); (Florida Supreme Court; notice to invoke jurisdiction filed in October 2013);
- Montana Department of Revenue v. Priceline.com, Inc., et al. (First Judicial District Court of Lewis and Clark County, Montana; filed in November 2010); (Montana Supreme Court; appeal filed in May 2014);
- District of Columbia v. Expedia, Inc., et al. (Superior Court of District of Columbia; filed in March 2011); (District of Columbia Court of Appeals; appeal filed in March 2014);
- Volusia County, et al. v. Expedia, Inc., et al. (Circuit Court for Volusia County, Florida; filed in April 2011);
- Town of Breckenridge, Colorado v. Colorado Travel Company, LLC, et al. (District Court for Summit County, Colorado; filed in July 2011);
- County of Nassau v. Expedia, Inc., et al. (Supreme Court of Nassau County, New York; filed in September 2011); (Appellate Division, Second Department; appeal filed in April 2013);
- State of Mississippi v. Priceline.com Inc., et al. (Chancery Court of Hinds County, Mississippi; filed in January 2012);
- Fargo v. Expedia, Inc. et al. (District Court for the County of Cass; filed in February 2013)
- Village of Bedford Park, et al. v. Expedia, Inc. et al. (U.S. District Court for the Northern District of Illinois; filed in July 2013);
- Department of Revenue, Finance and Administration Cabinet, Commonwealth of Kentucky v. Expedia Inc., et al. (Franklin Circuit Court, Kentucky; filed in July 2013);
- State of New Hampshire v. priceline.com Inc., et al. (Merrimack Superior Court; filed in October 2013);
- Puerto Rico Tourism Company v. Priceline.com Incorporated, et al. (U.S. District Court for the District of Puerto Rico; filed in April 2014); and
- City of Phoenix, et al. v. Priceline.com Inc., et al. (Arizona Tax Court; filed in August 2014).

Judicial Actions Relating to Assessments Issued by Individual Cities, Counties and States

We may seek judicial review of assessments issued by an individual city or county. Currently pending actions seeking such a review include:

- Priceline.com, Inc., et al. v. Broward County, Florida (Second Judicial Circuit, Leon County, Florida; filed in January 2009); (Florida First District Court of Appeal; filed in February 2013); (Florida Supreme Court; notice to invoke jurisdiction filed in February 2014);
- Priceline.com, Inc. v. Indiana Department of State Revenue (Indiana Tax Court; filed in March 2009);
- Priceline.com, Inc., et al. v. City and County of San Francisco, California, et al. (California Superior Court, County of Los Angeles; filed in June 2009); (California Court of Appeal; appeal filed in December 2013); Priceline.com, Inc. v. City and County of San Francisco, California, et al. (California Superior Court, County of Los Angeles; filed in November 2013);
- Priceline.com, Inc. v. Miami-Dade County, Florida, et al. (Eleventh Judicial Circuit Court for Miami-Dade, County, Florida; filed in December 2009);
- priceline.com Incorporated, et al. v. Osceola County, Florida, et al. (Second Judicial Circuit, Leon County, Florida; filed in January 2011);
- In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of the Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii; filed in March 2011) (Hawaii Supreme Court; appeal transferred in December 2013); In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of the Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii, filed in July 2012) (Hawaii Supreme Court; appeal transferred in December 2013); In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii, filed in January 2014); In the Matter of the Appeal of priceline.com Incorporated (Tax Appeal Court of the State of Hawaii; filed in August 2014);
- Expedia, Inc. et al. v. City of Portland (Circuit Court for Multnomah County, Oregon, filed in February 2012);
- Expedia, Inc., et al. v. City and County of Denver, et al. (District Court for Denver County, Colorado, filed in March 2012); (Colorado Court of Appeal; appeal filed in April 2013); (Colorado Supreme Court; petition for review filed in August 2014); and
- Expedia, Inc., et al. v. Oregon Department of Revenue (Oregon Tax Court; filed in September 2013).

Administrative Proceedings and Other Possible Actions

At various times, we have also received inquiries or proposed tax assessments from municipalities and other taxing jurisdictions relating to our charges and remittance of amounts to cover state and local travel transaction taxes. Among others, the City of Paradise Valley, Arizona; fifteen cities (and one county) in Colorado; Arlington, Texas; Lake County, Indiana; and state tax officials from Arkansas, Colorado, Louisiana, Maine, Maryland, Michigan, Minnesota, South Carolina, South Dakota, Texas, Vermont, West Virginia and Wisconsin have begun formal or informal administrative procedures or stated that they may assert claims against us relating to allegedly unpaid state or local travel transaction taxes. Between 2008 and 2010, we received audit notices from more than forty cities in the state of California. The audit proceedings in those cities have not been active but have not been formally closed. We have also been contacted for audit by five counties in the state of Utah.

Patent Infringement

On February 9, 2015, International Business Machines Corporation ("IBM") filed a complaint in the U.S. District Court for the District of Delaware against us and our subsidiaries KAYAK Software Corporation, OpenTable, Inc. and priceline.com LLC (the "Subject Companies"). In the complaint, IBM alleges that the Subject Companies have infringed and continue to willfully infringe certain IBM patents that IBM claims relate to the presentation of applications and advertising in an interactive service, preserving state information in online transactions and single sign-on processes in a computing environment and seeks unspecified damages (including a request that the amount of compensatory damages be trebled), injunctive relief and costs and reasonable attorneys' fees. We believe the claims to be without merit and intend to contest them vigorously.

Other

We intend to defend vigorously against the claims in all of the proceedings described in this Item 3. We have accrued for certain legal contingencies where it is probable that a loss has been incurred and the amount can be reasonably estimated. Except as disclosed, such amounts accrued are not material to our consolidated balance sheets and provisions recorded have not been material to our consolidated results of operations or cash flows. We are unable to estimate a reasonably possible range of loss.

From time to time, we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from our business objectives and adversely affect our business, results of operations, financial condition and cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "PCLN." The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market:

2014	High	Low
First Quarter	\$ 1,378.96	\$ 1,103.90
Second Quarter	1,292.66	1,087.26
Third Quarter	1,329.90	1,139.27
Fourth Quarter	1,229.00	1,017.28
2013	High	Low
First Quarter	\$ 728.70	\$ 627.67
Second Quarter	847.33	677.72
Third Quarter	1,019.95	831.11
Fourth Quarter	1,198.75	972.40

Holders

As of February 11, 2015, there were approximately 239 stockholders of record of The Priceline Group Inc.'s common stock.

Dividend Policy

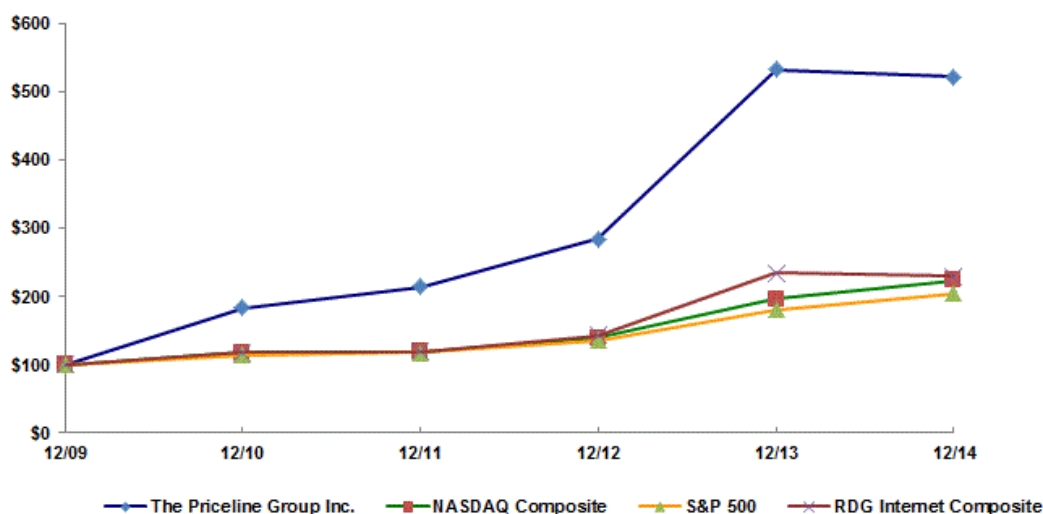
We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to pay any cash dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business.

Performance Measurement Comparison

The following graph shows the total stockholder return through December 31, 2014 of an investment of \$100 in cash on December 31, 2009 for The Priceline Group Inc. common stock and an investment of \$100 in cash on December 31, 2009 for (i) the NASDAQ Composite Index, (ii) the Standard and Poor's 500 Index and (iii) the Research Data Group ("RDG") Internet Composite Index. The RDG Internet Composite Index is an index of stocks representing the Internet industry, including Internet software and service companies and e-commerce companies. Historic stock performance is not necessarily indicative of future stock price performance. All values assume reinvestment of the full amount of all dividends and are calculated as of the last day of each month:

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Priceline.com Incorporated, the NASDAQ Composite Index, the S&P 500 Index, and the RDG Internet Composite Index



*\$100 invested on 12/31/09 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Measurement Point December 31	The Priceline Group Inc.	NASDAQ Composite Index	S&P 500 Index	RDG Internet Composite
2009	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
2010	182.94	117.61	115.06	117.87
2011	214.14	118.70	117.49	119.73
2012	284.05	139.00	136.30	143.58
2013	532.21	196.83	180.44	234.21
2014	522.05	223.74	205.14	229.15

Sales of Unregistered Securities

Between October 1, 2014 and December 31, 2014, we issued 599 shares of our common stock in connection with the conversion of \$250,000 principal amount of our 1.25% Convertible Senior Notes due 2015. The conversions were effected in accordance with the indenture, which provides that the principal amount of converted notes be paid in cash and the conversion premium be paid in cash and/or shares of common stock at our election. The issuances of the shares were not registered under the Securities Act of 1933, as amended (the "Act") pursuant to Section 3(a)(9) of the Act.

Issuer Purchases of Equity Securities

The following table sets forth information relating to repurchases of our equity securities during the three months ended December 31, 2014:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2014 —	—	—	—	\$ 382 (1)
October 31, 2014	—	—	—	\$ 507,236,207 (2)
	646 (3)	\$ 1,155.13	N/A	N/A (3)
November 1, 2014 —	— (1)	—	—	\$ — (1)
November 30, 2014	7,514 (2)	1,149.61	7,514	\$ 498,598,401 (2)
	3,574 (3)	\$ 1,154.81	N/A	N/A (3)
December 1, 2014 —	—	—	—	\$ —
December 31, 2014	431,383 (2)	1,139.04	431,383	\$ 7,237,309 (2)
	—	—	N/A	N/A (3)
Total	<u>443,117</u>	\$ <u>1,139.37</u>	<u>438,897</u>	\$ <u>7,237,309</u>

- (1) Pursuant to a stock repurchase program announced on March 4, 2010, whereby the Company was authorized to repurchase up to \$500,000,000 of its common stock.
- (2) Pursuant to a stock repurchase program announced on May 29, 2013, whereby the Company was authorized to repurchase up to \$1,000,000,000 of its common stock.
- (3) Pursuant to a general authorization, not publicly announced, whereby the Company is authorized to repurchase shares of its common stock to satisfy employee withholding tax obligations related to stock-based compensation.

Item 6. Selected Financial Data**SELECTED FINANCIAL DATA**

The selected consolidated financial data presented below is derived from the Consolidated Financial Statements and related Notes of the Company, and should be read in connection with those statements, some of which are included herein. Selected financial data reflects data related to rentalcars.com from its acquisition date of May 2010, KAYAK from its acquisition date of May 2013 and OpenTable from its acquisition date of July 2014. The information set forth below is not necessarily indicative of future results and should be read in conjunction with Part II Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share amounts)				
Total revenues	\$ 8,441,971	\$ 6,793,306	\$ 5,260,956	\$ 4,355,610	\$ 3,084,905
Cost of revenues	857,841	1,077,420	1,177,275	1,275,730	1,175,934
Gross profit	7,584,130	5,715,886	4,083,681	3,079,880	1,908,971
Total operating expenses	4,510,818	3,303,472	2,253,888	1,680,958	1,122,174
Operating income	3,073,312	2,412,414	1,829,793	1,398,922	786,797
Total other expense	83,864	115,877	67,924	31,128	40,514
Income tax expense	567,695	403,739	337,832	308,663	218,141
Net income	2,421,753	1,892,798	1,424,037	1,059,131	528,142
Net income attributable to noncontrolling interests ⁽¹⁾	—	135	4,471	2,760	601
Net income applicable to common stockholders	2,421,753	1,892,663	1,419,566	1,056,371	527,541
Net income applicable to common stockholders per basic common share	46.30	37.17	28.48	21.27	11.00
Net income applicable to common stockholders per diluted share	45.67	36.11	27.66	20.63	10.35
Total assets	14,940,563	10,444,460	6,569,742	3,970,671	2,905,953
Long-term obligations, redeemable noncontrolling interests ⁽²⁾	5,031,073	2,304,917	1,731,385	788,218	621,624
Total liabilities	6,373,540	3,526,198	2,457,825	1,191,971	1,046,828
Total stockholders' equity	8,566,694	6,909,729	3,896,975	2,574,295	1,813,336

(1) Redeemable noncontrolling interests beginning in 2010 relates to the Company's purchase of rentalcars.com in May 2010. In April 2011, in connection with the exercise of certain call and put options in March 2011, the redeemable noncontrolling interests in rentalcars.com were reduced from 24.4% to 19.0%. In April 2012, in connection with the exercise of certain call and put options in March 2012, the redeemable noncontrolling interests in rentalcars.com were reduced from 19.0% to 12.7%. In April 2013, in connection with the exercise of certain call and put options in March 2013, the Company purchased the remaining outstanding shares underlying the redeemable noncontrolling interests.

(2) Includes convertible debt which is classified as a current liability.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our Consolidated Financial Statements, including the notes to those statements, included elsewhere in this Annual Report on Form 10-K, and the Section entitled "Special Note Regarding Forward-Looking Statements" in this Annual Report on Form 10-K. As discussed in more detail in the Section entitled "Special Note Regarding Forward-Looking Statements," this discussion contains forward-looking statements which involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause those differences include those discussed in "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Overview

We are a leading provider of online travel and travel related reservation and search services. Through our online travel agent ("OTA") services, we connect consumers wishing to make travel reservations with providers of travel services around the world. We offer consumers accommodation reservations (including hotels, bed and breakfasts, hostels, apartments, vacation rentals and other properties) through our Booking.com, priceline.com and agoda.com brands. Our priceline.com brand also offers consumers reservations for rental cars, airline tickets, vacation packages and cruises. We offer rental car reservations worldwide through rentalcars.com. We also allow consumers to easily compare airline ticket, hotel reservation and rental car reservation information from hundreds of travel websites at once through KAYAK. We recently acquired OpenTable, a leading provider of online restaurant reservations. We believe that the online restaurant reservation business is complementary to our online travel businesses, and that both OpenTable and our travel businesses will benefit from adding OpenTable to The Priceline Group. We refer to our company and all of our subsidiaries and brands, including Booking.com, priceline.com, KAYAK, agoda.com, rentalcars.com and, as of July 24, 2014, OpenTable, collectively as "The Priceline Group," the "Company," "we," "our" or "us."

We launched our business in the United States in 1998 under the priceline.com brand and have since expanded our operations to include Booking.com, KAYAK, agoda.com, rentalcars.com and OpenTable, which are independently managed and operated brands. Our principal goal is to serve consumers and our travel service provider and restaurant partners with worldwide leadership in online reservation services. Our business is driven primarily by international results, which consist of the results of Booking.com, agoda.com and rentalcars.com and the results of the internationally based websites of KAYAK and, as of July 24, 2014, OpenTable (in each case regardless of where the consumer resides, where the consumer is physically located while making a reservation or the location of the travel service provider or restaurant). During the year ended December 31, 2014, our international business (the substantial majority of which is generated by Booking.com) represented approximately 87% of our gross bookings (an operating and statistical metric referring to the total dollar value, generally inclusive of all taxes and fees, of all travel services purchased by our customers), and approximately 94% of our consolidated operating income. See Note 18 to the Consolidated Financial Statements for more geographic information. A significant majority of our gross profit is earned in connection with facilitating accommodation reservations.

We derive substantially all of our gross profit from the following sources:

- Commissions earned from facilitating reservations of accommodations, rental cars, cruises and other travel services;
- Transaction gross profit and customer processing fees from our accommodation, rental car, airline ticket and vacation package reservation services;
- Advertising revenues primarily earned by KAYAK from sending referrals to OTAs and travel service providers, as well as from advertising placements on KAYAK's websites and mobile apps;
- Beginning on July 24, 2014, revenues recognized by OpenTable, which consist of reservation revenues (a fee for restaurant guests seated through OpenTable's online reservation service), subscription fees for restaurant reservation management services and other revenues; and
- Global distribution system ("GDS") reservation booking fees related to our *Name Your Own Price*[®] hotel, rental car and airline ticket reservation services, and price-disclosed airline ticket and rental car reservation services.

Our priceline.com brand offers merchant *Name Your Own Price*[®] opaque travel services, which are recorded in revenue on a "gross" basis and have associated cost of revenue. All of our other services are recorded in revenue on a "net" basis and have no associated cost of revenue. Therefore, revenue increases and decreases are impacted by changes in the mix of our revenues between *Name Your Own Price*[®] travel services and other services. Gross profit reflects the commission or net margin earned for our retail, *Name Your Own Price*[®] and semi-opaque travel services and our advertising and other services. Consequently, gross profit is an important measure to evaluate growth in our business because, in contrast to our revenues, it is not affected by

the different methods of recording revenue and cost of revenue between our *Name Your Own Price*[®] travel services and our other services.

Trends

Over the last several years we have experienced strong growth in our accommodation reservation services. We believe this growth is the result of, among other things, the broader shift of travel purchases from offline to online, the widespread adoption of mobile devices, the high growth of travel overall in emerging markets such as Asia-Pacific and South America, and the continued innovation and execution by our teams around the world to build accommodation supply, content and distribution and to improve the customer experience on our websites and mobile apps. These year-over-year growth rates have generally decelerated in recent years. For example, for the year ended December 31, 2014, our accommodation room night reservation growth was 28%, a deceleration from 37% in 2013, 40% in 2012 and 53% in 2011. Given the size of our hotel reservation business, we expect that our year-over-year growth rates will continue to decelerate, though the rate of deceleration may fluctuate.

The size of the travel market outside of the United States is substantially greater than that within the United States. Historically, Internet use and e-commerce activity of international consumers have trailed that of consumers in the United States. However, international consumers are rapidly moving to online means for purchasing travel. Accordingly, recent international online travel growth rates have substantially exceeded, and are expected to continue to exceed, the growth rates within the United States. We expect that over the long-term, international online travel growth rates will follow a similar trend to that experienced in the United States. In addition, the base of hotel properties in Europe and Asia is particularly fragmented compared to that in the United States, where the hotel market is dominated by large hotel chains. We believe online reservation systems like ours may be more appealing to small chains and independent hotels more commonly found outside of the United States. Our growth has primarily been generated by our international accommodation reservation service brands, Booking.com and agoda.com. Booking.com, our most significant brand, included over 600,000 properties on its website as of February 13, 2015, which included over 245,000 vacation rental properties (updated property counts are available on the Booking.com website). Booking.com has added properties over the past year in its core European market as well as higher-growth markets such as North America (which is a newer market for Booking.com), Asia-Pacific and South America. An increasing amount of our business from both a destination and point-of-sale perspective is conducted in our newer markets which are growing faster than our overall growth rate. We believe that the opportunity to continue to grow our business exists for the markets in which we operate. We believe these trends and factors have enabled us to become the leading online accommodation reservation service provider in the world as measured by room nights booked.

As our international business represents the substantial majority of our financial results, we expect to continue to see our operating results and other financial metrics largely driven by international performance. For example, certain markets in which we operate that are in earlier stages of development have lower operating margins compared to more mature markets, which could have a negative impact on our overall margins as these markets increase in size over time. Also, we intend to continue to invest in adding accommodations available for reservation on our websites, including hotels, bed and breakfasts, hostels and vacation rentals. Vacation rentals generally consist of, among others, properties categorized as single-unit and multi-unit villas, apartments, "aparthotels" (which are apartments with a front desk and cleaning service) and chalets and are generally self-catered (i.e., include a kitchen), directly bookable properties. Many of the newer accommodations we add to our travel reservation services, especially in highly penetrated markets, may have fewer rooms, lower average daily rates ("ADRs") or higher credit risk and may appeal to a smaller subset of consumers (e.g., hostels and bed and breakfasts), and therefore may also negatively impact our margins. For example, because a vacation rental is either a single unit or a small collection of independent units, vacation rental properties represent more limited booking opportunities than non-vacation rental properties, which generally have more units to rent per property. Our non-hotel accommodations in general may be subject to increased seasonality due to local tourism seasons, weather or other factors. As we increase our non-hotel accommodation business, these different market characteristics could negatively impact our profit margins; and, to the extent these properties represent an increasing percentage of the properties added to our websites, our gross bookings growth rate and property growth rate will likely diverge over time (since each such property has fewer booking opportunities). As a result of the foregoing, as the percentage of non-hotel accommodations increases, the number of reservations per property will likely decrease. In addition, non-hotel accommodations, including vacation rentals, tend to be more seasonal in nature and may close during "off-season," which impacts our property counts quarter to quarter.

Concerns persist about the outlook for the global economy in general, and the European Union in particular, with recent declines in broad Eurozone economic indicators raising fears about the pace of economic growth and the risk of deflation. In addition, many governments around the world, including the U.S. government and certain European governments, continue to operate at large financial deficits, resulting in high levels of sovereign debt in such countries. Greece, Ireland, Portugal and certain other European Union countries with high levels of sovereign debt at times have had difficulty refinancing

their debt. Failure to reach political consensus regarding workable solutions to these issues has resulted in a high level of uncertainty regarding the future economic outlook. This uncertainty, as well as concern over governmental austerity measures including higher taxes and reduced government spending, could impair consumer spending and adversely affect travel demand. At times, we have experienced volatility in transaction growth rates and weaker trends in hotel ADRs across many regions of the world, particularly in those European countries that appear to be most affected by economic uncertainties. We believe that these business trends are likely impacted by weak economic conditions and sovereign debt concerns. Disruptions in the economies of such countries could cause, contribute to or be indicative of deteriorating macro-economic conditions.

Greece's newly elected government, which campaigned against austerity measures, may not be able to reach an acceptable solution to the country's debt crisis with the European Union. This may increase the likelihood that Greece, and in turn other countries, could exit the European Union, which could lead to added economic uncertainty and further devaluation or eventual abandonment of the Euro common currency. These and other macro-economic uncertainties, such as sovereign default risk becoming more widespread, declining oil prices and geopolitical tensions, have led to significant volatility in the exchange rate between the Euro, the U.S. Dollar and other currencies. The European Central Bank, in an effort to stimulate the European economy, recently launched a quantitative easing program to purchase public debt, which in turn has caused the Euro exchange rate to weaken compared to the U.S. Dollar.

Our international business represents a substantial majority of our financial results. During the year ended December 31, 2014, our international business (the substantial majority of which is generated by Booking.com) represented approximately 87% of our gross bookings (an operating and statistical metric referring to the total dollar value, generally inclusive of all taxes and fees, of all travel services purchased by our customers), and approximately 94% of our consolidated operating income. Therefore, because we report our results in U.S. Dollars, we face exposure to adverse movements in currency exchange rates as the financial results of our international businesses are translated from local currency (principally the Euro and the British Pound Sterling) into U.S. Dollars. The U.S. Dollar significantly strengthened against the Euro during 2014, moving from an exchange rate of 1.38 U.S. Dollars per Euro as of January 1, 2014 to 1.13 U.S. Dollars per Euro as of January 31, 2015. The U.S. Dollar also strengthened significantly during this time frame as compared to many other currencies. As a result, our foreign currency denominated net assets, gross bookings, gross profit, operating expenses and net income have been negatively impacted as expressed in U.S. Dollars.

For example, gross profit from our international operations grew year-over-year on a local currency basis by approximately 32% for the three months ended December 31, 2014, but, as a result of the impact of changes in currency exchange rates, grew 24% as reported in U.S. Dollars. The U.S. Dollar significantly strengthened against the Euro during 2014, moving from an exchange rate of 1.38 U.S. Dollars per Euro as of January 1, 2014 to 1.21 U.S. Dollars per Euro as of December 31, 2014. The U.S. Dollar strengthened further in January 2015 to an exchange rate of 1.13 U.S. Dollars per Euro as of January 31, 2015. The U.S. Dollar has also strengthened against many other currencies since January 1, 2014. At these exchange rates, the growth of our total and international gross bookings, expressed in U.S. Dollars, will be significantly adversely impacted in 2015. We generally enter into derivative instruments to minimize the impact of short-term currency fluctuations on our consolidated operating results. However, such derivative instruments are short-term in nature and not designed to hedge against currency fluctuations that could impact our gross bookings, revenues or gross profit (see Note 5 to the Consolidated Financial Statements for additional information on our derivative contracts).

Significant fluctuations in currency exchange rates can also impact consumer travel behavior. For example, recent dramatic depreciation of the Russian Ruble has resulted in it becoming more expensive for Russians to travel to Europe and most other non-Ruble destinations. Consumers traveling from a country whose currency has weakened against other currencies may book lower ADR accommodations, choose to shorten or cancel their international travel plans or choose to travel domestically rather than internationally, any of which could adversely affect our gross bookings, revenues and results of operations, in particular when expressed in U.S. Dollars.

The uncertainty of macro-economic factors, the volatility in foreign exchange rates and their impact on consumer behavior, which may differ across regions, makes it more difficult to forecast industry and consumer trends and the timing and degree of their impact on our markets and business, which in turn could adversely affect our ability to effectively manage our business and adversely affect our results of operations.

We compete with both online and traditional travel and travel related reservation and search services. The market for the travel reservation and search services we offer is intensely competitive, a trend we expect to continue, and current and new competitors can launch new services at a relatively low cost. We currently, or potentially may in the future, compete with a variety of companies, including:

- online travel reservation services such as those owned by Expedia, Orbitz (which has agreed to be acquired by Expedia), Ctrip, Rakuten, eDreams ODIGEO and Jalan;

- online accommodation search and/or reservation services, such as HomeAway and Airbnb, focused on vacation rental properties, including individually owned properties;
- large online companies, including search, social networking and marketplace companies such as Google, Facebook, Alibaba, Amazon and Groupon;
- traditional travel agencies, wholesalers and tour operators, such as Carlson Wagonlit, American Express, Thomas Cook and Tui Travel, as well as thousands of individual travel agencies around the world;
- travel service providers such as accommodation providers, rental car companies and airlines;
- online travel search and price comparison services (generally referred to as "meta-search" services), such as TripAdvisor, trivago (in which Expedia has acquired a majority ownership interest), Qunar and HotelsCombined; and
- online restaurant reservation services, such as TripAdvisor's LaFourchette and Yelp's SeatMe.

For more detail regarding the competitive trends and risks we face, see Part I Item 1 Business - "Competition" and Part I Item 1A Risk Factors - "*Intense competition could reduce our market share and harm our financial performance.*" and "*Recent trends in consumer adoption and use of mobile devices create new challenges and may enable device companies such as Apple to compete directly with us.*"

After entering into an exclusive, long-term strategic marketing agreement in August 2013, Expedia acquired Travelocity in January 2015. On February 12, 2015, Expedia announced that it had entered into an agreement to acquire Orbitz. To the extent these acquisitions enhance Expedia's ability to compete with us, in particular in the United States, which is Expedia's, Travelocity's and Orbitz's largest market, our market share and results of operations could be adversely affected.

Widespread adoption of mobile devices, such as the iPhone, Android-enabled smart phones and tablets such as the iPad, coupled with the improved web browsing functionality and development of thousands of useful "apps" available on these devices, is driving substantial online traffic and commerce to mobile platforms. We have experienced a significant shift of business to mobile platforms and our advertising partners are also seeing a rapid shift of traffic to mobile platforms. Our major competitors and certain new market entrants are offering mobile applications for travel products and other mobile functionality, including proprietary last-minute discounts for accommodation reservations. Advertising and distribution opportunities may be more limited on mobile devices given their smaller screen sizes. The gross profit earned on a mobile transaction may be less than a typical desktop transaction due to different consumer purchasing patterns. For example, accommodation reservations made on a mobile device typically are for shorter lengths of stay and are not made as far in advance. Further, given the device sizes and technical limitations of tablets and smart phones, mobile consumers may not be willing to download multiple apps from multiple companies providing a similar service and instead prefer to use one or a limited number of apps for their mobile travel and restaurant research and reservation activity. As a result, the consumer experience with mobile apps as well as brand recognition and loyalty are likely to become increasingly important. Our mobile offerings have received strong reviews and achieved solid download trends, and are driving a material and increasing share of our business. We believe that mobile bookings present an opportunity for growth and are necessary to maintain and grow our business as consumers increasingly turn to mobile devices instead of a personal computer and to mobile applications in addition to a web browser. If we are unable to continue to rapidly innovate and create new, user-friendly and differentiated mobile offerings and efficiently and effectively advertise and distribute on these platforms, or if our mobile apps are not downloaded and used by consumers, we could lose market share to existing competitors or new entrants and our future growth and results of operations could be adversely affected.

In addition, we have observed an increase in promotional pricing to closed user groups (such as loyalty program participants or customers with registered accounts), including through mobile apps. If we are not as effective as our competition in offering discounted prices to closed user groups or if we are unable to entice members of our competitors' closed user groups to use our services, our ability to grow and compete could be harmed. Further, growth in discounted closed user group retail prices for hotel rooms lessens the price difference for members of closed user groups between a retail hotel reservation and an opaque hotel reservation, which may lead to fewer consumers using our opaque hotel reservation services. If we need to fund discounts out of our gross profit, our profitability could be adversely affected.

We have established widely used and recognized e-commerce brands through aggressive marketing and promotional campaigns. As a result, both our online and offline advertising expense has increased significantly in recent years, a trend we expect to continue. During 2014, our total online advertising expense was approximately \$2.4 billion, a substantial portion of

which was spent internationally through Internet search engines (primarily Google), meta-search and travel research services and affiliate marketing. We also invested \$231 million in offline advertising. We intend to continue a strategy of aggressively promoting brand awareness, primarily through online means although we also intend to increase our offline advertising efforts, including by expanding offline campaigns into additional markets. For example, building on its first offline advertising campaign, which it launched in the United States in 2013, Booking.com has begun offline advertising campaigns in other markets, including Australia, Canada, the United Kingdom and Germany. We have observed increased offline advertising by OTAs, meta-search services and travel service providers, particularly in North America and Europe, which may make our offline advertising efforts more expensive and less effective.

Online advertising efficiency, expressed as online advertising as a percentage of gross profit, is impacted by a number of factors that are subject to variability and that are, in some cases, outside of our control, including ADRs, costs per click, cancellation rates, foreign exchange rates, our ability to convert paid traffic to booking customers and the extent to which consumers come directly to our websites or mobile apps for bookings. For example, competition for desired rankings in search results and/or a decline in ad clicks by consumers, could increase our costs-per-click and reduce our online advertising efficiency. From 2011 to 2013 our online advertising grew faster than our gross profit due to (1) year-over-year declines in online advertising returns on investment ("ROIs") and (2) brand mix within The Priceline Group as our international brands grew faster than our U.S. brands and spent a higher percentage of gross profit on online advertising. In 2014, these long-term trends were more than offset by the inclusion of KAYAK and OpenTable because they spend a lower percentage of gross profit on online advertising than our other brands. Also, our consolidated results exclude intercompany advertising by our brands on KAYAK since our acquisition of KAYAK in May 2013. If Google changes how it presents travel search results or the manner in which it conducts the auction for placement among search results in a manner that is competitively disadvantageous to us, whether to support its own travel related services or otherwise, our ability to efficiently generate traffic to our websites could be harmed. See Part I Item 1A Risk Factors - "*We rely on online advertising channels to enhance our brand awareness and to generate a significant amount of traffic to our websites.*" and "*Our business could be negatively affected by changes in Internet search engine algorithms and dynamics or traffic-generating arrangements.*"

The competition authorities of many governments have begun investigations into competitive practices within the online travel industry, and we may be involved or affected by such investigations and their results. For example, Booking.com has been the subject of a competition investigation by U.K. competition authorities since July 2012. Other national competition authorities, including those in the Czech Republic, France, Germany, Italy, Austria, Hungary, Sweden and Switzerland, have more recently opened investigations that focus on Booking.com's rate parity clause in its contracts with accommodation providers in those jurisdictions. We are currently unable to predict the outcome of all of these investigations or how our business may be affected. Possible outcomes include requiring Booking.com to remove its rate parity clause from its contracts with accommodation providers in those jurisdictions. In the U.K. investigation, Booking.com and the other subjects of the investigation had reached a settlement with the competition authorities; however, that settlement has been vacated on appeal. On December 15, 2014, the French, Italian and Swedish national competition authorities, working in close cooperation with the European Commission, announced their intention to seek public feedback on commitments offered by Booking.com in connection with investigations of Booking.com's rate parity provisions in its contractual arrangements with accommodation providers. See Footnote 16 to our Consolidated Financial Statements and Part I Item 1A Risk Factors - "*As the size of our business grows, we may become increasingly subject to the scrutiny of anti-trust and competition regulators.*" We note that the German competition authority has required Hotel Reservation Service, a leading OTA in Germany, to remove its rate parity clause from its contracts with hotels, and Hotel Reservation Service's initial appeal was denied. To the extent that regulatory authorities require changes to our business practices or to those currently common to the industry, our business, competitive position and results of operations could be materially and adversely affected. Negative publicity regarding any such investigations could adversely affect our brand and therefore our market share and results of operations.

Hotels typically make available only a limited number of hotel rooms for opaque services like ours, especially during periods of high occupancy. As a result, recent high hotel occupancy levels in the United States have had an adverse impact on our access to hotel rooms for our opaque hotel reservation services, which has negatively affected our opaque hotel reservation gross profits.

Seasonality

A meaningful amount of gross bookings are generated early in the year, as customers plan and reserve their spring and summer vacations in Europe and North America. From a cost perspective, we expense the substantial majority of our advertising activities as the expense is incurred, which is typically in the quarter in which reservations are booked. However, we generally do not recognize associated revenue until future quarters when the travel occurs. As a result, we typically experience our highest levels of profitability in the second and third quarters of the year, which is when we experience the highest levels of accommodation checkouts for the year for our European and North American businesses.

In addition, the date on which certain holidays fall can have an impact on our quarterly results. For example, in 2013 our second quarter year-over-year growth rates in revenue, gross profit, operating income and operating margins were adversely affected by Easter falling in the first quarter instead of the second quarter, as it did in 2012. Conversely, our second quarter 2014 year-over-year growth rates in revenue, gross profit, operating income and operating margins were favorably impacted by Easter falling in the second quarter instead of the first quarter, as it did in 2013.

The impact of seasonality can be exaggerated in the short-term by the gross bookings growth rate of the business. For example, in periods where our growth rate substantially decelerates, our operating margins typically benefit from relatively less variable advertising expense. In addition, gross profit growth is typically less impacted in the near term due to the benefit of revenue related to reservations booked in previous quarters.

We experience the highest levels of booking and travel consumption for our Asia-Pacific and South American businesses in the first and fourth quarters. Therefore, if these businesses grow faster than our North American and European businesses, our operating results for the first and fourth quarters of the year may become more significant over time as a percentage of full year operating results.

Other Factors

We believe that our future success depends in large part on our ability to continue to profitably grow our brands worldwide, and, over time, to offer other travel and travel related services and further expand into other international markets. Factors beyond our control, such as worldwide recession, oil prices, terrorist attacks, unusual weather patterns, natural disasters such as earthquakes, hurricanes, tsunamis, floods and volcanic eruptions, travel related health concerns including pandemics and epidemics such as Ebola, Influenza H1N1, avian bird flu and SARS, political instability, regional hostilities, imposition of taxes or surcharges by regulatory authorities or travel related accidents, could adversely affect our business and results of operations and impair our ability to effectively implement all or some of the initiatives described above.

For example, in late 2012 Hurricane Sandy disrupted travel in the northeastern United States. In early 2011, Japan was struck by a major earthquake, tsunami and nuclear emergency. In October 2011, severe flooding in Thailand, a key market for our agoda.com business and the Asian business of Booking.com, negatively impacted booking volumes and cancellation rates in this market. In addition, Thailand has recently experienced disruptive civil unrest, which has negatively impacted booking volumes and cancellation rates in this market. In early 2010, Thailand also experienced civil unrest, which caused the temporary relocation of agoda.com's Thailand-based operations. Future natural disasters, health concerns or civil or political unrest could further disrupt our business and operations.

We intend to continue to invest in marketing and promotion, technology and personnel within parameters consistent with attempts to improve long-term operating results, even if those expenditures create pressure on operating margins. We have experienced pressure on operating margins as we prioritize initiatives that drive growth. We also intend to broaden the scope of our business, and to that end, we explore strategic alternatives from time to time in the form of, among other things, mergers and acquisitions. Our goal is to grow gross profit and achieve healthy operating margins in an effort to maintain profitability. The uncertain environment described above makes the prediction of future results of operations difficult, and accordingly, we may not be able to sustain gross profit growth and profitability.

On July 24, 2014, we acquired OpenTable, a leading provider of online restaurant reservations, for \$2.5 billion (\$2.4 billion net of cash acquired) and on May 21, 2013, we acquired KAYAK Software Corporation, a leading travel meta-search service, for \$2.1 billion (\$1.9 billion net of cash acquired). A substantial portion of the total consideration for these acquisitions related to identifiable acquired intangibles and goodwill (see Note 9 to the Consolidated Financial Statements). In 2015, we intend to invest in OpenTable to accelerate its global expansion, increase the value offered to its restaurant partners and enhance the end-to-end experience for customers across desktop and mobile devices. As a result, we expect OpenTable's profitability in 2015 to decline year-over-year as we invest for future growth. If the investments we intend to make in 2015 and beyond, in particular internationally, are unsuccessful in growing OpenTable's global online restaurant reservation business or OpenTable experiences a significant reduction in revenues or profitability due to factors such as competition, increased capital expenditures or investments in its business, we may incur an impairment. Likewise, if KAYAK is unsuccessful in profitably growing its global online travel brand or it experiences a significant reduction in advertising revenues on its websites or mobile apps or profitability due to factors such as a loss of continued access to travel services information provided by other OTAs or travel service providers, we may incur an impairment.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies and estimates are more fully described in Note 2 to the Consolidated Financial Statements. Certain of our accounting policies and estimates are particularly important to our financial position and results of operations and require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. In applying those policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. On an on-going basis, we evaluate our estimates, including those related to the items described below. Those estimates are based on, among other things, historical experience, terms of existing contracts, our observance of trends in the travel industry and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies that involve significant estimates and judgments of management include the following:

- *Accounting for Travel Transaction Taxes.* As discussed in Note 16 to the Consolidated Financial Statements, we are currently involved in approximately forty lawsuits brought by or against states, cities and counties over issues involving the payment of travel transaction taxes (e.g. hotel occupancy taxes, excise taxes, sales taxes, etc.). In addition, over seventy-nine municipalities or counties, and at least eleven states, have initiated audit proceedings, issued proposed tax assessments or started inquiries relating to the payment of travel transaction taxes. Additional state and local jurisdictions are likely to assert that we are subject to travel transaction taxes and could seek to collect such taxes, retroactively and/or prospectively. Historically, we have not collected travel transaction taxes on the gross profit earned from merchant hotel transactions; however, in a handful of jurisdictions, we have been required recently by passage of a new statute or by court order to start collecting and remitting certain taxes (local occupancy and/or sales or excise tax) imposed upon our margin and/or service fee, or in the case of Hawaii, on the full amount collected from the consumer. The ultimate resolution of these matters in all jurisdictions cannot be determined at this time. We have established an accrual (including estimated interest and penalties) for potential resolution of issues related to travel transaction taxes for prior and current periods, consistent with applicable accounting principles and in light of all current facts and circumstances. We accrue for legal contingencies where it is probable that a loss has occurred and the amount can be reasonably estimated; our legal expenses for these matters are expensed as incurred and are not reflected in the amount accrued. A variety of factors could affect the amount of the liability (both past and future), which factors include, but are not limited to, the number of, and amount of gross profit represented by, jurisdictions that ultimately assert a claim and prevail in assessing such additional tax or negotiate a settlement and changes in relevant statutes. The ultimate resolution of these matters may be greater or less than the liabilities recorded.
- *Stock-Based Compensation.* We record stock-based compensation expense for equity-based awards over the recipient's service period based upon the grant date fair value of the award. A number of our equity awards have performance targets (a performance "contingency") which, if satisfied, can increase the number of shares issued to the recipients at the end of the performance period or, in certain instances, if not satisfied, reduce the number of shares issued to the recipients, sometimes to zero, at the end of the performance period. The performance periods for our performance based equity awards are typically three years. We record stock-based compensation expense for these performance-based awards based upon our estimate of the probable outcome at the end of the performance period (i.e., the estimated performance against the performance targets). We periodically adjust the cumulative stock-based compensation recorded when the probable outcome for these performance-based awards is updated based upon changes in actual and forecasted operating results. Stock-based compensation for the years ended December 31, 2014, 2013 and 2012 includes charges amounting to \$20.6 million, \$24.1 million and \$0.9 million, respectively, representing the impact of adjusting the estimated probable outcome of unvested performance share units. Our actual performance against the performance targets could differ materially from our estimates.

We record stock-based compensation expense net of estimated forfeitures. In determining the estimated forfeiture rates, we periodically review actual forfeitures. To the extent that actual forfeiture rates differ from current estimates, such amounts are recorded as a cumulative adjustment in the period in which the estimate is revised.

- *Valuation of Goodwill, Long-Lived Assets and Intangibles.* The application of the purchase method of accounting for business combinations requires the use of significant estimates and assumptions to determine

the fair value of the assets and liabilities assumed in order to properly allocate the purchase price consideration between identifiable intangible assets from goodwill. Our estimates of the fair value of assets and liabilities assumed are based upon assumptions that we believe are reasonable and, when appropriate, include assistance from a third party valuation firm. Goodwill is reviewed at least annually for impairment. Excluding OpenTable, which was acquired in July 2014, the estimated fair value of our other reporting units substantially exceed their respective carrying values. Since the annual impairment test in September 2014, there have been no events or changes in circumstances to indicate a potential impairment.

Additionally, we evaluate whether events or circumstances have occurred which indicate that the carrying amounts of long-lived assets and intangibles may be impaired. The significant factors that are considered that could trigger an impairment review include changes in business strategies, market conditions, or the manner of use of an asset; under performance relative to historical or expected future operating results; and negative industry or economic trends. In evaluating an asset for possible impairment, management estimates that asset's future undiscounted cash flows to measure whether the carrying value of the asset is recoverable. If it is determined that the asset is not recoverable, we measure the impairment based upon the fair value of the asset compared to its carrying value. The fair value represents the projected discounted cash flows of the asset over its remaining life.

As a result of our recent acquisitions of OpenTable and KAYAK in July 2014 and May 2013, respectively, we have recorded a significant amount of goodwill and identifiable intangible assets. Refer to Note 20 in the Consolidated Financial Statements for additional information. In 2015, we intend to invest in OpenTable to accelerate its global expansion, increase the value offered to its restaurant partners and enhance the end-to-end experience for customers across desktop and mobile devices. As a result, we expect OpenTable's profitability in 2015 to decline year-over-year as we invest for future growth. If the investments we intend to make in 2015 and beyond, in particular internationally, are unsuccessful in growing OpenTable's global online restaurant reservation business or OpenTable experiences a significant reduction in revenues or profitability due to factors such as competition, increased capital expenditures or investments in its business, we may incur an impairment. Likewise, if KAYAK is unsuccessful in profitably growing its global online travel brand or it experiences a significant reduction in advertising revenues on its websites or mobile apps or profitability due to factors such as a loss of continued access to travel services information provided by other OTAs or travel service providers, we may incur an impairment charge.

- *Income Taxes.* We determine our tax expense based on our income and statutory tax rates applicable in the various jurisdictions in which we operate. Due to the complex nature of tax legislation and frequent changes with such associated legislation, significant judgment is required in computing our tax expense and determining our tax positions. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of temporary differences, and tax planning strategies and record valuation allowances as required.

We are subject to ongoing tax examinations and assessments in various jurisdictions. To date, we have been audited in several taxing jurisdictions with no significant impact on our financial condition, results of operations or cash flows. Although we believe that our tax filing positions are reasonable, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions and accruals. Accordingly, we may incur additional tax expense based upon our assessment of the more likely than not outcomes or we may adjust previously recorded tax expense to reflect examination results.

We intend to reinvest our foreign earnings in our non-U.S. operations. At December 31, 2014 and 2013, we had approximately \$7.3 billion and \$4.9 billion, respectively, of foreign earnings indefinitely reinvested. It is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not indefinitely reinvested.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued a new accounting standard on the recognition of revenue from contracts with customers that is designed to create greater comparability for financial statement users across industries and jurisdictions. The core principle of the standard is that an "entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." Additionally, the new

guidance specifies the accounting for some costs to obtain or fulfill a contract with a customer. The new standard will also require enhanced disclosures. The accounting standard is effective for public entities for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted under U.S. GAAP and retrospective application is permitted but not required. We are currently evaluating the impact on its consolidated financial statements of adopting this new guidance.

In April 2014, the FASB issued an accounting update which amends the definition of a discontinued operation. The new definition limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results. The new definition includes an acquired business that is classified as held for sale at the date of acquisition. The accounting update requires new disclosures of both discontinued operations and a disposal of an individually significant component of an entity. The accounting update is effective for annual and interim periods beginning on or after December 15, 2014. Early adoption is permitted but only for disposals that have not been reported in financial statements previously issued. We adopted this update in the first quarter of 2015 and this accounting update did not have an impact on our consolidated financial statements.

In July 2013, the FASB issued an accounting update which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward or a tax credit carryforward exists in the same taxing jurisdiction. Per this guidance, an entity must present the unrecognized tax benefit as a reduction to a deferred tax asset, except when the carryforward is not available as of the reporting date under the governing tax law to settle taxes or the entity does not intend to use the deferred tax asset for this purpose. This amendment does not impact the recognition or measurement of uncertain tax positions or the disclosure reconciliation of gross unrecognized tax benefits. The update is effective for public companies beginning after December 15, 2013. We adopted this update in the first quarter of 2014 and this accounting update did not have an impact on the Company's consolidated balance sheet.

Results of Operations

Year Ended December 31, 2014 compared to Year Ended December 31, 2013

Operating and Statistical Metrics

Our financial results are driven by certain operating metrics that encompass the booking and other business activity generated by our travel and travel related services. Specifically, reservations of accommodation room nights, rental car days and airline tickets capture the volume of units purchased by our travel reservation services customers. Gross bookings is an operating and statistical metric that captures the total dollar value, generally inclusive of taxes and fees, of all travel services booked by our customers and is widely used in the travel business. International gross bookings reflect gross bookings generated principally by our Booking.com, agoda.com and rentalcars.com businesses and domestic gross bookings reflect gross bookings generated principally by our priceline.com business, in each case regardless of where the consumer resides, where the consumer is physically located while making a reservation or the location of the travel service provider or restaurant. We follow a similar approach for reporting the international and domestic revenue and gross profit of those businesses.

Gross bookings resulting from accommodation room nights, rental car days and airline tickets reserved through our international and U.S. operations for the years ended December 31, 2014 and 2013 were as follows (numbers may not total due to rounding):

	Year Ended December 31,		Change
	(in millions)		
	2014	2013	
<i>International</i>	\$ 43,639	\$ 33,300	31.0%
<i>Domestic</i>	6,661	5,873	13.4%
<i>Total</i>	\$ 50,300	\$ 39,173	28.4%

Gross bookings increased by 28.4% for the year ended December 31, 2014, compared to the same period in 2013 (growth on a local currency basis was approximately 30%), principally due to growth of 27.9% in accommodation room night reservations, 3% growth on a local currency basis in accommodation ADRs, growth of 18.1% in rental car day reservations and 12.0% growth in airline ticket reservations. International gross bookings grew by 31.0% (growth on a local currency basis was approximately 33%) for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily as a result of growth in accommodation room night reservations for our Booking.com and agoda.com businesses, as well as growth in rental car day reservations for our rentalcars.com business. The U.S. Dollar significantly strengthened against the Euro during 2014, moving from an exchange rate of 1.38 U.S. Dollars per Euro as of January 1, 2014 to 1.21 U.S. Dollars per Euro as of December 31, 2014. The U.S. Dollar strengthened further in January 2015 to an exchange rate of 1.13 U.S. Dollars per Euro as of January 31, 2015. The U.S. Dollar has also strengthened against many other currencies since January 1, 2014. At these exchange rates, the growth of our total and international gross bookings, expressed in U.S. Dollars, will be significantly adversely impacted in 2015. We therefore believe that unit growth rates and total gross bookings, international gross bookings and gross profit growth on a local currency basis, excluding the impact of foreign exchange rate fluctuations, are important measures to understand the fundamental performance of the business.

Domestic gross bookings increased by 13.4% for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to increases in priceline.com's retail airline ticket, retail hotel, *Express Deals*[®] hotel and retail rental car services, partially offset by declines in priceline.com's *Name Your Own Price*[®] reservation services. Travel service providers typically provide a limited amount of availability to opaque services like ours, especially during periods of healthy travel demand. As a result, the recent healthy travel environment in the United States has had an adverse impact on our access to availability for our opaque reservation services.

Gross bookings resulting from reservations of accommodation room nights, rental car days and airline tickets made through our agency and merchant models for the years ended December 31, 2014 and 2013 were as follows (numbers may not total due to rounding):

**Year Ended December 31,
(in millions)**

	2014	2013	Change
<i>Agency</i>	\$ 42,892	\$ 32,672	31.3%
<i>Merchant</i>	7,409	6,501	14.0%
<i>Total</i>	\$ 50,300	\$ 39,173	28.4%

Agency gross bookings increased 31.3% for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to growth in Booking.com accommodation room night reservations, priceline.com's retail airline ticket, rental car and hotel reservation services, and rentalcars.com rental car reservation service. Merchant gross bookings increased 14.0% for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to increases in agoda.com hotel reservation services, rentalcars.com rental car reservation services and priceline.com *Express Deals*[®] hotel and retail hotel reservation services, partially offset by declines in priceline.com's *Name Your Own Price*[®] services.

Units sold for accommodation room nights, rental car days and airline tickets for the years ended December 31, 2014 and 2013 were as follows:

**Year Ended December 31,
(in millions)**

	2014	2013	Change
<i>Room Nights</i>	346.0	270.5	27.9%
<i>Rental Car Days</i>	51.8	43.9	18.1%
<i>Airline Tickets</i>	7.8	7.0	12.0%

Accommodation room night reservations increased by 27.9% for the year ended December 31, 2014, compared to the year ended December 31, 2013, due to an increase in Booking.com, agoda.com and priceline.com accommodation room night reservations. Booking.com, our most significant brand, included over 600,000 properties on its website as of February 13, 2015, which included over 245,000 vacation rental properties, compared to approximately 425,000 properties as of February 18, 2014, which included over 110,000 vacation rental properties (updated property counts are available on the Booking.com website). Booking.com has added properties over the past year in its core European market as well as higher-growth markets such as North America (which is a newer market for Booking.com), Asia-Pacific and South America. An increasing amount of our business from a destination and point-of-sale perspective is conducted in our newer markets which are growing faster than our overall growth rate and our core European market.

Rental car day reservations increased by 18.1% for the year ended December 31, 2014, compared to the year ended December 31, 2013, due to an increase in price-disclosed rental car day reservations for rentalcars.com and priceline.com, partially offset by a decline in priceline.com's *Name Your Own Price*[®] rental car reservation service.

Airline ticket reservations increased by 12.0% for the year ended December 31, 2014, compared to the year ended December 31, 2013, due to an increase in price-disclosed airline ticket reservations for priceline.com driven primarily by increased paid advertising placements on KAYAK (which began in the third quarter of 2013), partially offset by a decline in priceline.com's *Name Your Own Price*[®] airline ticket reservation service.

Revenues

We classify our revenue into three categories:

- Agency revenues are derived from travel related transactions where we are not the merchant of record and where the prices of the travel services are determined by third parties. Agency revenues include travel commissions, GDS reservation booking fees related to certain travel services, travel insurance fees and customer processing fees and are reported at the net amounts received, without any associated cost of revenue. Substantially all of the revenue for Booking.com is agency revenue comprised of travel commissions.
- Merchant revenues are derived from services where we are the merchant of record and therefore charge the customer's credit card for the travel services provided. Merchant revenues include (1) transaction revenues representing the price of *Name Your Own Price*[®] hotel, rental car and airline ticket reservations and vacation

packages charged to a customer; (2) transaction revenues representing the amount charged to a customer, less the amount charged to us by travel service providers in connection with (a) the accommodation reservations provided through our merchant price-disclosed hotel reservation services at agoda.com and priceline.com and (b) the reservations provided through our merchant rental car service at rentalcars.com and merchant *Express Deals*® reservation services at priceline.com; (3) customer processing fees charged in connection with priceline.com's *Name Your Own Price*® reservation services, *Express Deals*® reservation services and merchant price-disclosed hotel reservation services; and (4) ancillary fees, including GDS reservation booking fees related to certain of the services listed above.

- Advertising and other revenues are derived primarily from (1) revenues earned by KAYAK for sending referrals to OTAs and travel service providers; (2) advertising placements on KAYAK's websites and mobile apps; (3) reservation revenues earned by OpenTable (a fee for restaurant guests seated through OpenTable's online reservation service); (4) subscription fees earned by OpenTable for restaurant reservation management services; and (5) revenues generated by Booking.com's hotel marketing services. Revenue from KAYAK is net of intercompany revenues earned by KAYAK from other Priceline Group brands.

	Year Ended December 31,		
	(in thousands)		
	2014	2013	Change
<i>Agency Revenues</i>	\$ 5,845,802	\$ 4,410,689	32.5 %
<i>Merchant Revenues</i>	2,186,054	2,211,474	(1.1)%
<i>Advertising and Other Revenues</i>	410,115	171,143	139.6 %
<i>Total Revenues</i>	\$ 8,441,971	\$ 6,793,306	24.3 %

Agency Revenues

Agency revenues for the year ended December 31, 2014 increased 32.5% compared to the year ended December 31, 2013, primarily as a result of growth in the business of Booking.com. Our priceline.com agency revenues benefited from growth in our retail rental car, agency airline ticket and agency hotel reservation businesses.

Merchant Revenues

Merchant revenues for the year ended December 31, 2014 decreased 1.1% compared to the year ended December 31, 2013, primarily due to decreases in revenues from priceline.com's *Name Your Own Price*® reservation services, mostly offset by increases in our agoda.com business, rentalcars.com business, priceline.com's *Express Deals*® and retail merchant hotel reservation services and priceline.com's *Express Deals*® rental car reservation services. Merchant revenue declined versus the prior year despite growth in merchant gross bookings, because our merchant revenues are disproportionately affected by priceline.com's *Name Your Own Price*® service. *Name Your Own Price*® revenues, which declined year-over-year, are recorded "gross" with a corresponding travel service provider cost recorded in cost of revenues, and represented a smaller percentage, year-over-year, of total revenues compared to our faster-growing agoda.com, rentalcars.com and priceline.com retail merchant hotel and *Express Deals*® reservation services, which are recorded in revenue "net" of travel service provider costs. As a result, we believe that gross profit is an important measure to evaluate growth in our business.

Advertising and Other Revenues

Advertising and other revenues during the year ended December 31, 2014 consisted primarily of advertising revenues, restaurant reservation revenues and subscription revenues for restaurant reservation management services. Other revenues for the year ended December 31, 2014 includes \$100.6 million of OpenTable revenue earned since its acquisition on July 24, 2014.

Cost of Revenues

	Year Ended December 31,		
	(in thousands)		
	2014	2013	Change
<i>Cost of Revenues</i>	\$ 857,841	\$ 1,077,420	(20.4)%

Cost of Revenues

For the year ended December 31, 2014, cost of revenues consisted primarily of: (1) the cost paid to travel service providers for priceline.com's *Name Your Own Price*® reservation services, net of applicable taxes and charges; (2) fees paid to third parties by KAYAK and priceline.com to return travel itinerary information in response to search queries; and (3) costs related to accruals for travel transaction taxes (e.g., hotel occupancy taxes, excise taxes, sales taxes, etc.). Cost of revenues for the year ended December 31, 2014 decreased by 20.4%, compared to the year ended December 31, 2013, primarily due to a decrease in priceline.com's *Name Your Own Price*® reservation services. Cost of revenues for the year ended December 31, 2013 includes an accrual recorded in the first quarter of 2013 of approximately \$20.5 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and the District of Columbia, partially offset by a reduction in our accrual related to travel transaction taxes of \$6.3 million recorded in the fourth quarter of 2013, principally related to a favorable agreement and ruling in the District of Columbia.

Agency revenues have no cost of revenue. Agency revenues principally consist of travel commissions on accommodation reservations.

Gross Profit

	Year Ended December 31, (in thousands)		Change
	2014	2013	
Gross Profit	\$ 7,584,130	\$ 5,715,886	32.7%
Gross Margin	89.8%	84.1%	

Total gross profit for the year ended December 31, 2014 increased by 32.7% compared to the year ended December 31, 2013 (growth on a local currency basis was approximately 34%), primarily as a result of the increased revenue discussed above. Total gross margin (gross profit expressed as a percentage of total revenue) increased during the year ended December 31, 2014, compared to the year ended December 31, 2013, because our revenues are disproportionately affected by priceline.com's *Name Your Own Price*® reservation services. *Name Your Own Price*® revenues are recorded "gross" with a corresponding travel service provider cost recorded in cost of revenues, and in the year ended December 31, 2014 these revenues represented a smaller percentage of total revenues than in the year ended December 31, 2013. Our retail and semi-opaque reservation services, which are recorded in revenue "net" of travel provider cost have been growing faster than priceline.com's *Name Your Own Price*® reservation services. As a result, we believe that gross profit is an important measure to evaluate growth in our business. Our international operations accounted for approximately \$6.6 billion of our gross profit for the year ended December 31, 2014, which compares to \$5.0 billion for the year ended December 31, 2013. Gross profit attributable to our international operations increased, on a local currency basis, by approximately 34% for the year ended December 31, 2014 compared to the year ended December 31, 2013. Gross profit attributable to our U.S. businesses increased by approximately 35.4% for the year ended December 31, 2014, compared to the year ended December 31, 2013. Gross profit for the year ended December 31, 2014 was positively impacted by the inclusion of OpenTable and KAYAK since their acquisitions on July 24, 2014 and May 21, 2013, respectively. Gross profit for the year ended December 31, 2013 was negatively impacted by an accrual recorded in the first quarter of 2013 of approximately \$20.5 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and the District of Columbia, partially offset by a credit in the fourth quarter of 2013 of \$6.3 million, principally related to a favorable agreement and ruling in the District of Columbia.

The U.S. Dollar is significantly stronger against the Euro and many other currencies as of January 31, 2015 compared to 2014. At these exchange rates, the growth of our total and international gross bookings, expressed in U.S. Dollars, will be significantly adversely impacted in 2015.

Operating Expenses

Advertising

	Year Ended December 31, (in thousands)		Change
	2014	2013	
Online Advertising	\$ 2,360,221	\$ 1,798,645	31.2%
% of Total Gross Profit	31.1%	31.5%	
Offline Advertising	\$ 231,309	\$ 127,459	81.5%
% of Total Gross Profit	3.0%	2.2%	

Online advertising expenses primarily consist of the costs of (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; and (4) banner, pop-up and other Internet and mobile advertisements. For the year ended December 31, 2014, online advertising expenses increased 31.2%, compared to the year ended December 31, 2013, primarily to generate increased gross bookings. Online advertising as a percentage of gross profit for the year ended December 31, 2014 benefited from the inclusion of KAYAK and OpenTable because they spend a lower percentage of gross profit on online advertising than our other brands. Also, our consolidated results exclude intercompany advertising by our brands on KAYAK since the acquisition on May 21, 2013. In addition, the share of our business coming directly to our websites with no associated online advertising expense increased during the year ended December 31, 2014. These favorable impacts were almost entirely offset for the year ended December 31, 2014 by (1) a year-over-year decline in advertising ROIs and (2) brand mix within The Priceline Group as Booking.com, agoda.com and rentalcars.com grew faster than priceline.com and typically spend a higher percentage of gross profit on online advertising, trends that we expect to continue. Gross profit for the year ended December 31, 2013 was negatively impacted by an accrual recorded in the first quarter of 2013 of approximately \$20.5 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and the District of Columbia, partially offset by a reduction in our accrual related to travel transaction taxes of \$6.3 million recorded in the fourth quarter of 2013, principally related to a favorable agreement and ruling in the District of Columbia.

Offline advertising expenses are primarily related to our Booking.com, KAYAK and priceline.com businesses and primarily consist of television advertising. For the year ended December 31, 2014, offline advertising increased 81.5% compared to the year ended December 31, 2013, due to the launch of offline advertising campaigns by Booking.com in Germany, the United Kingdom and Canada in 2014 and Australia in the fourth quarter of 2013, as well as incremental offline advertising by KAYAK. Offline advertising growth for the year ended December 31, 2014 was also impacted by the inclusion of KAYAK in our consolidated results since its acquisition on May 21, 2013.

Sales and Marketing

	Year Ended December 31, (in thousands)		Change
	2014	2013	
Sales and Marketing	\$ 310,910	\$ 235,817	31.8%
% of Total Gross Profit	4.1%	4.1%	

Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third parties that provide call center, website content translations and other services; (3) provisions for credit card chargebacks; and (4) provisions for bad debt, primarily related to agency accommodation commission receivables. For the year ended December 31, 2014, sales and marketing expenses, which are substantially variable in nature, increased compared to the year ended December 31, 2013, primarily due to increased gross booking volumes, higher public relations costs and the inclusion of OpenTable since its acquisition on July 24, 2014. Sales and marketing expenses as a percentage of gross profit are typically higher for our merchant businesses, which incur credit card processing fees. Our merchant business grew more slowly than our agency business, and as a result, sales and marketing expenses as a percentage of total gross profit for the year ended December 31, 2014 were favorably impacted compared to the year ended December 31, 2013. This impact was offset during the year ended December 31, 2014 by the inclusion of OpenTable in our consolidated results since its acquisition on July 24, 2014 because OpenTable spends a higher percentage of gross profit on sales and marketing than our agency businesses.

Personnel

	Year Ended December 31,		Change
	(in thousands)		
	2014	2013	
<i>Personnel</i>	\$ 950,191	\$ 698,692	36.0%
<i>% of Total Gross Profit</i>	12.5%	12.2%	

Personnel expenses consist of compensation to our personnel, including salaries, stock-based compensation, bonuses, payroll taxes and employee health benefits. Personnel expenses increased during the year ended December 31, 2014, compared to the year ended December 31, 2013, due primarily to increased headcount to support the growth of our businesses. The inclusion of OpenTable and KAYAK in our consolidated results since their acquisitions on July 24, 2014 and May 21, 2013, respectively, contributed to this increase in personnel expenses.

Stock-based compensation expense was approximately \$186.4 million for the year ended December 31, 2014, compared to \$140.5 million for the year ended December 31, 2013. Stock-based compensation expense for the years ended December 31, 2014 and 2013 includes charges amounting to \$20.6 million and \$24.1 million, respectively, representing the impact of adjusting the estimated probable outcome at the end of the performance period for outstanding unvested performance share units. Stock-based compensation expense for the year ended December 31, 2014 also includes \$26.5 million of compensation expense related to 2014 acquisitions.

In December 2013, the Dutch Government enacted certain amendments to Dutch tax law including a one-time irrevocable levy on an employer applied to employee earnings, equal to 16% of an employee's earnings in excess of 150,000 Euros. This levy resulted in additional payroll taxes recorded in personnel expense of approximately \$12 million (approximately \$9 million after tax) in the fourth quarter of 2013. There was no similar tax levy in 2014.

General and Administrative

	Year Ended December 31,		Change
	(in thousands)		
	2014	2013	
<i>General and Administrative</i>	\$ 352,869	\$ 252,994	39.5%
<i>% of Total Gross Profit</i>	4.7%	4.4%	

General and administrative expenses consist primarily of: (1) occupancy and office expenses; (2) personnel related expenses such as travel, recruiting and training expenses; and (3) fees for outside professionals, including litigation expenses. General and administrative expenses increased during the year ended December 31, 2014, compared to the year ended December 31, 2013, due primarily to higher occupancy and office expenses related to the expansion of our international businesses and higher personnel related expenses related to increased headcount in all of our businesses. The inclusion of OpenTable and KAYAK in our consolidated results since their acquisitions on July 24, 2014 and May 21, 2013, respectively, contributed to the increase in general and administrative expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013.

General and administrative expenses for the year ended December 31, 2014 included approximately \$6.9 million of professional fees related to consummated acquisitions. General and administrative expenses for the year ended December 31, 2013 included approximately \$8.5 million of professional fees related to the acquisition of KAYAK.

Information Technology

	Year Ended December 31, (in thousands)		Change
	2014	2013	
Information Technology	\$ 97,498	\$ 71,890	35.6%
% of Total Gross Profit	1.3%	1.3%	

Information technology expenses consist primarily of: (1) software license and system maintenance fees; (2) data communications and other expenses associated with operating our services; (3) outsourced data center costs; and (4) payments to outside consultants. Information technology expense increased during the year ended December 31, 2014, compared to the year ended December 31, 2013, due primarily to growth in our worldwide operations. The inclusion of OpenTable and KAYAK in our consolidated results since their acquisitions on July 24, 2014 and May 21, 2013, respectively, contributed to the increase in information technology expenses for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Depreciation and Amortization

	Year Ended December 31, (in thousands)		Change
	2014	2013	
Depreciation and Amortization	\$ 207,820	\$ 117,975	76.2%
% of Total Gross Profit	2.7%	2.1%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) depreciation on computer equipment; (3) depreciation of internally developed and purchased software; and (4) depreciation of leasehold improvements, furniture and fixtures and office equipment. For the year ended December 31, 2014, depreciation and amortization expense increased from the year ended December 31, 2013 due primarily to increased intangible amortization from the OpenTable and KAYAK acquisitions and increased depreciation expense due to capital expenditures for additional data center capacity and office build outs to support growth and geographic expansion, principally related to our Booking.com business.

Other Income (Expense)

	Year Ended December 31, (in thousands)		Change
	2014	2013	
Interest Income	\$ 13,933	\$ 4,167	234.4 %
Interest Expense	(88,353)	(83,289)	6.1 %
Foreign Currency Transactions and Other	(9,444)	(36,755)	(74.3)%
Total	\$ (83,864)	\$ (115,877)	(27.6)%

For the year ended December 31, 2014, interest income on cash and marketable securities increased compared to the year ended December 31, 2013, primarily due to an increase in the average invested balance and higher yields. Interest expense increased for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to interest expense attributable to our Senior Notes issued in August 2014 and September 2014 and interest expense attributable to our Senior Convertible Notes issued in May 2013, partially offset by early conversions of our 1.25% Convertible Senior Notes due March 2015.

Derivative contracts that hedge our exposure to the impact of currency fluctuations on the translation of our international operating results into U.S. Dollars upon consolidation resulted in foreign exchange gains of \$13.7 million for the year ended December 31, 2014 compared with foreign exchange gains of \$0.3 million for the year ended December 31, 2013, which are recorded in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

Foreign exchange transaction losses, including costs related to foreign exchange transactions, of \$17.6 million for the year ended December 31, 2014, compared to foreign exchange transaction losses of \$10.2 million for the year ended December 31, 2013, are recorded in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

During the year ended December 31, 2014, we delivered cash of \$122.9 million to repay the aggregate principal amount and issued 300,256 shares of our common stock and paid cash of \$2.2 million in satisfaction of the conversion value in excess of the principal amount associated with our 1.25% Convertible Senior Notes due March 2015 that were converted prior to maturity. The conversion of our convertible debt prior to maturity resulted in a non-cash loss of \$6.3 million for the year ended December 31, 2014, compared to a non-cash loss of \$26.7 million for the year ended December 31, 2013, which is recorded in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

Income Taxes

	Year Ended December 31, (in thousands)		Change
	2014	2013	
<i>Income Tax Expense</i>	\$ 567,695	\$ 403,739	40.6%

Our effective tax rates, expressed as income tax expense as a percentage of earnings before income taxes, for the years ended December 31, 2014 and 2013 were 19.0% and 17.6%, respectively. Our effective tax rate differs from the U.S. federal statutory tax rate of 35%, due to lower tax rates outside the United States, partially offset by U.S. state income taxes and certain non-deductible expenses. Our effective tax rate was higher for the year ended December 31, 2014, compared to the year ended December 31, 2013, primarily due to the acquisitions of OpenTable on July 24, 2014 and KAYAK on May 21, 2013, both of which are principally taxed at the higher U.S. tax rates.

Under Dutch corporate income tax law, income generated from qualifying "innovative" activities is taxed at a rate of 5% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. Booking.com obtained a ruling from the Dutch tax authorities confirming that a portion of its earnings is eligible for Innovation Box Tax treatment. The ruling from the Dutch tax authorities is valid through December 31, 2017.

Until our U.S. net operating loss carryforwards are utilized or expire, most of our U.S. income will not be subject to a cash tax liability, other than federal alternative minimum tax and state income taxes. However, we expect to pay foreign taxes on our non-U.S. income except in countries where we have operating loss carryforwards. We expect that our international operations will grow their pretax income faster than the U.S. business over the long term and, therefore, it is our expectation that our cash tax payments will increase as our international businesses generate an increasing share of our pre-tax income.

We will be subject to increased income taxes in the event that our cash balances held outside the United States are remitted to the United States. As of December 31, 2014, we held approximately \$6.9 billion of cash, cash equivalents, short-term investments and long-term investments outside of the United States. We currently intend to use our cash held outside the United States to reinvest in our non-U.S. operations. If our cash balances outside the United States continue to grow and our ability to reinvest those balances outside the United States diminishes, it will become increasingly likely that we will be subject to additional income tax expense in the United States with respect to our unremitted non-U.S. earnings. We would not make additional income tax payments unless we were to actually repatriate our international cash to the United States. We would pay only U.S. federal alternative minimum tax and certain U.S. state income taxes as long as we have net operating loss carryforwards available to offset our U.S. taxable income. This could result in us being subject to a cash income tax liability on the earnings of our U.S. businesses sooner than would otherwise have been the case.

Redeemable Noncontrolling Interests

	Year Ended December 31, (in thousands)		Change
	2014	2013	
<i>Net Income Attributable to Noncontrolling Interests</i>	\$ —	\$ 135	NA

We purchased the remaining outstanding shares underlying the redeemable noncontrolling interests in April 2013.

Results of Operations

Year Ended December 31, 2013 compared to Year Ended December 31, 2012

Operating and Statistical Metrics

Gross bookings resulting from accommodation room nights, rental car days and airline tickets reserved through our international and U.S. operations for the years ended December 31, 2013 and 2012 were as follows (numbers may not total due to rounding):

	Year Ended December 31, (in millions)		Change
	2013	2012	
<i>International</i>	\$ 33,300	\$ 23,370	42.5%
<i>Domestic</i>	5,873	5,086	15.5%
<i>Total</i>	\$ 39,173	\$ 28,456	37.7%

Gross bookings increased by 37.7% for the year ended December 31, 2013, compared to the same period in 2012 (growth on a local currency basis was approximately 38%), principally due to growth of 36.9% in accommodation room night reservations and growth of 37.0% in rental car day reservations. The 42.5% increase in international gross bookings (growth on a local currency basis was approximately 42%) was primarily attributable to growth in hotel and accommodation room night reservations for our Booking.com and agoda.com businesses, as well as growth in rental car day reservations for our rentalcars.com business. Domestic gross bookings increased by 15.5% for the year ended December 31, 2013, compared to the same period in 2012, primarily due to an increase in priceline.com's retail airline ticket service, *Express Deals*[®] hotel reservation service, and retail rental car service, partially offset by a decline in our *Name Your Own Price*[®] opaque hotel reservation service (driven in part by customer shift to *Express Deals*[®]).

Gross bookings resulting from reservations of accommodation room nights, rental car days and airline tickets made through our agency and merchant models for the years ended December 31, 2013 and 2012 were as follows (numbers may not total due to rounding):

	Year Ended December 31, (in millions)		Change
	2013	2012	
<i>Agency</i>	\$ 32,672	\$ 23,284	40.3%
<i>Merchant</i>	6,501	5,172	25.7%
<i>Total</i>	\$ 39,173	\$ 28,456	37.7%

Agency gross bookings increased 40.3% for the year ended December 31, 2013, primarily due to growth in Booking.com accommodation room night reservations, as well as growth in priceline.com's retail airline ticket and rental car services. Merchant gross bookings increased 25.7% for the year ended December 31, 2013, compared to the same period in 2012, primarily due to an increase in the sale of agoda.com accommodation room night reservations, priceline.com *Express Deals*[®] hotel room night reservations, rentalcars.com rental car day reservations and *Name Your Own Price*[®] airline ticket reservations, partially offset by a decline in our *Name Your Own Price*[®] opaque hotel reservation service.

Units sold for accommodation room nights, rental car days and airline tickets for the years ended December 31, 2013 and 2012 were as follows:

	Year Ended December 31, (in millions)		Change
	2013	2012	
<i>Room Nights</i>	270.5	197.5	36.9%
<i>Rental Car Days</i>	43.9	32.0	37.0%
<i>Airline Tickets</i>	7.0	6.4	9.1%

Accommodation room night reservations increased by 36.9% for the year ended December 31, 2013, over the same period in 2012, principally due to an increase in Booking.com, agoda.com and priceline.com *Express Deals*[®] and retail accommodation room night reservations, partially offset by a decline in our *Name Your Own Price*[®] opaque hotel room night reservations in part due to a concerted effort to emphasize *Express Deals*[®] over *Name Your Own Price*[®] in our offline advertising campaigns. Booking.com, our most significant brand, includes over 425,000 properties on its website as compared to about 275,000 properties last year (updated property counts are available on the Booking.com website). Booking.com has added properties over the past year in its core European market as well as higher-growth markets such as North America (which is a newer market for Booking.com), Asia-Pacific and South America. An increasing amount of our business from a destination and point-of-sale perspective is conducted in these newer markets which are growing faster than our overall growth rate and our core European market. Our priceline.com agency hotel reservations benefited from the integration of the growing number of properties on the Booking.com extranet.

Rental car day reservations increased by 37.0% for the year ended December 31, 2013, over the same period in 2012, due to an increase in rental car day reservations for rentalcars.com and priceline.com.

Airline ticket reservations increased by 9.1% for the year ended December 31, 2013, over the same period in 2012, due to an increase in *Name Your Own Price*[®] and price-disclosed airline ticket reservations.

Revenues

We classify our revenue into three categories:

- Agency revenues are derived from travel related transactions where we are not the merchant of record and where the prices of the travel services are determined by third parties. Agency revenues include travel commissions, GDS reservation booking fees related to certain travel services and customer processing fees and are reported at the net amounts received, without any associated cost of revenue. Substantially all of the revenue for Booking.com is agency revenue comprised of travel commissions.
- Merchant revenues are derived from services where we are the merchant of record and therefore charge the customer's credit card for the travel services provided. Merchant revenues include (1) transaction revenues representing the selling price of *Name Your Own Price*[®] hotel room night, rental car and airline ticket reservations and vacation packages; (2) transaction revenues representing the amount charged to a customer, less the amount charged by travel service providers in connection with (a) the accommodation room reservations provided through our merchant price-disclosed hotel service at agoda.com and priceline.com and (b) the reservations provided through our merchant rental car service at rentalcars.com and merchant *Express Deals*[®] hotel service at priceline.com, which allows customers to see the price of the reservation prior to purchase but not the identity of the travel service provider; (3) customer processing fees charged in connection with the sale of *Name Your Own Price*[®] hotel room night, rental car and airline ticket reservations and merchant price-disclosed hotel reservations; and (4) ancillary fees, including GDS reservation booking fees related to certain of the services listed above.
- Advertising and other revenues are derived primarily from KAYAK for sending referrals to travel service providers and OTAs as well as from advertising placements on KAYAK's websites and mobile applications.

	Year Ended December 31,		Change
	(in thousands)		
	2013	2012	
<i>Agency Revenues</i>	\$ 4,410,689	\$ 3,142,815	40.3%
<i>Merchant Revenues</i>	2,211,474	2,104,752	5.1%
<i>Advertising and Other Revenues</i>	171,143	13,389	1,178.2%
<i>Total Revenues</i>	\$ 6,793,306	\$ 5,260,956	29.1%

Agency Revenues

Agency revenues for the year ended December 31, 2013 increased 40.3% compared to the same period in 2012, primarily as a result of growth in the business of Booking.com. Our priceline.com agency revenues benefited from growth in our retail rental car business as well as the integration on the priceline.com website of the growing number of properties on the Booking.com extranet.

Merchant Revenues

Merchant revenues for the year ended December 31, 2013 increased 5.1% compared to the same period in 2012, primarily due to increases in our agoda.com hotel reservation service, rentalcars.com rental car reservation service and priceline.com *Express Deals*[®] hotel reservation and *Name Your Own Price*[®] air services, partially offset by a decline in *Name Your Own Price*[®] opaque hotel revenues for the year ended December 31, 2013, compared to the same period in 2012. Merchant revenue growth over the prior year period was substantially lower than merchant gross bookings growth because our merchant revenues are disproportionately affected by our *Name Your Own Price*[®] service. *Name Your Own Price*[®] revenues are recorded "gross" with a corresponding supplier cost recorded in cost of revenues, and represented a smaller percentage, year-over-year, of total revenues compared to our faster-growing agoda.com, rentalcars.com and priceline.com *Express Deals*[®] services, which are recorded in revenue "net" of supplier cost. As a result, we believe that gross profit is an important measure to evaluate growth in our business.

Advertising and Other Revenues

Advertising and other revenues during the year ended December 31, 2013 consisted primarily of advertising revenues. Advertising revenues for the year ended December 31, 2013 includes \$154.5 million as a result of the inclusion of KAYAK since its acquisition on May 21, 2013, and excludes intercompany revenues earned by KAYAK from other Priceline Group brands.

Cost of Revenues

	Year Ended December 31,		Change
	(in thousands)		
	2013	2012	
Cost of Revenues	\$ 1,077,420	\$ 1,177,275	(8.5)%

Cost of Revenues

For the year ended December 31, 2013, cost of revenues consisted primarily of: (1) the cost of *Name Your Own Price*[®] hotel room reservations from our suppliers, net of applicable taxes; (2) the cost of *Name Your Own Price*[®] rental cars from our suppliers, net of applicable taxes; (3) the cost of *Name Your Own Price*[®] airline tickets, net of the federal air transportation tax, segment fees and passenger facility charges imposed in connection with the sale of airline tickets; (4) the cost of vacation packages from our suppliers, net of applicable taxes; and (5) the cost related to accruals for travel transaction taxes (e.g., hotel occupancy taxes, excise taxes, sales taxes, etc.). Cost of revenues for the year ended December 31, 2013 decreased by 8.5%, primarily due to a decrease in our *Name Your Own Price*[®] hotel reservation service, partially offset by increases in our other *Name Your Own Price*[®] services and higher accruals for travel transaction taxes. Cost of revenues for the year ended December 31, 2013 includes an accrual recorded in the first quarter of 2013 of approximately \$20.5 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and the District of Columbia, partially offset by a reduction in our accrual related to travel transaction taxes of \$6.3 million recorded in the fourth quarter of 2013, principally related to a favorable agreement and ruling in the District of Columbia. Cost of revenue for the year ended December, 2012 includes an accrual of approximately \$21 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and in the District of Columbia.

Agency revenues have no cost of revenue. Agency revenues principally consist of travel commissions on accommodation reservations.

Gross Profit

	Year Ended December 31, (in thousands)		Change
	2013	2012	
Gross Profit	\$ 5,715,886	\$ 4,083,681	40.0%
Gross Margin	84.1%	77.6%	

Total gross profit for the year ended December 31, 2013 increased by 40.0% compared to the same period in 2012, primarily as a result of increased revenue discussed above. Total gross margin (gross profit expressed as a percentage of total revenue) increased during the year ended December 31, 2013, compared to the same period in 2012, because our revenues are disproportionately affected by our *Name Your Own Price*[®] service. *Name Your Own Price*[®] revenues are recorded "gross" with a corresponding travel service provider cost recorded in cost of revenues, and in the year ended December 31, 2013 represented a smaller percentage of total revenues than in the same period in 2012. Our retail and semi-opaque services, which are recorded in revenue "net" of supplier cost have been growing faster than our *Name Your Own Price*[®] services. As a result, we believe that gross profit is an important measure to evaluate growth in our business. Our international operations accounted for approximately \$5.02 billion of our gross profit for the year ended December 31, 2013, which compares to \$3.56 billion for the same period in 2012. Gross profit attributable to our international operations increased, on a local currency basis, by approximately 40% for the year ended December 31, 2013 compared to the same period in 2012. Gross profit attributable to our U.S. businesses increased by approximately 32.5% for the year ended December 31, 2013, compared to the same period in 2012. Gross profit for the year ended December 31, 2013 was positively impacted by the inclusion of KAYAK since its acquisition on May 21, 2013. Gross profit for the year ended December 31, 2013 was negatively impacted by an accrual recorded in the first quarter of 2013 of approximately \$20.5 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and the District of Columbia, partially offset by a credit in the fourth quarter of 2013 of \$6.3 million, principally related to a favorable agreement and ruling in the District of Columbia. Gross profit for the year ended December 31, 2012 was negatively impacted by an accrual of approximately \$21 million (including estimated interest and penalties) for travel transaction taxes, principally related to unfavorable rulings in the State of Hawaii and in the District of Columbia.

Operating Expenses

Advertising

	Year Ended December 31, (in thousands)		Change
	2013	2012	
Online Advertising	\$ 1,798,645	\$ 1,273,637	41.2%
% of Total Gross Profit	31.5%	31.2%	
Offline Advertising	\$ 127,459	\$ 35,492	259.1%
% of Total Gross Profit	2.2%	0.9%	

Online advertising expenses primarily consist of the costs of (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; (4) banner, pop-up and other Internet advertisements; and (5) e-mail campaigns. For the year ended December 31, 2013, online advertising expenses increased 41.2% over the same period in 2012, primarily to generate increased gross bookings. Online advertising as a percentage of gross profit increased for the year ended December 31, 2013 compared to the same period in 2012 due to (1) lower ROIs for our online advertising, (2) brand mix within The Priceline Group and (3) channel mix within certain of our brands. Our online advertising ROIs were down year-over-year for the year ended December 31, 2013. Furthermore, our international brands are generally growing faster than our U.S. brands, and typically spend a higher percentage of gross profit on online advertising. Finally, certain of our brands are obtaining an increasing share of traffic through paid online advertising channels.

The inclusion of KAYAK since its acquisition on May 21, 2013 had a favorable impact on online advertising as a percentage of gross profit for the year ended December 31, 2013 because KAYAK spends a lower percentage of gross profit on online advertising than our other brands, and our consolidated results exclude intercompany advertising by our brands on

KAYAK. This favorable impact will benefit year-over-year comparisons until the anniversary of the acquisition on May 21, 2014.

Offline advertising expenses are related to our television, print and radio advertising for our Booking.com, priceline.com and KAYAK businesses. For the year ended December 31, 2013, offline advertising increased 259.1% compared to the same period in 2012, due mainly to Booking.com launching in the United States its first offline advertising campaign in 2013, as well as the inclusion of KAYAK since its acquisition on May 21, 2013. Booking.com also launched an offline advertising campaign in Australia in the fourth quarter of 2013. Booking.com recently launched offline advertising campaigns in Canada and the United Kingdom and may expand its offline advertising into other markets during 2014.

Sales and Marketing

	Year Ended December 31,		Change
	(in thousands)		
	2013	2012	
<i>Sales and Marketing</i>	\$ 235,817	\$ 195,934	20.4%
<i>% of Total Gross Profit</i>	4.1%	4.8%	

Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third-parties that provide call center, website content translations and other services; (3) provisions for bad debt, primarily related to agency accommodation commission receivables; and (4) provisions for credit card chargebacks. For the year ended December 31, 2013, sales and marketing expenses, which are substantially variable in nature, increased over the same period in 2012, primarily due to increased gross booking volumes as well as expenses related to increased content translations and the inclusion of KAYAK since its acquisition on May 21, 2013. Sales and marketing expenses as a percentage of gross profit are typically higher for our merchant business, which incurs credit card processing fees. Our merchant business grew more slowly than our agency business, and as a result, sales and marketing expenses as a percentage of total gross profit for the year ended December 31, 2013 declined compared to the same period in 2012. In addition, our agoda.com business achieved a year-over-year decline in its sales and marketing expense per transaction.

Personnel

	Year Ended December 31,		Change
	(in thousands)		
	2013	2012	
<i>Personnel</i>	\$ 698,692	\$ 466,828	49.7%
<i>% of Total Gross Profit</i>	12.2%	11.4%	

Personnel expenses consist of compensation to our personnel, including salaries, stock-based compensation, bonuses, payroll taxes and employee health benefits. For the year ended December 31, 2013, personnel expenses increased over the same period in 2012, due primarily to increased headcount to support the growth of our businesses and the inclusion of KAYAK since its acquisition on May 21, 2013. Stock-based compensation expense was approximately \$140.5 million for the year ended December 31, 2013, compared to \$71.6 million for the year ended December 31, 2012. Stock-based compensation expense of \$30.9 million for KAYAK unvested assumed employee stock options and payroll taxes of \$3.4 million for KAYAK stock option exercises were recorded during the year ended December 31, 2013. Stock-based compensation expense for the years ended December 31, 2013 and 2012 also includes charges amounting to \$24.1 million and \$0.9 million, respectively, representing the cumulative impact of adjusting the estimated probable outcome at the end of the performance period for outstanding unvested performance share units.

In July 2012 and December 2013, the Dutch Government enacted certain amendments to Dutch tax law including a one-time irrevocable levy on an employer applied to employee earnings, equal to 16% of an employee's earnings in excess of 150,000 Euros. This levy resulted in additional payroll taxes recorded in personnel expense of approximately \$12 million (approximately \$9 million after tax) in the fourth quarter of 2013 and approximately \$14 million (approximately \$10 million after tax) principally recorded in the third quarter of 2012.

General and Administrative

	Year Ended December 31, (in thousands)		Change
	2013	2012	
<i>General and Administrative</i>	\$ 252,994	\$ 173,171	46.1%
<i>% of Total Gross Profit</i>	4.4%	4.2%	

General and administrative expenses consist primarily of: (1) personnel related expenses such as recruiting, training and travel expenses; (2) occupancy expenses; and (3) fees for outside professionals, including litigation expenses. General and administrative expenses increased during the year ended December 31, 2013 over the same period in 2012, primarily due to higher recruiting, training and travel expenses related to increased headcount in all our businesses, higher occupancy and office expenses related to the expansion of our international businesses, and the inclusion of KAYAK since its acquisition on May 21, 2013. General and administrative expenses for the year ended December 31, 2013 included approximately \$8.5 million of professional fees related to the acquisition of KAYAK. General and administrative expenses for the year ended December 31, 2012 includes approximately \$3 million of professional fees related to the acquisition of KAYAK and a charge of approximately \$3 million related to certain leased space that was vacated in connection with the relocation of Booking.com's headquarters to a new location in Amsterdam.

Information Technology

	Year Ended December 31, (in thousands)		Change
	2013	2012	
<i>Information Technology</i>	\$ 71,890	\$ 43,685	64.6%
<i>% of Total Gross Profit</i>	1.3%	1.1%	

Information technology expenses consist primarily of: (1) outsourced data center costs; (2) system maintenance and software license fees; (3) data communications and other expenses associated with operating our services; and (4) payments to outside consultants. For the year ended December 31, 2013, the increase in information technology expenses compared to the same period in 2012 was due primarily to growth in our worldwide operations and the inclusion of KAYAK since its acquisition on May 21, 2013.

Depreciation and Amortization

	Year Ended December 31, (in thousands)		Change
	2013	2012	
<i>Depreciation and Amortization</i>	\$ 117,975	\$ 65,141	81.1%
<i>% of Total Gross Profit</i>	2.1%	1.6%	

Depreciation and amortization expenses consist of: (1) amortization of intangible assets with determinable lives; (2) depreciation on computer equipment; (3) depreciation of internally developed and purchased software; and (4) depreciation of leasehold improvements, office equipment and furniture and fixtures. For the year ended December 31, 2013, depreciation and amortization expense increased from the same period in 2012 due primarily to intangible amortization from the KAYAK acquisition for \$33.4 million, and increased depreciation expense due to capital expenditures for additional data center capacity and office build outs to support growth and geographic expansion, principally related to our Booking.com brand.

Other Income (Expense)

	Year Ended December 31,		Change
	(in thousands)		
	2013	2012	
<i>Interest Income</i>	\$ 4,167	\$ 3,860	8.0%
<i>Interest Expense</i>	(83,289)	(62,064)	34.2%
<i>Foreign Currency Transactions and Other</i>	(36,755)	(9,720)	278.1%
<i>Total</i>	\$ (115,877)	\$ (67,924)	70.6%

For the year ended December 31, 2013, interest income on cash and marketable securities increased over the same period in 2012, primarily due to an increase in the average invested balance partially offset by lower yields. Interest expense increased for the year ended December 31, 2013 as compared to the same period in 2012, primarily due to an increase in the average outstanding debt resulting from the May 2013 issuance of \$1.0 billion aggregate principal amount of convertible senior notes and the March 2012 issuance of \$1.0 billion aggregate principal amount of convertible senior notes.

Derivative contracts that hedge our exposure to the impact of currency fluctuations on the translation of our international operating results into U.S. Dollars upon consolidation resulted in foreign exchange gains of \$0.3 million for the year ended December 31, 2013 compared with foreign exchange gains of \$0.7 million for the year ended December 31, 2012, and are recorded in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

Foreign exchange transaction losses, including costs related to foreign exchange transactions, resulted in losses of \$10.2 million for the year ended December 31, 2013, compared to foreign exchange transaction losses of \$10.5 million for the year ended December 31, 2012, and are recorded in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

During the fourth quarter of 2013, the Company delivered cash of \$414.6 million to repay the aggregate principal amount and issued 972,235 shares of its common stock in satisfaction of the conversion value in excess of the principal amount associated with the 1.25% Convertible Senior Notes due March 2015 that were converted prior to maturity. The conversion of our convertible debt prior to maturity resulted in a non-cash loss of \$26.7 million for the year ended December 31, 2013, and is recorded in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

Income Taxes

	Year Ended December 31,		Change
	(in thousands)		
	2013	2012	
<i>Income Tax Expense</i>	\$ 403,739	\$ 337,832	19.5%

Our effective tax rates for the years ended December 31, 2013 and 2012 were 17.6% and 19.2%, respectively. Our effective tax rate differs from the expected tax provision at the U.S. statutory tax rate of 35%, principally due to lower tax rates outside the United States, partially offset by state income taxes and certain non-deductible expenses. Our effective tax rates were lower for the year ended December 31, 2013, compared to the same period in 2012, due to growth in our international businesses.

According to Dutch corporate income tax law, income generated from qualifying "innovative" activities is taxed at a rate of 5% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. Booking.com obtained a ruling from the Dutch tax authorities in February 2011 confirming that a portion of its earnings is eligible for Innovation Box Tax treatment. The ruling from the Dutch tax authorities is valid through December 31, 2017.

Redeemable Noncontrolling Interests

	Year Ended December 31, (in thousands)		Change
	2013	2012	
<i>Net Income Attributable to Noncontrolling Interests</i>	\$ 135	\$ 4,471	(97.0)%

Net income attributable to noncontrolling interest is lower for the year ended December 31, 2013, compared to the same period in 2012, mainly due to a reduction in redeemable noncontrolling interests. We purchased the remaining outstanding shares underlying the redeemable noncontrolling interests in April 2013.

Liquidity and Capital Resources

As of December 31, 2014, we had \$8.0 billion in cash, cash equivalents, short-term investments and long-term investments. Approximately \$6.9 billion is held by our international subsidiaries and is denominated primarily in U.S. Dollars, Euros and, to a lesser extent, British Pounds Sterling and other currencies. We currently intend to indefinitely reinvest these funds outside of the United States. If we repatriate cash to the United States, we would utilize our net operating loss carryforwards and beyond that amount incur additional tax payments in the United States. Cash equivalents, short-term investments, and long-term investments are comprised of U.S. and foreign corporate bonds, U.S. and foreign government securities, high grade commercial paper, foreign equity securities, U.S. government agency securities, U.S. municipal securities and bank deposits.

In October 2011, we entered into a \$1.0 billion five-year unsecured revolving credit facility with a group of lenders. Borrowings under the revolving credit facility will bear interest, at our option, at a rate per annum equal to either (i) the adjusted LIBOR for the interest period in effect for such borrowing plus an applicable margin ranging from 1.00% to 1.50%; or (ii) the greatest of (a) JPMorgan Chase Bank, National Association's prime lending rate, (b) the federal funds rate plus 0.50%, and (c) an adjusted LIBOR for an interest period of one month plus 1.00%, plus an applicable margin ranging from 0.00% to 0.50%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.10% to 0.25%. The revolving credit facility provides for the issuance of up to \$100.0 million of letters of credit as well as borrowings of up to \$50.0 million on same-day notice, referred to as swingline loans. Borrowings under the revolving credit facility may be made in U.S. Dollars, Euros, British Pounds Sterling and any other foreign currency agreed to by the lenders. The proceeds of loans made under the facility will be used for working capital and general corporate purposes. As of December 31, 2014, there were no borrowings under the facility, and approximately \$4.0 million of letters of credit issued under the facility.

On July 24, 2014, we acquired OpenTable, Inc., a leading provider of online restaurant reservations, in a cash transaction for a purchase price of approximately \$2.5 billion (approximately \$2.4 billion net of cash acquired) or \$103.00 per share of OpenTable common stock. We funded the acquisition from cash on hand in the United States and \$995 million borrowed under our revolving credit facility, which was repaid during the third quarter of 2014.

In August 2014, we issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due 2021, with an interest rate of 0.9%. Interest on the notes is payable on March 15 and September 15 of each year. We used approximately \$147.3 million of the net proceeds to concurrently repurchase outstanding shares of our common stock. We intend to use the remaining net proceeds for general corporate purposes, which may include repurchases of our common stock from time to time, repaying outstanding debt and corporate acquisitions. See Note 11 to the Consolidated Financial Statements for further details on these notes.

In August 2014, we used \$500 million of our non-U.S. cash to invest in a five-year senior convertible note issued by Ctrip.com International Ltd. ("Ctrip"). Additionally, during the year ended December 31, 2014, we invested \$421.9 million of our non-U.S. cash in Ctrip American Depositary Shares. See Note 4 to the Consolidated Financial Statements for further details on these investments.

In September 2014, we issued 1.0 billion Euro aggregate principal amount of Senior Notes due 2024, with an interest rate of 2.375%. Interest on the notes is payable annually on September 23, beginning September 23, 2015. We intend to use the net proceeds for general corporate purposes, which may include repurchases of our common stock from time to time, repaying outstanding debt and corporate acquisitions. See Note 11 to the Consolidated Financial Statements for further details on these notes.

In the third and fourth quarters of 2014, we repurchased 114,645 shares of our common stock in privately negotiated, off-market transactions and 438,897 shares of our common stock in the open market for aggregate costs of \$147.3 million and \$500.0 million, respectively. As of December 31, 2014, we had a remaining aggregate amount of \$7.2 million authorized by our Board of Directors to purchase our common stock. On February 5, 2015, our Board of Directors authorized us to repurchase up to an additional \$3.0 billion of our common stock. We may from time to time make additional repurchases of our common stock, depending on prevailing market conditions, alternate uses of capital, and other factors.

Our merchant transactions are structured such that we collect cash up front from our customers and then we pay most of our travel service providers at a subsequent date. We therefore tend to experience significant seasonal swings in deferred merchant bookings and travel service provider payables depending on the absolute level of our merchant transactions during the last few weeks of every quarter.

During the year ended December 31, 2014, we paid \$122.9 million to satisfy the aggregate principal amount due and issued 300,256 shares of our common stock and paid cash of \$2.2 million in satisfaction of the conversion value in excess of the principal amount for debt converted prior to maturity related to the conversion of our 1.25% Convertible Senior Notes due March 2015.

Net cash provided by operating activities for the year ended December 31, 2014, was \$2.9 billion, resulting from net income of \$2.4 billion and a favorable impact of non-cash items not affecting cash flows of \$518.0 million, slightly offset by net unfavorable changes in working capital and other assets and liabilities of \$25.4 million. The changes in working capital for the year ended December 31, 2014, were primarily related to a \$203.9 million increase in accounts payable, accrued expenses and other current liabilities, offset by a \$182.2 million increase in accounts receivable and \$48.9 million increase in prepaid expenses and other current assets. The increase in these working capital balances was primarily related to increases in business volumes. Non-cash items were primarily associated with stock-based compensation expense, depreciation and amortization, amortization of debt discount and deferred income taxes.

Net cash provided by operating activities for the year ended December 31, 2013, was \$2.3 billion, resulting from net income of \$1.9 billion, a favorable impact of non-cash items not affecting cash flows of \$355.7 million and net favorable changes in working capital and other assets and liabilities of \$52.9 million. The changes in working capital for the year ended December 31, 2013, were primarily related to a \$182.2 million increase in accounts payable, accrued expenses and other current liabilities, partially offset by a \$111.6 million increase in accounts receivable. The increase in these working capital balances was primarily related to increases in business volumes. Non-cash items were primarily associated with stock-based compensation expense, depreciation and amortization, amortization of debt discount, a non-cash loss on convertible notes converted prior to maturity, and deferred income taxes.

Net cash used in investing activities was \$2.3 billion for the year ended December 31, 2014. Investing activities for the year ended December 31, 2014 were affected by payments of \$2.5 billion for acquisitions, net of cash acquired and net cash payments of \$80.3 million for the settlement of foreign currency contracts slightly offset by net sales of investments of \$350.3 million and a change in restricted cash of \$9.3 million. Net cash used in investing activities was \$2.2 billion for the year ended December 31, 2013. Investing activities for the year ended December 31, 2013 were affected by net purchases of investments of \$1.7 billion, payments of \$331.9 million for acquisitions, net of cash acquired, a change in restricted cash of \$2.8 million, and net cash payments of \$78.6 million for the settlement of foreign currency contracts. Cash invested in the purchase of property and equipment was \$131.5 million and \$84.4 million in the years ended December 31, 2014 and 2013, respectively. The increase in 2014 was related to additional data center capacity and new offices to support growth and geographic expansion, principally related to our Booking.com business.

Net cash provided by financing activities was approximately \$1.4 billion for the year ended December 31, 2014. Cash provided by financing activities for the year ended December 31, 2014 primarily consisted of total proceeds of \$2.3 billion from the issuance of Convertible Senior Notes and Euro denominated Senior Notes, excess tax benefits from stock-based compensation of \$23.4 million and the exercise of employee stock options of \$16.4 million, partially offset by treasury stock purchases of \$750.4 million and payments of \$125.1 million related to the conversion of Senior Notes. Net cash used in financing activities was approximately \$403.5 million for the year ended December 31, 2013. The cash used in financing activities for the year ended December 31, 2013 was primarily related to payments for treasury stock purchases of \$883.5 million, \$192.5 million spent to purchase the remaining shares underlying noncontrolling interests in rentalcars.com, \$414.6 million to satisfy the aggregate principal amount due upon the early conversion of senior notes, and \$1.0 million of debt issuance costs, partially offset by proceeds from the issuance of convertible senior notes with an aggregate principal amount of \$1.0 billion, \$91.6 million of proceeds from the exercise of employee stock options, and \$17.7 million of excess tax benefits from stock-based compensation.

Contingencies

A number of jurisdictions have initiated lawsuits against online travel companies, including us, related to, among other things, the payment of travel transaction taxes (e.g., hotel occupancy taxes, excise taxes, sales taxes, etc.). In addition, a number of U.S. states, counties and municipalities have initiated audit proceedings, issued proposed tax assessments or started inquiries relating to the payment of travel transaction taxes. To date, the majority of taxing jurisdictions in which we facilitate the making of travel reservations have not asserted that taxes are due and payable on our travel services. With respect to jurisdictions that have not initiated proceedings to date, it is possible that they will do so in the future or that they will seek to amend their tax statutes and seek to collect taxes from us only on a prospective basis. See Note 16 to the Consolidated Financial Statements for a description of these pending cases and proceedings and Part I Item 1A Risk Factors - "*Adverse application of state and local tax laws could have an adverse effect on our business and results of operations.*" in this Annual Report.

As a result of this litigation and other attempts by jurisdictions to levy similar taxes, we have established an accrual for the potential resolution of issues related to travel transaction taxes in the amount of approximately \$52 million at December 31, 2014 and approximately \$55 million at December 31, 2013. Our legal expenses for these matters are expensed as incurred and are not reflected in the amount accrued. The actual cost may be less or greater, potentially significantly, than the liabilities recorded. An estimate for a reasonably possible loss or range of loss in excess of the amount accrued cannot be reasonably made. We believe that, even if we were to suffer adverse determinations in the near term in more of the pending proceedings than currently anticipated given results to date, because of our available cash, it would not have a material impact on our liquidity.

The following table represents our material contractual obligations and commitments as of December 31, 2014 (see Note 16 to the Consolidated Financial Statements):

Contractual Obligations	Payments due by Period (in thousands)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating lease obligations	\$ 437,386	\$ 79,902	\$ 133,436	\$ 93,157	\$ 130,891
Senior Notes ⁽¹⁾	4,681,331	102,891	102,478	1,084,534	3,391,428
Revolving credit facility ⁽²⁾	3,212	1,938	1,274	—	—
Earmout - acquisition	10,700	—	—	10,700	—
Total ⁽³⁾	\$ 5,132,629	\$ 184,731	\$ 237,188	\$ 1,188,391	\$ 3,522,319

(1) Represents the aggregate principal amount of our Senior Notes outstanding as of December 31, 2014 and interest of \$434 million. Convertible debt does not reflect the market value in excess of the outstanding principal amount because we can settle the conversion premium amount in cash or shares of common stock at our option. See Note 11 to the Consolidated Financial Statements.

(2) Represents fees on uncommitted funds and outstanding letters of credit as of December 31, 2014.

(3) We reported "Other long-term liabilities" of \$104 million on the Consolidated Balance Sheet at December 31, 2014, of which approximately \$52 million related to our accrual for the potential resolution of issues related to travel transaction taxes (see Note 16 to the Consolidated Financial Statements) and approximately \$32 million related to unrecognized tax benefits (see Note 15 to the Consolidated Financial Statements). A variety of factors could affect the timing of payments for these liabilities. We believe that these matters will likely not be resolved in the next twelve months and accordingly we have classified the estimated liability as "non-current" on the Consolidated Balance Sheet. We have excluded "Other long-term liabilities" in the amount of \$93 million from the contractual obligations table because we cannot reasonably estimate the timing of such payments.

On December 15, 2014, our 1.25% Convertible Senior Notes due 2015 became convertible at the option of the holders without regard to our stock price and will remain convertible without regard to our stock price until the trading day prior to the maturity date of March 15, 2015. If the holders elect to convert, we will be required to pay the aggregate principal amount in cash and we have elected to deliver cash for the conversion value in excess of the aggregate principal amount. We would likely fund our conversion obligations from cash and cash equivalents, short-term investments and borrowings under our revolving credit facility.

We believe that our existing cash balances and liquid resources will be sufficient to fund our operating activities, capital expenditures and other obligations through at least the next twelve months. However, if during that period or thereafter, we are not successful in generating sufficient cash flow from operations or in raising additional capital when required in sufficient amounts and on terms acceptable to us, we may be required to reduce our planned capital expenditures and scale back the scope of our business plan, either of which could have a material adverse effect on our future financial condition or results of operations. If additional funds were raised through the issuance of equity securities, the percentage ownership of our then current stockholders would be diluted. We may not generate sufficient cash flow from operations in the future, revenue growth or sustained profitability may not be realized, and future borrowings or equity sales may not be available in amounts sufficient to make anticipated capital expenditures, finance our strategies or repay our indebtedness.

Off-Balance Sheet Arrangements.

As of December 31, 2014, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We manage our exposure to interest rate risk and foreign currency risk through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. We use foreign exchange derivative contracts to manage short-term foreign currency risk.

The objective of our policies is to mitigate potential income statement, cash flow and fair value exposures resulting from possible future adverse fluctuations in rates. We evaluate our exposure to market risk by assessing the anticipated near-term and long-term fluctuations in interest rates and foreign exchange rates. This evaluation includes the review of leading market indicators, discussions with financial analysts and investment bankers regarding current and future economic conditions and the review of market projections as to expected future rates. We utilize this information to determine our own investment strategies as well as to determine if the use of derivative financial instruments is appropriate to mitigate any potential future market exposure that we may face. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. To the extent that changes in interest rates and currency exchange rates affect general economic conditions, we would also be affected by such changes.

We did not experience any material changes in interest rate exposures during the year ended December 31, 2014. Based upon economic conditions and leading market indicators at December 31, 2014, we do not foresee a significant adverse change in interest rates in the near future.

Fixed rate investments are subject to unrealized gains and losses due to interest rate volatility. We performed a sensitivity analysis to determine the impact a change in interest rates would have on the fair value of our available for sale investments assuming an adverse change of 100 basis points. A hypothetical 100 basis point (1.0%) increase in interest rates would have resulted in a decrease in the fair values of our investments as of December 31, 2014 of approximately \$85 million. These hypothetical losses would only be realized if we sold the investments prior to their maturity.

As of December 31, 2014, the outstanding aggregate principal amount of our debt is \$4.2 billion. We estimate that the market value of such debt was approximately \$4.8 billion as of December 31, 2014. A substantial portion of the market value of our debt in excess of the outstanding principal amount is related to the conversion premium on our outstanding convertible bonds.

We conduct a significant portion of our business outside the United States through subsidiaries with functional currencies other than the U.S. Dollar (primarily Euros). As a result, we face exposure to adverse movements in currency exchange rates as the operating results of our international operations are translated from local currency into U.S. Dollars upon consolidation. If the U.S. Dollar weakens against the local currency, the translation of these foreign-currency-denominated balances will result in increased net assets, gross bookings, gross profit, operating expenses, and net income. Similarly, our net assets, gross bookings, gross profit, operating expenses, and net income will decrease if the U.S. Dollar strengthens against the local currency. Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency results in gains and losses that are reflected in the Consolidated Statement of Operations.

From time to time, we enter into foreign exchange derivative contracts to minimize the impact of short-term foreign currency fluctuations on our consolidated operating results. Our derivative contracts principally address foreign exchange fluctuation risk for the Euro and the British Pound Sterling versus the U.S. Dollar. As of December 31, 2014 and 2013, there were no such outstanding derivative contracts associated with foreign currency translation risk. Foreign exchange gains of \$13.7 million, \$0.3 million, and \$0.7 million for the years ended December 31, 2014, 2013, and 2012, respectively, were recorded in "Foreign currency transactions and other" in the Consolidated Statements of Operations.

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K (See Part IV Item 15 Exhibits and Financial Statement Schedules).

Consolidated Balance Sheets as of December 31, 2014 and 2013; Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Stockholders' Equity and Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; Notes to Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we include a report of our management's assessment of the design and effectiveness of our internal controls over financial reporting for the year ended December 31, 2014.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2014. Our independent registered public accounting firm also attested to, and reported on, our management's assessment of the effectiveness of internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls. No change in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the three months ended December 31, 2014 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Priceline Group Inc.
Norwalk, Connecticut

We have audited the internal control over financial reporting of The Priceline Group Inc. (formerly known as priceline.com Incorporated) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control Over Financial Reporting" appearing in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated February 18, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 18, 2015

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III Item 10 will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III Item 11 will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by Part III Item 12 will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by Part III Item 13 will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by Part III Item 14 will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended December 31, 2014 and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) List of Documents Filed as a Part of this Annual Report on Form 10-K:

The following Consolidated Financial Statements of the Company and the report of our independent registered public accounting firm are filed as part of this Annual Report on Form 10-K.

Consolidated Balance Sheets as of December 31, 2014 and 2013; and the related Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Stockholders' Equity and Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012; Notes to Consolidated Financial Statements; and Report of Independent Registered Public Accounting Firm.

All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in the Consolidated Financial Statements or the notes thereto.

(b) Exhibits

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. Some agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

Exhibit Number	Description
2.1(a)	Agreement and Plan of Merger, dated as of November 8, 2012, by and among KAYAK Software Corporation, the Registrant and Produce Merger Sub, Inc.
2.2(b)	Agreement and Plan of Merger, dated as of June 12, 2014, by and among OpenTable, Inc., the Registrant and Rhombus, Inc.
3.1(c)	Restated Certificate of Incorporation of the Registrant.
3.2(d)	Amended and Restated By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1 and 3.2.
4.2(e)	Specimen Certificate for Registrant's Common Stock.
4.3(f)	Indenture, dated as of March 10, 2010, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.4(g)	Indenture, dated as of March 12, 2012, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.5(h)	Indenture, dated as of June 4, 2013, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.6(i)	Indenture, dated as of August 20, 2014, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.

4.7(j)	Form of Indenture for the 2.375% Senior Notes due 2024, between the Registrant and Deutsche Bank Trust Company Americas as Trustee.
4.8(k)	Form of 2.375% Senior Note due 2024.
4.9(l)	Officers' Certificate, dated September 23, 2014, for the 2.375% Senior Notes due 2024.
10.1(m)+	The Priceline Group Inc. 1999 Omnibus Plan (As Amended and Restated Effective June 6, 2013).
10.2(n)+	Form of Stock Option Grant Agreement under the 1999 Omnibus Plan.
10.3(o)+	Form of Restricted Stock Unit Award Agreement for Employees in the Netherlands under the 1999 Omnibus Plan.
10.4(p)+	Form of Restricted Stock Unit Agreement for awards under the 1999 Omnibus Plan to non-employee directors.
10.5(q)+	2012 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.6(r)+	2013 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.7(s)+	2014 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.8+	Amended and Restated KAYAK Software Corporation 2012 Equity Incentive Plan.
10.9(t)+	OpenTable, Inc. Amended and Restated 2009 Equity Incentive Award Plan.
10.10(u)+	Buuteeq, Inc. Amended and Restated 2010 Stock Plan.
10.11(v)+	The Priceline Group Inc. Annual Bonus Plan, adopted on February 20, 2007.
10.12(r)+	Form of Non-Competition and Non-Solicitation Agreement.
10.13(w)+	Transition Agreement dated November 7, 2013 by and between the Registrant and Jeffery H. Boyd.
10.14(w)+	Amended and Restated Employment Agreement dated November 7, 2013 by and between the Registrant, Booking.com Holding B.V. and Darren R. Huston.
10.15(w)+	Amended and Restated Non-Competition and Non-Solicitation Agreement dated November 7, 2013 by and between the Registrant and Darren R. Huston.
10.16(x)+	Indemnification Agreement, dated September 12, 2011, by and between the Registrant and Darren R. Huston.
10.17(y)+	Letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.18(z)+	Letter amendment, dated December 16, 2008, to letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.19(z)+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between the Registrant and Peter J. Millones.
10.20(z)+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between the Registrant and Chris Soder.
10.21(x)	Credit Agreement, dated as of October 28, 2011, among the Registrant, the lenders from time to time party thereto, RBS Citizens, N.A., as Documentation Agent, Bank of America, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.22(h)	Purchase Agreement, dated May 29, 2013, between the Registrant and Goldman, Sachs & Co.
10.23(i)	Purchase Agreement, dated August 14, 2014, between The Priceline Group Inc. and Wells Fargo Securities, LLC and Citigroup Global Markets Inc., as the Initial Purchasers.
10.24(k)	Underwriting Agreement, dated September 16, 2014, among the Registrant, Deutsche Bank AG, London Branch, The Royal Bank of Scotland plc, Wells Fargo Securities, LLC, Citigroup Global Markets Limited and Goldman, Sachs & Co.
12.1	Statement of Ratio of Earnings to Fixed Charges.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certification of Darren R. Huston, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Daniel J. Finnegan, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(aa)	Certification of Darren R. Huston, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
32.2(aa)	Certification of Daniel J. Finnegan, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2014 formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

+ Indicates a management contract or compensatory plan or arrangement.

- (a) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 9, 2012 (File No. 0-25581).
- (b) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 13, 2014 (File No. 0-25581).
- (c) Previously filed as an exhibit to the Current Report on Form 8-K filed on July 18, 2014 (file No. 0-25581).
- (d) Previously filed as an exhibit to the Current Report on Form 8-K filed on April 1, 2014 (File No. 0-25581).
- (e) Previously filed as an exhibit to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-69657) filed on March 18, 1999.
- (f) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 10, 2010 (File No. 0-25581).
- (g) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 12, 2012 (File No. 0-25581).
- (h) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 4, 2013 (File No. 0-25581).
- (i) Previously filed as an exhibit to the Current Report on Form 8-K filed on August 20, 2014 (File No. 0-25581).
- (j) Previously filed as an exhibit to the post-effective amendment filed on September 8, 2014 to the Registration Statement on Form S-3 filed on September 2, 2014 (File No. 333-198515).
- (k) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 22, 2014 (File No. 0-25581).
- (l) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 26, 2014 (File No. 0-25581).
- (m) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 6, 2013 (File No. 0-25581).
- (n) Previously filed as an exhibit to the Registration Statement on Form S-8 (File No. 333-122414) filed on January 31, 2005.
- (o) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 8, 2005 (File No. 0-25581).
- (p) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 9, 2011 (File No. 0-25581).
- (q) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 8, 2012 (File No. 0-25581).
- (r) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 4, 2013 (File No. 0-25581).
- (s) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 7, 2014 (File No. 0-25581).
- (t) Previously filed as an exhibit to the Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2014 (File No. 0-25581).
- (u) Previously filed as an exhibit to the Registration Statement on Form S-8 filed on June 13, 2014 (File No. 333-196756).
- (v) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 23, 2007 (File No. 0-25581).
- (w) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 8, 2013 (File No. 0-25581).
- (x) Previously filed as an exhibit to the Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2011 (File No. 0-25581).
- (y) Previously filed as an exhibit to the Current Report on Form 8-K filed on October 21, 2005 (File No. 0-25581).
- (z) Previously filed as an exhibit to the Annual Report on Form 10-K filed for the year ended December 31, 2008 (File No. 0-25581).
- (aa) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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.

THE PRICELINE GROUP INC.

By: /s/ Darren R. Huston

Name: Darren R. Huston

Title: President and Chief Executive Officer

Date: February 19, 2015

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Darren R. Huston, Daniel J. Finnegan and Peter J. Millones, and each of them severally, his or her true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934 and any rules, regulations and requirements of the Securities and Exchange Commission in connection with this Annual Report on Form 10-K and any and all amendments hereto, as fully and for all intents and purposes as he or she might do or could do in person, and hereby ratifies and confirms all said attorneys-in-fact and agents, each acting alone, and his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Jeffery H. Boyd</u> Jeffery H. Boyd	Director, Chairman of the Board	February 19, 2015
<u>/s/ Darren R. Huston</u> Darren R. Huston	President and Chief Executive Officer (Principal Executive Officer)	February 19, 2015
<u>/s/ Daniel J. Finnegan</u> Daniel J. Finnegan	Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	February 19, 2015
<u>/s/ Timothy M. Armstrong</u> Timothy M. Armstrong	Director	February 19, 2015
<u>/s/ Howard W. Barker, Jr.</u> Howard W. Barker, Jr.	Director	February 19, 2015
<u>/s/ Jan L. Docter</u> Jan L. Docter	Director	February 19, 2015
<u>/s/ Jeffrey E. Epstein</u> Jeffrey E. Epstein	Director	February 19, 2015
<u>/s/ James M. Guyette</u> James M. Guyette	Director	February 19, 2015
<u>/s/ Nancy B. Peretsman</u> Nancy B. Peretsman	Director	February 19, 2015
<u>/s/ Thomas E. Rothman</u> Thomas E. Rothman	Director	February 19, 2015
<u>/s/ Craig W. Rydin</u> Craig W. Rydin	Director	February 19, 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page No.</u>
Report of Independent Registered Public Accounting Firm	78
Consolidated Balance Sheets for the years ended December 31, 2014 and 2013	79
Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012	80
Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013, and 2012	81
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012	82
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012	83
Notes to Consolidated Financial Statements	84

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Priceline Group Inc.
Norwalk, Connecticut

We have audited the accompanying consolidated balance sheets of The Priceline Group Inc. (formerly known as priceline.com Incorporated) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Priceline Group Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 18, 2015

The Priceline Group Inc.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31,	
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,148,651	\$ 1,289,994
Restricted cash	843	10,476
Short-term investments	1,142,182	5,462,720
Accounts receivable, net of allowance for doubtful accounts of \$14,212 and \$14,116, respectively	643,894	535,962
Prepaid expenses and other current assets	178,050	107,102
Deferred income taxes	153,754	74,687
Total current assets	5,267,374	7,480,941
Property and equipment, net	198,953	135,053
Intangible assets, net	2,334,761	1,019,985
Goodwill	3,326,474	1,767,912
Long-term investments	3,755,653	—
Other assets	57,348	40,569
Total assets	\$ 14,940,563	\$ 10,444,460
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 281,480	\$ 247,345
Accrued expenses and other current liabilities	600,758	545,342
Deferred merchant bookings	460,558	437,127
Convertible debt	37,195	151,931
Total current liabilities	1,379,991	1,381,745
Deferred income taxes	1,040,260	326,425
Other long-term liabilities	103,533	75,981
Long-term debt	3,849,756	1,742,047
Total liabilities	6,373,540	3,526,198
Commitments and Contingencies (See Note 16)		
Convertible debt	329	8,533
Stockholders' equity:		
Common stock, \$0.008 par value, authorized 1,000,000,000 shares, 61,821,097 and 61,265,160 shares issued, respectively	480	476
Treasury stock, 9,888,024 and 9,256,721, respectively	(2,737,585)	(1,987,207)
Additional paid-in capital	4,923,196	4,592,979
Accumulated earnings	6,640,505	4,218,752
Accumulated other comprehensive income (loss)	(259,902)	84,729
Total stockholders' equity	8,566,694	6,909,729
Total liabilities and stockholders' equity	\$ 14,940,563	\$ 10,444,460

See Notes to Consolidated Financial Statements.

The Priceline Group Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2014	2013	2012
Agency revenues	\$ 5,845,802	\$ 4,410,689	\$ 3,142,815
Merchant revenues	2,186,054	2,211,474	2,104,752
Advertising and other revenues	410,115	171,143	13,389
Total revenues	8,441,971	6,793,306	5,260,956
Cost of revenues	857,841	1,077,420	1,177,275
Gross profit	7,584,130	5,715,886	4,083,681
Operating expenses:			
Advertising — Online	2,360,221	1,798,645	1,273,637
Advertising — Offline	231,309	127,459	35,492
Sales and marketing	310,910	235,817	195,934
Personnel, including stock-based compensation of \$186,425, \$140,526 and \$71,565, respectively	950,191	698,692	466,828
General and administrative	352,869	252,994	173,171
Information technology	97,498	71,890	43,685
Depreciation and amortization	207,820	117,975	65,141
Total operating expenses	4,510,818	3,303,472	2,253,888
Operating income	3,073,312	2,412,414	1,829,793
Other income (expense):			
Interest income	13,933	4,167	3,860
Interest expense	(88,353)	(83,289)	(62,064)
Foreign currency transactions and other	(9,444)	(36,755)	(9,720)
Total other income (expense)	(83,864)	(115,877)	(67,924)
Earnings before income taxes	2,989,448	2,296,537	1,761,869
Income tax expense	567,695	403,739	337,832
Net income	2,421,753	1,892,798	1,424,037
Less: net income attributable to noncontrolling interests	—	135	4,471
Net income applicable to common stockholders	\$ 2,421,753	\$ 1,892,663	\$ 1,419,566
Net income applicable to common stockholders per basic common share	\$ 46.30	\$ 37.17	\$ 28.48
Weighted average number of basic common shares outstanding	52,301	50,924	49,840
Net income applicable to common stockholders per diluted common share	\$ 45.67	\$ 36.11	\$ 27.66
Weighted average number of diluted common shares outstanding	53,023	52,413	51,326

See Notes to Consolidated Financial Statements.

The Priceline Group Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2014	2013	2012
Net income	\$ 2,421,753	\$ 1,892,798	\$ 1,424,037
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments ⁽¹⁾	(187,356)	97,970	69,683
Unrealized gain (loss) on marketable securities ⁽²⁾	(157,275)	21	(620)
Comprehensive income	2,077,122	1,990,789	1,493,100
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interests	—	(10,279)	9,628
Comprehensive income attributable to common stockholders	<u>\$ 2,077,122</u>	<u>\$ 2,001,068</u>	<u>\$ 1,483,472</u>

(1) Foreign currency translation adjustments includes a tax of \$55,597 for the year ended December 31, 2014 and tax benefits of \$55,001 and \$18,001 for the years ended December 31, 2013 and 2012, respectively, associated with hedges of foreign denominated net assets (See Note 14). The remaining balance in currency translation adjustments excludes income taxes due to the Company's practice and intention to reinvest the earnings of its foreign subsidiaries in those operations (See Note 15).

(2) Net of tax benefits of \$7,621, \$43 and \$158 for the years ended December 31, 2014, 2013 and 2012, respectively.

See Notes to Consolidated Financial Statements.

The Priceline Group Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 and 2012
(In thousands)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2011	57,579	\$ 446	(7,780)	\$ (803,586)	\$2,431,279	\$ 1,033,738	\$ (87,582)	\$2,574,295
Net income applicable to common stockholders	—	—	—	—	—	1,419,566	—	1,419,566
Unrealized gain (loss) on marketable securities, net of tax benefit of \$158	—	—	—	—	—	—	(620)	(620)
Currency translation adjustments, net of tax benefit of \$18,001	—	—	—	—	—	—	64,526	64,526
Redeemable noncontrolling interests fair value adjustments	—	—	—	—	—	(84,693)	—	(84,693)
Reclassification adjustment for convertible debt in mezzanine	—	—	—	—	22,705	—	—	22,705
Exercise of stock options and vesting of restricted stock units and performance share units	477	4	—	—	2,679	—	—	2,683
Repurchase of common stock	—	—	(405)	(257,021)	—	—	—	(257,021)
Stock-based compensation and other stock-based payments	—	—	—	—	72,035	—	—	72,035
Issuance of senior convertible notes	—	—	—	—	78,310	—	—	78,310
Excess tax benefit from stock-based compensation	—	—	—	—	5,189	—	—	5,189
Balance, December 31, 2012	58,056	\$ 450	(8,185)	\$ (1,060,607)	\$2,612,197	\$ 2,368,611	\$ (23,676)	\$3,896,975
Net income applicable to common stockholders	—	—	—	—	—	1,892,663	—	1,892,663
Unrealized gain (loss) on marketable securities, net of tax benefit of \$43	—	—	—	—	—	—	21	21
Currency translation adjustments, net of tax benefit of \$55,001	—	—	—	—	—	—	108,384	108,384
Redeemable noncontrolling interests fair value adjustments	—	—	—	—	—	(42,522)	—	(42,522)
Reclassification adjustment for convertible debt in mezzanine	—	—	—	—	46,122	—	—	46,122
Exercise of stock options and vesting of restricted stock units and performance share units	715	6	—	—	91,601	—	—	91,607
Repurchase of common stock	—	—	(1,030)	(883,515)	—	—	—	(883,515)
Stock-based compensation and other stock-based payments	—	—	—	—	142,098	—	—	142,098
Issuance of senior convertible notes	—	—	—	—	93,402	—	—	93,402
Common stock issued in an acquisition	1,522	12	—	—	1,281,122	—	—	1,281,134
Vested stock options assumed in an acquisition	—	—	—	—	264,423	—	—	264,423
Conversion of debt	972	8	—	—	1,224	—	—	1,232
Settlement of conversion spread hedges	—	—	(42)	(43,085)	43,104	—	—	19
Excess tax benefit from stock-based compensation	—	—	—	—	17,686	—	—	17,686
Balance, December 31, 2013	61,265	\$ 476	(9,257)	\$ (1,987,207)	\$4,592,979	\$ 4,218,752	\$ 84,729	\$6,909,729
Net income applicable to common stockholders	—	—	—	—	—	2,421,753	—	2,421,753
Unrealized gain (loss) on marketable securities, net of tax benefit of \$7,621	—	—	—	—	—	—	(157,275)	(157,275)
Currency translation adjustments, net of tax of \$55,597	—	—	—	—	—	—	(187,356)	(187,356)
Reclassification adjustment for convertible debt in mezzanine	—	—	—	—	8,204	—	—	8,204
Exercise of stock options and vesting of restricted stock units and performance share units	256	2	—	—	16,389	—	—	16,391
Repurchase of common stock	—	—	(631)	(750,378)	—	—	—	(750,378)
Stock-based compensation and other stock-based payments	—	—	—	—	189,292	—	—	189,292
Conversion of debt	300	2	—	—	(1,658)	—	—	(1,656)
Issuance of senior convertible notes	—	—	—	—	80,873	—	—	80,873
Stock options and restricted stock units assumed in acquisitions	—	—	—	—	13,751	—	—	13,751
Excess tax benefit from stock-based compensation	—	—	—	—	23,366	—	—	23,366
Balance, December 31, 2014	61,821	\$ 480	(9,888)	\$ (2,737,585)	\$ 4,923,196	\$ 6,640,505	\$ (259,902)	\$ 8,566,694

See Notes to Consolidated Financial Statements.

The Priceline Group Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES:			
Net income	\$ 2,421,753	\$ 1,892,798	\$ 1,424,037
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	78,241	48,365	32,818
Amortization	129,579	69,610	32,323
Provision for uncollectible accounts, net	22,990	16,451	16,094
Deferred income tax expense (benefit)	31,707	(11,104)	19,596
Stock-based compensation expense and other stock based payments	189,292	142,098	72,035
Amortization of debt issuance costs	5,229	7,898	5,212
Amortization of debt discount	54,731	55,718	39,820
Loss on early extinguishment of debt	6,270	26,661	—
Changes in assets and liabilities:			
Accounts receivable	(182,209)	(111,572)	(105,277)
Prepaid expenses and other current assets	(48,932)	(6,909)	(40,793)
Accounts payable, accrued expenses and other current liabilities	203,870	182,163	256,021
Other	1,876	(10,741)	33,864
Net cash provided by operating activities	<u>2,914,397</u>	<u>2,301,436</u>	<u>1,785,750</u>
INVESTING ACTIVITIES:			
Purchase of investments	(10,552,214)	(9,955,800)	(6,352,495)
Proceeds from sale of investments	10,902,500	8,291,283	4,799,412
Additions to property and equipment	(131,504)	(84,445)	(55,158)
Acquisitions and other equity investments, net of cash acquired	(2,496,366)	(331,918)	(33,861)
Proceeds from foreign currency contracts	14,354	3,266	86,159
Payments on foreign currency contracts	(94,661)	(81,870)	(4,014)
Change in restricted cash	9,347	(2,783)	(2,756)
Net cash used in investing activities	<u>(2,348,544)</u>	<u>(2,162,267)</u>	<u>(1,562,713)</u>
FINANCING ACTIVITIES:			
Proceeds from revolving credit facility	995,000	—	—
Payments related to revolving credit facility	(995,000)	—	—
Proceeds from the issuance of long-term debt	2,282,217	980,000	1,000,000
Payment of debt issuance costs	(17,464)	(1,018)	(20,916)
Payments related to conversion of senior notes	(125,136)	(414,569)	(1)
Repurchase of common stock	(750,378)	(883,515)	(257,021)
Payments to purchase subsidiary shares from noncontrolling interests	—	(192,530)	(61,079)
Payments of stock issuance costs	—	(1,191)	—
Proceeds from exercise of stock options	16,389	91,607	2,683
Proceeds from the termination of conversion spread hedges	—	19	—
Excess tax benefit from stock-based compensation	23,366	17,686	5,189
Net cash provided by (used in) financing activities	<u>1,428,994</u>	<u>(403,511)</u>	<u>668,855</u>
Effect of exchange rate changes on cash and cash equivalents	(136,190)	17,987	11,621
Net increase (decrease) in cash and cash equivalents	1,858,657	(246,355)	903,513
Cash and cash equivalents, beginning of period	1,289,994	1,536,349	632,836
Cash and cash equivalents, end of period	<u>\$ 3,148,651</u>	<u>\$ 1,289,994</u>	<u>\$ 1,536,349</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for income taxes	\$ 491,530	\$ 391,169	\$ 300,539
Cash paid during the period for interest	\$ 16,950	\$ 20,954	\$ 13,933
Non-cash fair value increase for redeemable noncontrolling interests	\$ —	\$ 42,522	\$ 84,693
Non-cash investing activity for contingent consideration	\$ 10,700	\$ —	\$ —
Non-cash financing activity for acquisitions	\$ 13,751	\$ 1,546,748	\$ —

See Notes to Consolidated Financial Statements.

The Priceline Group Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION

On April 1, 2014, the Company changed its name from priceline.com Incorporated to The Priceline Group Inc. The Priceline Group Inc. ("The Priceline Group" or the "Company") is a leading provider of online travel and travel related reservation and search services. Through the Company's online travel agent ("OTA") services, the Company connects consumers wishing to make travel reservations with providers of travel services around the world. The Company offers consumers accommodation reservations (including hotels, bed and breakfasts, hostels, apartments, vacation rentals and other properties) through its Booking.com, priceline.com and agoda.com brands. The Company's priceline.com brand also offers consumers reservations for rental cars, airline tickets, vacation packages and cruises. The Company offers rental car reservations worldwide through rentalcars.com. The Company also allows consumers to easily compare airline ticket, hotel reservation and rental car reservation information from hundreds of travel websites at once through KAYAK. The Company acquired OpenTable, a leading provider of online restaurant reservations in July 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The Company's Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, including KAYAK Software Corporation ("KAYAK") since its acquisition in May 2013 and OpenTable, Inc. ("OpenTable") since its acquisition in July 2014. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results may differ significantly from those estimates. The estimates underlying the Company's Consolidated Financial Statements relate to, among other things, the accrual for travel transaction taxes, stock-based compensation, the allowance for doubtful accounts, the valuation of goodwill, long-lived assets and intangibles, income taxes, the accrual for loyalty programs and the valuation of redeemable noncontrolling interests.

Fair Value of Financial Instruments — The Company's financial instruments, including cash, restricted cash, accounts receivable, accounts payable, accrued expenses and deferred merchant bookings, are carried at cost which approximates their fair value because of the short-term nature of these financial instruments. See Notes 4, 5, 11 and 13 for information on fair value for investments, derivatives, the Company's outstanding Senior Notes and redeemable noncontrolling interests.

Cash and Cash Equivalents — Cash and cash equivalents consists primarily of cash and highly liquid investment grade securities with an original maturity of three months or less.

Restricted Cash — Restricted cash at December 31, 2014 and 2013 collateralizes office leases and supplier obligations.

Investments — The Company has classified its investments as available-for-sale securities. These securities are carried at estimated fair value with the aggregate unrealized gains and losses related to these investments, net of taxes, reflected as a part of "Accumulated other comprehensive income (loss)" within stockholders' equity.

The fair value of the investments is based on the specific quoted market price of the securities or comparable securities at the balance sheet dates. Investments in debt securities are considered to be impaired when a decline in fair value is judged to be other than temporary because the Company either intends to sell or it is more-likely-than not that it will have to sell the impaired security before recovery. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. If the Company does not intend to sell the debt security, but it is probable that the Company will not collect all amounts due, then only the impairment due to the credit risk would be recognized in earnings and the remaining amount of the impairment would be recognized in "Accumulated other comprehensive income (loss)" within stockholders' equity. Marketable securities are presented as current assets on the Company's Consolidated Balance Sheets if they are available to meet the short-term working capital needs of the Company. See Notes 4 and 5 for further detail of investments.

Property and Equipment — Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets or, when applicable, the life of the lease, whichever is shorter.

Website and Software Capitalization — Certain direct development costs associated with website and internal-use software are capitalized and include external direct costs of services and payroll costs for employees devoting time to the software projects principally related to website and mobile app development, including support systems, software coding, designing system interfaces and installation and testing of the software. These costs are recorded as property and equipment and are generally amortized over a period of two to five years beginning when the asset is substantially ready for use. Costs incurred for enhancements that are expected to result in additional features or functionality are capitalized and amortized over the estimated useful life of the enhancements. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Goodwill — The Company accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. The Company's Consolidated Financial Statements reflect an acquired business starting at the date of the acquisition.

Goodwill is not subject to amortization and is reviewed at least annually for impairment, or earlier if an event occurs or circumstances change and there is an indication of impairment. The Company tests goodwill at a reporting unit level. The fair value of the reporting unit is compared to its carrying value, including goodwill. Fair values are determined based on discounted cash flows, market multiples or appraised values and are based on market participant assumptions. An impairment is recorded to the extent that the implied fair value of goodwill is less than the carrying value of goodwill. See Note 9 for further information.

Impairment of Long-Lived Assets and Intangible Assets — The Company reviews long-lived assets and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The assessment of possible impairment is based upon the Company's ability to recover the carrying value of the assets from the estimated undiscounted future net cash flows, before interest and taxes, of the related operations. The amount of impairment loss, if any, is measured as the excess of the carrying value of the asset over the present value of estimated future cash flows, using a discount rate commensurate with the risks involved and based on assumptions representative of market participants.

Agency Revenues

Agency revenues are derived from travel-related transactions where the Company is not the merchant of record and where the prices of the services sold are determined by third parties. Agency revenues include travel commissions, global distribution system ("GDS") reservation booking fees and customer processing fees, and are reported at the net amounts received, without any associated cost of revenue. Such revenues are generally recognized by the Company when the customers complete their travel.

Merchant Revenues and Cost of Merchant Revenues

Merchant revenues and related cost of revenues are derived from services where the Company is the merchant of record and therefore charges the customer's credit card and subsequently pays the travel service provider for the services provided.

Opaque Services: The Company describes its priceline.com *Name Your Own Price*[®] and *Express Deals*[®] travel services as "opaque" because certain elements of the service, including the identity of the travel service provider, are not disclosed to the consumer prior to making a reservation. The *Name Your Own Price*[®] service connects consumers that are willing to accept a level of flexibility regarding their travel itinerary with travel service providers that are willing to accept a lower price in order to sell their excess capacity without disrupting their existing distribution channels or retail pricing structures. The Company's *Name Your Own Price*[®] services use a unique pricing system that allows consumers to "bid" the price they are prepared to pay when submitting an offer for a particular leisure travel service. The Company accesses databases in which participating travel service providers file secure discounted rates, not generally available to the public, to determine whether it can fulfill the consumer's offer. The Company selects the travel service provider and determines the price it will accept from the consumer. Merchant revenues and cost of revenues include the selling price and cost, respectively, of the *Name Your Own Price*[®] travel services and are reported on a gross basis.

In 2012, the Company launched *Express Deals*® as a merchant semi-opaque hotel reservation service at priceline.com. The Company has since expanded the *Express Deals*® service to include rental car and air reservation services. *Express Deals*® allows consumers to select hotel, car and air reservations with price and certain information regarding amenities disclosed prior to making the reservation. The identity of the travel service provider is not known prior to committing to the non-refundable reservation. The Company records the difference between the reservation price to the consumer and the travel service provider cost to the Company of its merchant *Express Deals*® reservation services on a net basis in merchant revenue.

The Company recognizes revenues and costs for these services when it confirms the customer's non-refundable offer. In very limited circumstances, the Company makes certain customer concessions to satisfy disputes and complaints. The Company accrues for such estimated losses and classifies the resulting expense as adjustments to merchant revenue and cost of merchant revenues.

Merchant Retail Services: Merchant revenues for the Company's merchant retail services are derived from transactions where consumers book accommodation reservations or rental car reservations from travel service providers at disclosed rates which are subject to contractual arrangements. Charges are billed to consumers by the Company at the time of booking and are included in deferred merchant bookings until the consumer completes the accommodation stay or returns the rental car. Such amounts are generally refundable upon cancellation, subject to cancellation penalties in certain cases. Merchant revenues and accounts payable to the travel service provider are recognized at the conclusion of the consumer's stay at the accommodation or return of the rental car. The Company records the difference between the reservation price to the consumer and the travel service provider cost to the Company of its merchant retail reservation services on a net basis in merchant revenue.

Pursuant to the terms of the Company's opaque and retail merchant services, its travel service providers are permitted to bill the Company for the underlying cost of the service during a specified period of time. In the event that the Company is not billed by the travel provider within the specified time period, the Company reduces its cost of revenues by the unbilled amounts.

Advertising and Other Revenues

Advertising and other revenues are primarily earned by KAYAK and OpenTable. KAYAK earns advertising revenue primarily by sending referrals to travel service providers and OTAs and from advertising placements on its websites and mobile applications. Generally, revenue related to referrals is earned based upon the completion of travel by a consumer or when a consumer clicks on a referral placement and revenue for advertising placements is earned based upon when a customer clicks on an advertisement or when the Company displays an advertisement. OpenTable earns revenue primarily by facilitating reservations and providing computerized host-stand operations to restaurants through proprietary restaurant management reservation services. The Company recognizes other revenues related to OpenTable for reservation revenues when diners are seated and for subscription revenues on a straight-line basis during the contractual period over which the service is delivered. Revenues are recorded net of redeemable dining points issued to diners during each period presented.

Loyalty Programs

The Company provides various loyalty programs. Participating customers earn loyalty points on current transactions that can be redeemed for future qualifying transactions. When the points are earned, the Company estimates the amount of loyalty points expected to be redeemed and records a reduction in revenue. As of December 31, 2014, a liability of \$71.1 million for loyalty points programs is included in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheet.

Tax Recovery Charge, Occupancy Taxes and State and Local Taxes

The Company provides an online travel service to facilitate online travel purchases by consumers from travel service providers, including accommodation, rental car and airline ticket reservations, and sometimes as part of a vacation package reservation. For merchant model transactions, the Company charges the consumer an amount intended to cover the taxes that the Company anticipates the travel service provider will owe and remit to the local taxing authorities ("tax recovery charge"). Tax rate information for calculating the tax recovery charge is provided to the Company by the travel service providers.

In certain taxing jurisdictions, the Company is required by passage of a new statute or by court order to collect and remit certain taxes (local occupancy tax, general excise and/or sales tax) imposed upon its margin and/or service fee, or in the case of Hawaii, on the full amount collected from the consumer. In those jurisdictions, the Company is collecting and remitting tax as required. The tax recovery charge and occupancy and other related taxes collected from customers and remitted to those jurisdictions are reported on a net basis on the Consolidated Statement of Operations. Except in those jurisdictions, the Company does not charge the customer or remit occupancy or other related taxes based on its margin or service fee, because the Company believes that such taxes are not owed on its compensation for its services (see Note 16).

Advertising - Online — Online advertising expenses consist primarily of the costs of (1) search engine keyword purchases; (2) referrals from meta-search and travel research websites; (3) affiliate programs; and (4) banner, pop-up and other Internet and mobile advertisements. Online advertising expense is generally recognized as incurred. Included in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheets are accrued online advertising liabilities of \$164.0 million and \$130.3 million at December 31, 2014 and 2013, respectively.

Advertising - Offline — Offline advertising expenses are primarily related to the Company's Booking.com, KAYAK and priceline.com businesses and primarily consist of television advertising. The Company expenses advertising production costs the first time the advertising is broadcast.

Sales and Marketing — Sales and marketing expenses consist primarily of (1) credit card processing fees associated with merchant transactions; (2) fees paid to third parties that provide call center, website content translations and other services; (3) provisions for credit card chargebacks; and (4) provisions for bad debt, primarily related to agency accommodation commission receivables.

Personnel — Personnel expenses consist of compensation to the Company's personnel, including salaries, bonuses, stock-based compensation, payroll taxes and employee health benefits. Included in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheets are accrued compensation liabilities of \$159.0 million and \$142.7 million at December 31, 2014 and 2013, respectively.

Stock-Based Compensation — The cost of stock-based compensatory transactions is recognized in the financial statements based upon fair value. The fair value of performance share units and restricted stock units is determined based on the number of units or shares, as applicable, granted and the quoted price of the Company's common stock as of the grant date or acquisition date. Stock-based compensation related to performance share units reflects the estimated probable outcome at the end of the performance period. The fair value of employee stock options assumed in acquisitions was determined using the Black Scholes model and the market value of the Company's common stock at the respective acquisition dates. Fair value is recognized as expense on a straight line basis, net of estimated forfeitures, over the employee requisite service period.

The benefits of tax deductions in excess of recognized compensation costs are reported as a credit to additional paid-in capital and as financing cash flows, but only when such excess tax benefits are realized by a reduction to current taxes payable. See Note 3 for further information on stock-based awards.

Information Technology — Information technology expenses consist primarily of: (1) software license and system maintenance fees; (2) data communications and other expenses associated with operating our services; (3) outsourced data center costs; and (4) payments to outside consultants.

Income Taxes — The Company accounts for income taxes under the asset and liability method. The Company records the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported on the Consolidated Balance Sheets, as well as operating loss and tax credit carryforwards. Deferred taxes are classified as current or noncurrent based on the balance sheet classification of the related assets and liabilities.

The Company records deferred tax assets to the extent it believes these assets will more likely than not be realized. The Company regularly reviews its deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences, the carryforward periods available for tax reporting purposes, and tax planning strategies. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the period in which related temporary differences become deductible. In determining the future tax consequences of events that have been recognized in the financial statements or tax returns, significant judgments, estimates, and interpretation of statutes are required.

Deferred taxes are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date of such change.

Income taxes are not accrued for unremitted earnings of international operations that have been or are intended to be reinvested indefinitely.

The Company recognizes liabilities when it believes that uncertain positions may not be fully sustained upon review by the tax authorities. Liabilities recognized for uncertain tax positions are based on a two step approach for recognition and measurement. First, the Company evaluates the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit based on its technical merits. Secondly, the Company measures the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. Interest and penalties attributable to uncertain tax positions, if any, are recognized as a component of income tax expense. See Note 15 for further details on income taxes.

Segment Reporting — The Company determined that its brands constitute its operating segments. Based on similar economics characteristics and other similar operating factors, the Company has aggregated the operating segments into one reportable segment. The Company manages its business as one unit. For geographic related information, see Note 18.

Foreign Currency Translation — The functional currency of the Company's foreign subsidiaries is generally their respective local currency. Assets and liabilities are translated into U.S. Dollars at the rate of exchange existing at the balance sheet date. Income statement amounts are translated at average monthly exchange rates applicable for the period. Translation gains and losses are included as a component of "Accumulated other comprehensive income (loss)" on the Company's Consolidated Balance Sheets. Foreign currency transaction gains and losses are included in "Foreign currency transactions and other" in the Company's Consolidated Statements of Operations.

In September 2014, the Company issued Senior Notes due September 23, 2024 for an aggregate principal amount of 1.0 billion Euros and designated the carrying value, plus accrued interest, as a hedge of the Company's net investment in a Euro functional currency subsidiary. The foreign currency transaction gains or losses on these liabilities and the Euro denominated net assets of the subsidiary are translated into U.S. Dollars and are included as a component of "Accumulated other comprehensive income (loss)" on the Company's Consolidated Balance Sheet (see Notes 11 and 14).

Derivative Financial Instruments — As a result of the Company's international operations, it is exposed to various market risks that may affect its consolidated results of operations, cash flow and financial position. These market risks include, but are not limited to, fluctuations in currency exchange rates. The Company's primary foreign currency exposures are in Euros and British Pound Sterling, in which it conducts a significant portion of its business activities. As a result, the Company faces exposure to adverse movements in currency exchange rates as the financial results of its international operations are translated from local currency into U.S. Dollars upon consolidation. Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains and losses that are reflected in income.

The Company may enter into derivative instruments to hedge certain net exposures of nonfunctional currency denominated assets and liabilities and the volatility associated with translating earnings for its international businesses into U.S. Dollars, even though it does not elect to apply hedge accounting or hedge accounting does not apply. Gains and losses resulting from a change in fair value for these derivatives are reflected in income in the period in which the change occurs and are recognized on the Consolidated Statements of Operations in "Foreign currency transactions and other." Cash flows related to these contracts are classified within "Net cash provided by operating activities" on the cash flow statement.

The Company, from time to time, utilizes derivative instruments to hedge the impact of changes in currency exchange rates on the net assets of its foreign subsidiaries. These instruments are designated as net investment hedges. Hedge ineffectiveness is assessed and measured based on changes in forward exchange rates. The Company records gains and losses on these derivative instruments as currency translation adjustments, which offset a portion of the translation adjustments related to the foreign subsidiary's net assets. Gains and losses are recognized on the Consolidated Balance Sheet in "Accumulated other comprehensive income (loss)" and will be realized upon a partial sale or liquidation of the investment. The Company formally documents all derivatives designated as hedging instruments for accounting purposes, both at hedge inception and on an on-going basis. These net investment hedges expose the Company to liquidity risk as the derivatives have an immediate cash flow impact upon maturity, which is not offset by the translation of the underlying hedged equity. The cash flows from these contracts are classified within "Net cash used in investing activities" on the cash flow statement.

The Company does not use financial instruments for trading or speculative purposes. The Company recognizes all derivative instruments on the balance sheet at fair value and its derivative instruments are generally short-term in duration. The derivative instruments do not contain leverage features.

The Company is exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations. The Company regularly reviews its credit exposure as well as assessing the creditworthiness of its counterparties. See Note 5 for further detail on derivatives.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued a new accounting standard on the recognition of revenue from contracts with customers that is designed to create greater comparability for financial statement users across industries and jurisdictions. The core principle of the standard is that an "entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." Additionally, the new guidance specifies the accounting for some costs to obtain or fulfill a contract with a customer. The new standard will also require enhanced disclosures. The accounting standard is effective for public entities for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted under U.S. GAAP and retrospective application is permitted but not required. The Company is currently evaluating the impact on its consolidated financial statements of adopting this new guidance.

In April 2014, the FASB issued an accounting update which amends the definition of a discontinued operation. The new definition limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results. The new definition includes an acquired business that is classified as held for sale at the date of acquisition. The accounting update requires new disclosures of both discontinued operations and a disposal of an individually significant component of an entity. The accounting update is effective for annual and interim periods beginning on or after December 15, 2014. Early adoption is permitted but only for disposals that have not been reported in financial statements previously issued. The Company adopted this update in the first quarter of 2015 and this accounting update did not have an impact on the Company's consolidated financial statements.

In July 2013, the FASB issued an accounting update which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward or a tax credit carryforward exists in the same taxing jurisdiction. Per this guidance, an entity must present the unrecognized tax benefit as a reduction to a deferred tax asset, except when the carryforward is not available as of the reporting date under the governing tax law to settle taxes or the entity does not intend to use the deferred tax asset for this purpose. This amendment does not impact the recognition or measurement of uncertain tax positions or the disclosure reconciliation of gross unrecognized tax benefits. The update is effective for public companies beginning after December 15, 2013. The Company adopted this update in the first quarter of 2014 and this accounting update did not have an impact on the Company's consolidated balance sheet.

In February 2013, the FASB issued accounting guidance which requires entities to provide additional information about items reclassified out of accumulated other comprehensive income ("AOCI") to net income. Changes in AOCI balances by component, both before tax and after tax, must be disclosed and significant items reclassified out of AOCI by component must be reported either on the face of the income statement or in a separate footnote to the financial statements. The accounting guidance is effective for public companies for fiscal years, and interim periods within those years, beginning after December 15, 2012. See Note 14 for information on AOCI balances. There were no reclassifications out of AOCI to net income for the years ended December 31, 2014, 2013 and 2012.

On January 1, 2012, the Company adopted the amended accounting guidance issued by the Financial Accounting Standards Board ("FASB") concerning the presentation of comprehensive income. The new guidance requires comprehensive income to be reported in either a single statement or in two consecutive statements reporting net income and other comprehensive income. The Company selected to present two consecutive statements. This amended guidance did not change the items that constitute net income or other comprehensive income, the timing of when other comprehensive income is reclassified to net income, or the earnings per share computation.

In September 2011, the FASB issued an accounting update, which amended the guidance on testing goodwill for impairment. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If, based on the qualitative factors, it is more-likely-than not that the fair value of the reporting unit is less than its carrying value, then the unchanged two-step approach previously used would be required. The new accounting guidance did not change how goodwill is calculated, how goodwill is assigned to the

reporting unit, or the requirements for testing goodwill annually or when events and circumstances warrant testing. The accounting update was effective for annual and interim periods beginning after December 15, 2011, with early adoption permitted. In September 2014, the Company performed its annual quantitative goodwill impairment testing and concluded that there was no impairment of goodwill.

In May 2010, the FASB issued amended guidance on fair value to largely achieve common fair value measurement and disclosure requirements between U.S. GAAP and IFRS. The new accounting guidance did not extend the use of fair value but rather provided guidance about how fair value should be determined. For U.S. GAAP, most of the changes were clarifications of existing guidance or wording changes to align with IFRS. The amended guidance expanded disclosure, particularly that relating to fair value measurements based on unobservable inputs, permitted fair value measurements for financial assets and liabilities on a net position if market or credit risks are managed on a net basis and other criteria are met, and allowed premiums and discounts only if a market participant would also include them in the fair value measurement. This accounting update was effective for public companies for interim or annual periods beginning after December 15, 2011, with early adoption permitted. The adoption of this accounting guidance, effective with the three months ended March 31, 2012, did not impact the Company's consolidated financial statements or disclosure.

3. STOCK-BASED COMPENSATION

The Company's 1999 Omnibus Plan, as amended and restated effective June 6, 2013, (the "1999 Plan") is the primary stock compensation plan from which broad-based employee equity awards may be made. As of December 31, 2014, there were 2,650,485 shares of common stock available for future grant under the 1999 Plan. In addition, in connection with the acquisition of KAYAK in May 2013, Buuteeq, Inc. in June 2014 and OpenTable in July 2014, the Company assumed the KAYAK Software Corporation 2012 Equity Incentive Plan (the "KAYAK Plan"), the Buuteeq, Inc. Amended and Restated 2010 Stock Plan (the "Buuteeq Plan") and the OpenTable, Inc. 2009 Equity Incentive Award Plan (the "OpenTable Plan"). As of December 31, 2014, there were 14,351, 191 and 238,804 shares of common stock available for future grant under the KAYAK Plan, Buuteeq Plan and OpenTable Plan, respectively.

Stock-based compensation issued under the plans generally consists of restricted stock units, performance share units and stock options. The cost of share-based transactions is recognized in the financial statements based upon fair value. Fair value is recognized as expense on a straight line basis, net of estimated forfeitures, over the employee's requisite service period. The fair value of restricted stock units and performance share units is determined based on the number of shares or units, as applicable, granted and the quoted price of the Company's common stock as of the grant date. Stock-based compensation related to performance share units reflects the estimated probable outcome at the end of the performance period. The fair value of the employee stock options assumed in acquisitions was determined using the Black-Scholes model and the market value of the Company's common stock at the respective merger date. Stock options granted to employees have a term of 10 years. Restricted stock units, performance share units and restricted stock generally vest over periods from 1 to 4 years. The Company issues new shares of common stock upon the issuance of restricted stock, the exercise of stock options and the vesting of restricted stock units and performance share units.

Stock-based compensation included in personnel expenses in the Consolidated Statements of Operations was approximately \$186.4 million, \$140.5 million and \$71.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Stock-based compensation for the years ended December 31, 2014, 2013 and 2012 includes charges amounting to \$20.6 million, \$24.1 million and \$0.9 million, respectively, representing the impact of adjusting the estimated probable outcome at the end of the performance period for outstanding unvested performance share units. Included in the stock-based compensation are approximately \$2.3 million, \$2.1 million, and \$1.8 million for the years ended December 31, 2014, 2013, and 2012, respectively, for grants to non-employee directors. The related tax benefit for stock-based compensation is \$38.4 million, \$18.5 million and \$7.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Restricted Stock Units and Performance Share Units

The following table summarizes the activity of unvested restricted stock units ("RSUs") and performance share units during the years ended December 31, 2012, 2013 and 2014:

Share-Based Awards	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2011	799,980	\$ 231.87
Granted	95,062	\$ 643.12
Vested	(353,819)	\$ 108.31
Performance Shares Adjustment	6,649	\$ 532.26
Forfeited	(7,744)	\$ 444.18
Unvested at December 31, 2012	540,128	\$ 389.21
Granted	162,341	\$ 730.47
Vested	(258,198)	\$ 242.63
Performance Shares Adjustment	101,490	\$ 681.13
Forfeited	(11,442)	\$ 579.71
Unvested at December 31, 2013	534,319	\$ 615.10
Granted	128,484	\$ 1,308.13
Assumed in an acquisition	43,993	\$ 1,238.68
Vested	(195,730)	\$ 492.22
Performance Shares Adjustment	68,499	\$ 1,085.94
Forfeited	(9,250)	\$ 972.19
Unvested at December 31, 2014	570,315	\$ 912.26

RSUs and performance share units granted by the Company during the years ended December 31, 2014, 2013 and 2012 had aggregate grant date fair values of approximately \$168.1 million, \$118.6 million and \$61.1 million, respectively. Share-based awards that vested during the years ended December 31, 2014, 2013, and 2012 had grant date fair values of \$96.3 million, \$62.6 million and \$38.3 million, respectively.

As of December 31, 2014, there is \$263.8 million of total future compensation cost related to unvested share-based awards to be recognized over a weighted-average period of 1.7 years.

During the year ended December 31, 2014, stock based awards included grants of 72,277 performance share units to executives and certain other employees. The performance share units had a total grant date fair value of \$96.1 million based upon the weighted-average grant date fair value per share of \$1,329.11. The performance share units are payable in shares of the Company's common stock upon vesting. Stock-based compensation for performance share units is recorded based on the estimated probable outcome if the Company, and with respect to certain grants, the businesses of its subsidiaries, achieve certain financial goals at the end of the performance period. The actual number of shares to be issued on the vesting date will be determined upon completion of the performance period which ends December 31, 2016, assuming there is no accelerated vesting for, among other things, a termination of employment under certain circumstances, or a change in control. At December 31, 2014, there were 72,098 unvested 2014 performance share units outstanding, net of performance share units that were forfeited or vested since the grant date. As of December 31, 2014, the number of shares estimated to be issued pursuant to these performance shares units is a total of 109,618 shares. If the maximum performance thresholds are met at the end of the performance period, a maximum of 145,981 total shares could be issued. If the minimum performance thresholds are not met, 50,884 shares would be issued at the end of the performance period.

2013 Performance Share Units

During the year ended December 31, 2013, stock-based awards included grants of 104,865 performance share units with a grant date fair value of \$74.4 million, based on a weighted average grant date fair value of \$709.74 per share. The actual number of shares will be determined upon completion of the performance period which ends December 31, 2015.

At December 31, 2014, there were 102,816 unvested 2013 performance share units outstanding, net of performance share units that were forfeited or vested since the grant date. As of December 31, 2014, the number of shares estimated to be issued pursuant to these performance share units at the end of the performance period is a total of 197,225 shares. If the maximum performance thresholds are met at the end of the performance period, a maximum of 225,202 total shares could be issued pursuant to these performance share units. If the minimum performance thresholds are not met, 40,120 shares would be issued at the end of the performance period.

2012 Performance Share Units

During the year ended December 31, 2012, stock-based awards included grants of 60,365 performance share units with a grant date fair value of \$39.0 million, based on a weighted average grant date fair value of \$645.86 per share. The actual number of shares will be determined after completion of the performance period which ended on December 31, 2014.

At December 31, 2014, there were 57,571 unvested 2012 performance share units outstanding, net of performance share units that were forfeited or vested since the grant date. As of December 31, 2014, the total number of shares expected to be issued pursuant to these performance shares units on the March 4, 2015 vesting date is 100,190 shares.

Stock Options - Other than Stock Options Assumed in Acquisitions

During the year ended December 31, 2014, stock options were exercised for 7,780 shares of common stock with a weighted average exercise price per share of \$22.47. As of December 31, 2014, there were 1,220 shares of common stock subject to outstanding and exercisable stock options with a weighted average exercise price per share of \$23.08, a weighted average remaining term of 0.5 years, and an aggregate intrinsic value of \$1.4 million. The intrinsic value of stock options exercised during the years ended December 31, 2014, 2013 and 2012 was \$9.3 million, \$44.9 million and \$75.2 million, respectively. As of December 31, 2011, there were no outstanding and unvested stock options originally granted by the Company. No stock options were granted by the Company during the years ended December 31, 2014, 2013 and 2012.

Stock Options Assumed in Acquisitions

The following table summarizes for the year ended December 31, 2014 stock option activity for employee stock options assumed in acquisitions:

<u>Assumed Employee Stock Options</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Aggregate Intrinsic Value (000's)</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>
Balance, January 1, 2013	—	\$ —	\$ —	0
Assumed in acquisition	540,179	\$ 260.96		
Exercised	(387,669)	\$ 222.73		
Forfeited	(23,802)	\$ 478.83		
Balance, December 31, 2013	128,708	\$ 335.83	\$ 106,386	6.9
Assumed in acquisitions	61,897	\$ 457.67		
Exercised	(43,223)	\$ 342.39		
Forfeited	(2,217)	\$ 517.91		
Balance, December 31, 2014	145,165	\$ 383.05	\$ 109,914	6.5
Vested and exercisable as of December 31, 2014	88,118	\$ 306.32	\$ 73,481	5.7
Vested and exercisable as of December 31, 2014 and expected to vest thereafter, net of estimated forfeitures	144,077	\$ 382.81	\$ 109,124	6.5

The aggregate intrinsic value of exercised employee stock options assumed in acquisitions during the years ended December 31, 2014 and 2013 was \$39.9 million and \$236.9 million, respectively.

For the year ended December 31, 2014, employee stock options assumed in acquisitions had a total acquisition date fair value of \$45.5 million based on a weighted average acquisition date fair value of \$734.76 per share. During the year ended December 31, 2014 and 2013, assumed unvested employee stock options vested for 41,524 and 65,293 shares with a fair value of \$24.2 million and \$30.9 million, respectively.

For the year ended December 31, 2014 and 2013, the Company recorded stock-based compensation expense of \$24.7 million and \$30.9 million, respectively related to unvested assumed employee stock options. As of December 31, 2014, there was \$36.2 million of total future compensation costs related to unvested assumed employee stock options to be recognized over a weighted-average period of 1.6 years.

4. INVESTMENTS

The following table summarizes, by major security type, the Company's investments as of December 31, 2014 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
Short-term investments:				
Foreign government securities	\$ 52,524	\$ —	\$ (34)	\$ 52,490
U.S. government securities	364,276	24	(34)	364,266
U.S. commercial paper	621,252	15	(652)	620,615
U.S. government agency securities	104,829	—	(18)	104,811
Total short-term investments	\$ 1,142,881	\$ 39	\$ (738)	\$ 1,142,182
Long-term investments:				
Foreign government securities	\$ 12,707	\$ —	\$ (36)	\$ 12,671
U.S. government securities	557,130	80	(762)	556,448
U.S. corporate debt securities	2,332,030	2,299	(5,296)	2,329,033
U.S. government agency securities	95,108	97	(111)	95,094
U.S. municipal securities	1,114	—	(12)	1,102
Ctrip corporate debt securities	500,000	—	(74,039)	425,961
Ctrip equity securities	421,930	—	(86,586)	335,344
Total long-term investments	\$ 3,920,019	\$ 2,476	\$ (166,842)	\$ 3,755,653

As of December 31, 2014, foreign government securities included investments in debt securities issued by the governments of the United Kingdom and the Netherlands.

In August 2014, the Company used its non-U.S. cash to invest in a five-year Senior Convertible Note issued by Ctrip.com International Ltd. ("Ctrip"). The note was issued at par in an aggregate principal amount of \$500 million. Additionally, during the year ended December 31, 2014, the Company invested \$421.9 million of its non-U.S. cash in Ctrip American Depositary Shares ("ADSs"). The convertible debt and equity securities of Ctrip have been marked to market in accordance with the accounting guidance for available-for-sale securities and at December 31, 2014 show a \$74.0 million and \$86.6 million unrealized loss, respectively, as a result of decreases in Ctrip's publicly traded shares since the convertible debt and equity purchases were made. In connection with the purchase of the convertible note, Ctrip granted the Company the right to appoint an observer to Ctrip's board of directors and permission to acquire Ctrip shares (including through the acquisition of Ctrip ADSs in the open market) over the twelve months following the purchase date, so that combined with ADSs issuable upon conversion of the note, the Company may hold up to 10% of Ctrip's outstanding equity.

The following table summarizes, by major security type, the Company's short-term investments as of December 31, 2013 (in thousands):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
Short-term investments:				
Foreign government securities	\$ 4,019,530	\$ 233	\$ (356)	\$ 4,019,407
U.S. government securities	1,443,083	250	(20)	1,443,313
Total	\$ 5,462,613	\$ 483	\$ (376)	\$ 5,462,720

The Company has classified its investments as available-for-sale securities. These securities are carried at estimated fair value with the aggregate unrealized gains and losses related to these investments, net of taxes, reflected as a part of "Accumulated other comprehensive income (loss)" on the Consolidated Balance Sheets. Classification as short-term or long-term is based upon the maturity of the debt securities.

There were no significant realized gains or losses related to investments for the years ended December 31, 2014, 2013 and 2012.

5. FAIR VALUE MEASUREMENTS

Financial assets and liabilities are carried at fair value as of December 31, 2014 and are classified in the categories described in the tables below (in thousands):

	Level 1	Level 2	Total
ASSETS:			
Cash equivalents:			
Money market funds	\$ 155,608	\$ —	\$ 155,608
Foreign government securities	—	974,855	974,855
U.S. government securities	—	676,503	676,503
U.S. commercial paper	—	427,884	427,884
U.S. government agency securities	—	10,000	10,000
Short-term investments:			
Foreign government securities	—	52,490	52,490
U.S. government securities	—	364,266	364,266
U.S. commercial paper	—	620,615	620,615
U.S. government agency securities	—	104,811	104,811
Foreign exchange derivatives	—	336	336
Long-term investments:			
Foreign government securities	—	12,671	12,671
U.S. government securities	—	556,448	556,448
U.S. corporate debt securities	—	2,329,033	2,329,033
U.S. government agency securities	—	95,094	95,094
U.S. municipal securities	—	1,102	1,102
Ctrip corporate debt securities	—	425,961	425,961
Ctrip equity securities	335,344	—	335,344
Total assets at fair value	\$ 490,952	\$ 6,652,069	\$ 7,143,021

	Level 1	Level 2	Total
LIABILITIES:			
Foreign exchange derivatives	\$ —	\$ 129	\$ 129

Financial assets and liabilities are carried at fair value as of December 31, 2013 and are classified in the categories described in the tables below (in thousands):

	Level 1	Level 2	Total
ASSETS:			
Cash equivalents:			
Money market funds	\$ 433,850	\$ —	\$ 433,850
Foreign government securities	—	238,202	238,202
U.S. government securities	—	28,000	28,000
Short-term investments:			
Foreign government securities	—	4,019,407	4,019,407
U.S. government securities	—	1,443,313	1,443,313
Foreign exchange derivatives	—	292	292
Total assets at fair value	\$ 433,850	\$ 5,729,214	\$ 6,163,064

	Level 1	Level 2	Total
LIABILITIES:			
Foreign exchange derivatives	\$ —	\$ 122,091	\$ 122,091

There are three levels of inputs to measure fair value. The definition of each input is described below:

- Level 1: Quoted prices in active markets that are accessible by the Company at the measurement date for identical assets and liabilities.
- Level 2: Inputs are observable, either directly or indirectly. Such prices may be based upon quoted prices for identical or comparable securities in active markets or inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available.

Investments in corporate debt securities, sovereign debt, commercial paper, government agency securities and municipal securities are considered "Level 2" valuations because the Company has access to quoted prices, but does not have visibility to the volume and frequency of trading for all of these investments. For the Company's investments, a market approach is used for recurring fair value measurements and the valuation techniques use inputs that are observable, or can be corroborated by observable data, in an active marketplace.

The Company's derivative instruments are valued using pricing models. Pricing models take into account the contract terms as well as multiple inputs where applicable, such as interest rate yield curves, option volatility and currency rates. Derivatives are considered "Level 2" fair value measurements. The Company's derivative instruments are typically short-term in nature.

As of December 31, 2014 and 2013, the Company's cash consisted of bank deposits and cash held in investment accounts. Other financial assets and liabilities, including restricted cash, accounts receivable, accounts payable, accrued expenses and deferred merchant bookings are carried at cost which approximates their fair value because of the short-term nature of these items. See Note 4 for information on the carrying value of investments and Note 11 for the estimated fair value of the Company's Senior Convertible Notes.

In the normal course of business, the Company is exposed to the impact of foreign currency fluctuations. The Company limits these risks by following established risk management policies and procedures, including the use of derivatives. See Note 2 for further information on our accounting policy for derivative financial instruments.

Derivatives Not Designated as Hedging Instruments — The Company is exposed to adverse movements in currency exchange rates as the operating results of its international operations are translated from local currency into U.S. Dollars upon consolidation. The Company's derivative contracts principally address short-term foreign exchange fluctuations for the Euro and British Pound Sterling versus the U.S. Dollar. As of December 31, 2014 and 2013, there were no outstanding derivative contracts related to foreign currency translation risk. Foreign exchange gains of \$13.7 million, \$0.3 million and \$0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively, were recorded related to these derivatives in "Foreign currency transactions and other" in the Consolidated Statements of Operations.

The Company also enters into foreign currency forward contracts to hedge its exposure to the impact of movements in currency exchange rates on its transactional balances denominated in currencies other than the functional currency. Foreign exchange derivatives outstanding as of December 31, 2014 associated with foreign currency transaction risks resulted in a net asset of \$0.2 million, with an asset in the amount of \$0.3 million recorded in "Prepaid expenses and other current assets" and a liability in the amount of \$0.1 million recorded in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheet. Foreign exchange derivatives outstanding at December 31, 2013 associated with foreign exchange transaction risks resulted in a net liability of \$0.5 million, with a liability in the amount of \$0.6 million recorded in "Accrued expenses and other current liabilities" and an asset in the amount of \$0.1 million recorded in "Prepaid and other current assets" on the Consolidated Balance Sheet. Derivatives associated with these transaction risks resulted in foreign exchange losses of \$21.8 million compared to foreign exchange gains of \$3.6 million and \$0.8 million for the years ended December 31, 2014, 2013 and 2012, respectively. These mark-to-market adjustments on the derivative contracts, offset by the effect of changes in currency exchange rates on transactions denominated in currencies other than the functional currency, resulted in net losses of \$11.8 million, \$5.5 million and \$5.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. These net impacts are reported in "Foreign currency transactions and other" on the Consolidated Statements of Operations.

The settlement of derivative contracts not designated as hedging instruments for the year ended December 31, 2014 resulted in a net cash outflow of \$8.9 million, compared to net cash inflows of \$4.4 million and \$1.9 million for the years ended December 31, 2013 and 2012, respectively, and were reported within "Net cash provided by operating activities" on the Consolidated Statements of Cash Flows.

Derivatives Designated as Hedging Instruments — The Company had no foreign currency forward contracts designated as hedges of its net investment in a foreign subsidiary outstanding as of December 31, 2014. As of December 31, 2013, the Company had outstanding foreign currency forward contracts with a notional value of 3.0 billion Euros to hedge a portion of its net investment in a foreign subsidiary. These contracts were all short-term in nature. Hedge ineffectiveness is assessed and measured based on changes in forward exchange rates. The fair value of these derivatives at December 31, 2013 was a net liability of \$121.3 million, with a liability in the amount of \$121.5 million recorded in "Accrued expenses and other current liabilities" and an asset in the amount of \$0.2 million recorded in "Prepaid expenses and other current assets" on the Consolidated Balance Sheet. These hedging instruments generated net cash outflows of \$80.3 million and \$78.6 million for the years ended December 31, 2014 and 2013, compared to a net cash inflows of \$82.1 million for the year ended December 31, 2012, and were reported within "Net cash used in investing activities" on the Consolidated Statements of Cash Flows.

6. ACCOUNTS RECEIVABLE RESERVES

The Company records a provision for uncollectible agency commissions, principally receivables from accommodations related to agency reservations. The Company also accrues for costs associated with merchant transactions made on its websites by individuals using fraudulent credit cards and for other amounts "charged back" as a result of payment disputes. Changes in accounts receivable reserves consisted of the following (in thousands):

	For the Year Ended December 31,		
	2014	2013	2012
Balance, beginning of year	\$ 14,116	\$ 10,322	\$ 6,103
Provision charged to expense	22,990	16,451	16,094
Charge-offs and adjustments	(21,546)	(13,072)	(11,977)
Currency translation adjustments	(1,348)	415	102
Balance, end of year	<u>\$ 14,212</u>	<u>\$ 14,116</u>	<u>\$ 10,322</u>

7. NET INCOME PER SHARE

The Company computes basic net income per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is based upon the weighted average number of common and common equivalent shares outstanding during the period.

Common equivalent shares related to stock options, restricted stock, restricted stock units, and performance share units are calculated using the treasury stock method. Performance share units are included in the weighted average common equivalent shares based on the number of shares that would be issued if the end of the reporting period were the end of the performance period, if the result would be dilutive.

The Company's convertible debt issues have net share settlement features requiring the Company upon conversion to settle the principal amount of the debt for cash and the conversion premium for cash or shares of the Company's common stock at the Company's option. The convertible notes are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury stock method.

A reconciliation of the weighted average number of shares outstanding used in calculating diluted earnings per share is as follows (in thousands):

	For the Year Ended December 31,		
	2014	2013	2012
Weighted average number of basic common shares outstanding	52,301	50,924	49,840
Weighted average dilutive stock options, restricted stock units and performance share units	340	382	501
Assumed conversion of Convertible Senior Notes	382	1,107	985
Weighted average number of diluted common and common equivalent shares outstanding	<u>53,023</u>	<u>52,413</u>	<u>51,326</u>
Anti-dilutive potential common shares	<u>2,574</u>	<u>2,384</u>	<u>2,202</u>

Anti-dilutive potential common shares for the years ended December 31, 2014, 2013 and 2012 include approximately 2.1 million shares, 2.0 million shares and 2.0 million shares, respectively, that could be issued under the Company's convertible notes if the Company experiences substantial increases in its common stock price. Under the treasury stock method, the convertible notes will generally have a dilutive impact on net income per share if the Company's average stock price for the period exceeds the conversion price for the convertible notes.

In 2006, the Company issued \$172.5 million aggregate principal amount of convertible notes due September 30, 2013 (the "2013 Notes"). In 2006, the Company also entered into hedge transactions (the "Conversion Spread Hedges") relating to the potential dilution of the Company's common stock upon conversion of the 2013 Notes at their stated maturity date. The Conversion Spread Hedges were settled in October 2013 and the Company received 42,160 shares of common stock from the counterparties. The settlement was accounted for as an equity transaction. Since the impact of the Conversion Spread Hedges

was anti-dilutive, it was excluded from the calculation of net income per share until the shares of common stock were received in October 2013.

8. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consisted of the following (in thousands):

	2014	2013	Estimated Useful Lives (years)
Computer equipment and software	\$ 332,650	\$ 244,845	2 to 5
Office equipment, furniture, fixtures & leasehold improvements	110,297	67,942	2 to 11
Total	442,947	312,787	
Less: accumulated depreciation and amortization	(243,994)	(177,734)	
Property and equipment, net	\$ 198,953	\$ 135,053	

Fixed asset depreciation and amortization expense was approximately \$78.2 million, \$48.4 million and \$32.8 million for the years ended December 31, 2014, 2013 and 2012, respectively.

9. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at December 31, 2014 and 2013 consisted of the following (in thousands):

	December 31, 2014			December 31, 2013			Amortization Period	Weighted Average Useful Life
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		
Supply and distribution agreements	\$ 842,642	\$ (188,441)	\$ 654,201	\$ 581,742	\$ (160,499)	\$ 421,243	10 - 20 years	16 years
Technology	108,987	(43,746)	65,241	93,322	(29,271)	64,051	1 - 5 years	5 years
Patents	1,623	(1,524)	99	1,623	(1,478)	145	15 years	15 years
Internet domain names	41,652	(16,895)	24,757	45,799	(12,112)	33,687	2 - 20 years	8 years
Trade names	1,674,218	(100,850)	1,573,368	548,243	(47,388)	500,855	5 - 20 years	20 years
Non-compete agreements	21,000	(3,908)	17,092	—	—	—	3 years	3 years
Other	141	(138)	3	141	(137)	4	3 - 10 years	3 years
Total intangible assets	\$ 2,690,263	\$ (355,502)	\$ 2,334,761	\$ 1,270,870	\$ (250,885)	\$ 1,019,985		

Intangible assets with determinable lives are amortized on a straight-line basis. Intangible assets amortization expense is approximately \$129.6 million, \$69.6 million and \$32.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The annual estimated amortization expense for intangible assets for the next five years and thereafter is expected to be as follows (in thousands):

2015	\$	171,007
2016		167,887
2017		160,296
2018		141,776
2019		131,727
Thereafter		1,562,068
	\$	<u>2,334,761</u>

A roll-forward of goodwill for the years ended December 31, 2014 and 2013 consisted of the following (in thousands):

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,767,912	\$ 522,672
Acquisitions	1,590,829	1,232,342
Currency translation adjustments	(32,267)	12,898
Balance, end of year	<u>\$ 3,326,474</u>	<u>\$ 1,767,912</u>

A substantial portion of the intangibles and goodwill relates to the acquisition of OpenTable in July 2014 and KAYAK in May 2013. See Note 20 for further information on these acquisitions.

In September 2014, the Company performed its annual goodwill impairment testing using standard valuation techniques. Since the annual impairment test, there have been no events or changes in circumstances to indicate a potential impairment.

10. OTHER ASSETS

Other assets at December 31, 2014 and 2013 consisted of the following (in thousands):

	<u>2014</u>	<u>2013</u>
Deferred debt issuance costs	\$ 27,204	\$ 16,465
Security deposits	12,368	10,617
Deferred tax assets	8,548	7,055
Other	9,228	6,432
Total	<u>\$ 57,348</u>	<u>\$ 40,569</u>

Deferred debt issuance costs arose from (i) the \$1.0 billion aggregate principal amount of 1.0% Convertible Senior Notes, due March 15, 2018, issued in March 2012; (ii) a \$1.0 billion revolving credit facility entered into in October 2011; (iii) the \$575.0 million aggregate principal amount of 1.25% Convertible Senior Notes, due March 15, 2015, issued in March 2010; (iv) the \$1.0 billion aggregate principal amount of 0.35% Convertible Senior Notes, due June 15, 2020, issued in May 2013; (v) the \$1.0 billion aggregate principal amount of 0.9% Convertible Senior Notes, due September 15, 2021, issued in August 2014; and (vi) the 1.0 billion Euro aggregate principal amount of 2.375% Senior Notes, due September 23, 2024, issued in September 2014. Deferred debt issuance costs are being amortized using the effective interest rate method and the period of amortization was determined at inception of the related debt agreements based upon the stated maturity dates. Unamortized debt issuance costs written off to interest expense in the years ended December 31, 2014 and 2013 related to early conversion of convertible debt and amounted to \$0.5 million and \$2.4 million, respectively.

11. DEBT

Revolving Credit Facility

In October 2011, the Company entered into a \$1.0 billion five-year unsecured revolving credit facility with a group of lenders. Borrowings under the revolving credit facility will bear interest, at the Company's option, at a rate per annum equal to either (i) the adjusted LIBOR for the interest period in effect for such borrowing plus an applicable margin ranging from 1.00% to 1.50%; or (ii) the greatest of (a) JPMorgan Chase Bank, National Association's prime lending rate, (b) the federal funds rate plus 0.50%, and (c) an adjusted LIBOR for an interest period of one month plus 1.00%, plus an applicable margin ranging from 0.00% to 0.50%. Undrawn balances available under the revolving credit facility are subject to commitment fees at the applicable rate ranging from 0.10% to 0.25%.

The revolving credit facility provides for the issuance of up to \$100.0 million of letters of credit as well as borrowings of up to \$50 million on same-day notice, referred to as swingline loans. Borrowings under the revolving credit facility may be made in U.S. Dollars, Euros, British Pounds Sterling and any other foreign currency agreed to by the lenders. The proceeds of loans made under the facility will be used for working capital and general corporate purposes.

The Company funded the acquisition of OpenTable in July 2014 from cash on hand in the United States and \$995 million borrowed under the Company's revolving credit facility, which the Company repaid during the third quarter of 2014. As of December 31, 2014 and 2013, there were no borrowings under the facility, and approximately \$4.0 million and \$2.2 million, respectively, of letters of credit issued under the facility.

Outstanding Debt

Outstanding debt as of December 31, 2014 consisted of the following (in thousands):

December 31, 2014	Outstanding Principal Amount	Unamortized Debt Discount	Carrying Value
Short-term debt:			
1.25% Convertible Senior Notes due March 2015	\$ 37,524	\$ (329)	\$ 37,195
Long-term debt:			
1.0% Convertible Senior Notes due March 2018	\$ 1,000,000	\$ (74,834)	\$ 925,166
0.35% Convertible Senior Notes due June 2020	1,000,000	(138,114)	861,886
0.9% Convertible Senior Notes due September 2021	1,000,000	(136,299)	863,701
2.375% (€1 Billion) Senior Notes due September 2024	1,210,068	(11,065)	1,199,003
Total long-term debt	\$ 4,210,068	\$ (360,312)	\$ 3,849,756

Outstanding debt as of December 31, 2013 consisted of the following (in thousands):

December 31, 2013	Outstanding Principal Amount	Unamortized Debt Discount	Carrying Value
Short-term debt:			
1.25% Convertible Senior Notes due March 2015	\$ 160,464	\$ (8,533)	\$ 151,931
Long-term debt:			
1.0% Convertible Senior Notes due March 2018	\$ 1,000,000	\$ (96,797)	\$ 903,203
0.35% Convertible Senior Notes due June 2020	1,000,000	(161,156)	838,844
Total long-term debt	\$ 2,000,000	\$ (257,953)	\$ 1,742,047

Based upon the closing price of the Company's common stock for the prescribed measurement periods during the three months ended December 31, 2013, the contingent conversion threshold on the 2015 Notes (as defined below) was exceeded.

The 2015 Notes became convertible on December 15, 2014, at the option of the holders, and will remain convertible until the scheduled trading day immediately preceding the maturity date of March 15, 2015, regardless of the Company's stock price. Therefore, the 2015 Notes were convertible at the option of the holders as of December 31, 2014 and 2013, and accordingly the Company reported the carrying value of the 2015 Notes as a current liability as of December 31, 2014 and 2013. Since these notes are convertible at the option of the holders and the principal amount is required to be paid in cash, the difference between the principal amount and the carrying value is reflected as convertible debt in the mezzanine section on the Company's Consolidated Balance Sheet. Therefore, with respect to the 2015 Notes, the Company reclassified the unamortized debt discount for these 1.25% Notes in the amount of \$0.3 million and \$8.5 million before tax as of December 31, 2014 and 2013, respectively, from additional paid-in-capital to convertible debt in the mezzanine section on the Company's Consolidated Balance Sheet.

The contingent conversion thresholds on the 2018 Notes (as defined below), the 2020 Notes (as defined below) and the 2021 Notes (as defined below) were not exceeded at December 31, 2014 or December 31, 2013, and therefore these Notes are reported as a non-current liability on the Consolidated Balance Sheet.

Fair Value of Debt

As of December 31, 2014 and 2013, the estimated market value of the outstanding Senior Notes was approximately \$4.8 billion and \$3.1 billion, respectively, and was considered a "Level 2" fair value measurement (see Note 5). Fair value was estimated based upon actual trades at the end of the reporting period or the most recent trade available as well as the Company's stock price at the end of the reporting period. A substantial portion of the market value of the Company's debt in excess of the outstanding principal amount relates to the conversion premium on the Convertible Senior Notes.

Convertible Debt

If the note holders exercise their option to convert, the Company is required to deliver cash to repay the principal amount of the notes and may deliver shares of common stock or cash, at its option, to satisfy the conversion value in excess of the principal amount. In cases where holders decide to convert prior to the maturity date, the Company writes off the proportionate amount of remaining debt issuance costs to interest expense. In the year ended December 31, 2014, the Company paid \$122.9 million to satisfy the aggregate principal amount due and issued 300,256 shares of its common stock and paid cash of \$2.2 million in satisfaction of the conversion value in excess of the principal amount for debt converted prior to maturity. In the year ended December 31, 2013, the Company delivered cash of \$414.6 million to repay the principal amount and issued 972,235 shares of its common stock in satisfaction of the conversion value in excess of the principal amount for convertible debt that was converted prior to maturity.

Description of Senior Convertible Notes

In August 2014, the Company issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due September 15, 2021, with an interest rate of 0.9% (the "2021 Notes"). The Company paid \$11.0 million in debt issuance costs during the year ended December 31, 2014, related to this offering. The 2021 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately \$2,055.50 per share. The 2021 Notes are convertible, at the option of the holder, prior to September 15, 2021, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the applicable conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2021 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2021 Notes in an aggregate value ranging from \$0 to approximately \$375 million depending upon the date of the transaction and the then current stock price of the Company. As of June 15, 2021, holders will have the right to convert all or any portion of the 2021 Notes. The 2021 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2021 Notes for cash in certain circumstances. Interest on the 2021 Notes is payable on March 15 and September 15 of each year.

In May 2013, the Company issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due June 15, 2020, with an interest rate of 0.35% (the "2020 Notes"). The 2020 Notes were issued with an initial discount of \$20.0 million. The Company paid \$1.0 million in debt issuance costs during the year ended December 31, 2013, related to this offering. The 2020 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately \$1,315.10 per share. The 2020 Notes are convertible, at the option of the holder, prior to

June 15, 2020, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the applicable conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2020 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2020 Notes in an aggregate value ranging from \$0 to approximately \$397 million depending upon the date of the transaction and the then current stock price of the Company. As of March 15, 2020, holders will have the right to convert all or any portion of the 2020 Notes. The 2020 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2020 Notes for cash in certain circumstances. Interest on the 2020 Notes is payable on June 15 and December 15 of each year.

In March 2012, the Company issued in a private placement \$1.0 billion aggregate principal amount of Convertible Senior Notes due March 15, 2018, with an interest rate of 1.0% (the "2018 Notes"). The Company paid \$20.9 million in debt issuance costs during the year ended December 31, 2012, related to this offering. The 2018 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately \$944.61 per share. The 2018 Notes are convertible, at the option of the holder, prior to March 15, 2018, upon the occurrence of specific events, including but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the applicable conversion price in effect for the notes on the last trading day of the immediately preceding quarter. In the event that all or substantially all of the Company's common stock is acquired on or prior to the maturity of the 2018 Notes in a transaction in which the consideration paid to holders of the Company's common stock consists of all or substantially all cash, the Company would be required to make additional payments in the form of additional shares of common stock to the holders of the 2018 Notes in aggregate value ranging from \$0 to approximately \$344 million depending upon the date of the transaction and the then current stock price of the Company. As of December 15, 2017, holders will have the right to convert all or any portion of the 2018 Notes. The 2018 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2018 Notes for cash in certain circumstances. Interest on the 2018 Notes is payable on March 15 and September 15 of each year.

In March 2010, the Company issued in a private placement \$575.0 million aggregate principal amount of Convertible Senior Notes due March 15, 2015, with an interest rate of 1.25% (the "2015 Notes"). The Company paid \$13.3 million in debt issuance costs associated with the 2015 Notes for the year ended December 31, 2010. The 2015 Notes are convertible, subject to certain conditions, into the Company's common stock at a conversion price of approximately \$303.06 per share. The 2015 Notes are convertible, at the option of the holder, prior to March 15, 2015, upon the occurrence of specified events, including, but not limited to a change in control, or if the closing sales price of the Company's common stock for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 150% of the applicable conversion price in effect for the notes on the last trading day of the immediately preceding quarter. The 2015 Notes are currently convertible and will remain convertible until the trading day prior to the maturity date of March 15, 2015, regardless of the Company's stock price. The 2015 Notes may not be redeemed by the Company prior to maturity. The holders may require the Company to repurchase the 2015 Notes for cash in certain circumstances. Interest on the 2015 Notes is payable on March 15 and September 15 of each year.

Accounting guidance requires that cash-settled convertible debt, such as the Company's Convertible Senior Notes, be separated into debt and equity components at issuance and each be assigned a value. The value assigned to the debt component is the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value, representing the value assigned to the equity component, is recorded as a debt discount. Debt discount is amortized using the effective interest method over the period from the origination date through the stated maturity date. The Company estimated the straight debt borrowing rates at debt origination to be 5.89% for the 2015 Notes, 3.50% for the 2018 Notes, 3.13% for the 2020 Notes and 3.18% for the 2021 Notes. The yield to maturity was estimated at an at-market coupon priced at par.

Debt discount after tax of \$69.1 million (\$115.2 million before tax) net of financing costs associated with the equity component of convertible debt of \$1.6 million after tax were recorded in additional paid-in capital related to the 2015 Notes in March 2010. Debt discount after tax of \$80.9 million (\$135.2 million before tax) net of financing costs associated with the equity component of convertible debt of \$2.8 million after tax were recorded in additional paid-in capital related to the 2018 Notes in March 2012. Debt discount after tax of \$92.4 million (\$154.3 million before tax) and financing costs associated with the equity component of convertible debt of \$0.1 million after tax were recorded in additional paid-in capital related to the 2020 Notes at June 30, 2013. Debt discount after tax of \$82.5 million (\$142.9 million before tax) net of financing costs associated

with the equity component of convertible debt of \$1.6 million after tax were recorded in additional paid-in capital related to the 2021 Notes at December 31, 2014.

For the years ended December 31, 2014, 2013 and 2012, the Company recognized interest expense of \$75.3 million, \$78.2 million and \$59.4 million, respectively, related to convertible notes, comprised of \$17.1 million, \$17.7 million and \$15.2 million, respectively, for the contractual coupon interest, \$54.4 million, \$55.7 million and \$39.8 million, respectively, related to the amortization of debt discount and \$3.8 million, \$4.8 million and \$4.4 million, respectively, related to the amortization of debt issuance costs. For the years ended December 31, 2014 and 2013, included in the amortization of debt discount mentioned above was \$2.6 million and \$1.5 million, respectively, of original issuance discount amortization related to the 2020 Notes. In addition, the Company incurred interest expense for the write off of unamortized debt issuance costs related to debt conversions of \$0.5 million and \$2.4 million for the years ended December 31, 2014 and 2013, respectively. The remaining period for amortization of debt discount and debt issuance costs is the period until the stated maturity date for the respective debt. The weighted-average effective interest rates for the years ended December 31, 2014, 2013, and 2012 are 3.5%, 4.5% and 4.8%, respectively.

In addition, if the Company's convertible debt is redeemed or converted prior to maturity, a gain or loss on extinguishment is recognized. The gain or loss is the difference between the fair value of the debt component immediately prior to extinguishment and its carrying value. To estimate the fair value of the debt at the conversion date, the Company estimated its straight debt borrowing rate, considering its credit rating and straight debt of comparable corporate issuers. For the year ended December 31, 2014 and 2013, the Company recognized non-cash losses of \$6.3 million (\$3.8 million after tax) and \$26.7 million (\$16.2 million after tax), respectively, in "Foreign currency transactions and other" in the Consolidated Statements of Operations in connection with the conversion of the 2015 Notes.

Euro Denominated Debt

In September 2014, the Company issued Senior Notes due September 23, 2024, with an interest rate of 2.375% (the "2024 Notes") for an aggregate principal amount of 1.0 billion Euros. The 2024 Notes were issued with an initial discount of 9.4 million Euros. In addition, the Company paid \$6.5 million in debt issuance costs during the year ended December 31, 2014. Interest on the 2024 Notes is payable annually on September 23, beginning September 23, 2015. Subject to certain limited exceptions, all payments of interest and principal, including payments made upon any redemption of the 2024 Notes, will be made in Euros.

The aggregate principal value of the 2024 Notes and accrued interest thereon are designated as a hedge of the Company's net investment in a Euro functional currency subsidiary. The foreign currency transaction gains or losses on these liabilities are measured based on changes in spot rates and are recorded in accumulated other comprehensive income (loss). The Euro denominated net assets of the subsidiary are translated into U.S. Dollars at each balance sheet date, with effects of foreign currency changes also reported in accumulated other comprehensive income (loss). Since the notional amount of the recorded Euro denominated debt and related interest are not greater than the notional amount of the Company's net investment, the Company does not expect to incur any ineffectiveness on this hedge.

For the year ended December 31, 2014, the Company recognized interest expense of \$8.6 million related to the 2024 Notes. The remaining period for amortization of debt discount and debt issuance costs is the stated maturity date for this debt. The effective interest rate for the year ended December 31, 2014 was 2.5%.

12. TREASURY STOCK

In the second quarter of 2013, the Company's Board of Directors authorized a program to purchase \$1.0 billion of the Company's common stock, in addition to amounts previously authorized. In the second quarter of 2013, the Company repurchased 431,910 shares for an aggregate cost of \$345.5 million in privately negotiated, off-market transactions and in the third and fourth quarters of 2014, the Company repurchased 114,645 shares of its common stock in privately negotiated, off-market transactions and 438,897 shares of its common stock in the open market for aggregate costs of \$147.3 million and \$500.0 million, respectively, related to this authorization. The Company has \$7.2 million remaining to repurchase common stock related to this authorization.

In connection with the issuance of the 2018 Notes, the Company repurchased 263,913 shares in the first quarter of 2012 for an aggregate cost of \$166.2 million.

In the third quarter of 2013, the Company repurchased 484,361 shares for an aggregate cost of \$459.2 million. These shares were covered under our remaining authorizations as of December 31, 2012 to repurchase common stock.

In October 2013, the Company settled Conversion Spread Hedges and received 42,160 shares of common stock, with a fair value of \$43.1 million, from the counterparties (see Note 7 for further detail on the Conversion Spread Hedges).

The Board of Directors has also given the Company the general authorization to repurchase shares of its common stock to satisfy employee withholding tax obligations related to stock-based compensation. In the years ended December 31, 2014, 2013 and 2012, the Company repurchased 77,761, 113,503, and 141,229 shares at an aggregate cost of approximately \$103.1 million, \$78.8 million and \$90.8 million, respectively, to satisfy employee withholding taxes related to stock-based compensation.

The Company may make additional repurchases of shares under its stock repurchase program, depending on prevailing market conditions, alternate uses of capital and other factors. On February 5, 2015, the Company's Board of Directors authorized the Company to repurchase up to an additional \$3.0 billion of the Company's common stock. Whether and when to initiate and/or complete any purchase of common stock and the amount of common stock purchased will be determined in the Company's complete discretion. As of December 31, 2014, there were approximately 9.9 million shares of the Company's common stock held in treasury.

13. REDEEMABLE NONCONTROLLING INTERESTS

On May 18, 2010, the Company, through its wholly-owned subsidiary, priceline.com International Ltd. ("PIL"), paid \$108.5 million, net of cash acquired, to purchase a controlling interest of the outstanding equity of TravelJigsaw Holdings Limited (now known as rentalcars.com), a Manchester, U.K.-based international rental car reservation service. Certain key members of rentalcars.com's management team retained a noncontrolling ownership interest in rentalcars.com. In addition, certain key members of the management team of Booking.com purchased a 3% ownership interest in rentalcars.com from PIL in June 2010 (together with rentalcars.com management's investment, the "Redeemable Shares"). The holders of the Redeemable Shares had the right to put their shares to PIL and PIL had the right to call the shares in each case at a purchase price reflecting the fair value of the Redeemable Shares at the time of exercise. Subject to certain exceptions, one-third of the Redeemable Shares were subject to the put and call options in each of 2011, 2012 and 2013, respectively, during specified option exercise periods.

In April 2012 and 2011, in connection with the exercise of call and put options, PIL purchased a portion of the shares underlying redeemable noncontrolling interests for an aggregate purchase price of approximately \$61.1 million and \$13.0 million, respectively. As a result of the April 2011 purchase, the redeemable noncontrolling interests in rentalcars.com were reduced from 24.4% to 19.0%. As a result of the April 2012 purchase, the redeemable noncontrolling interests in rentalcars.com were further reduced to 12.7%. In April 2013, in connection with the exercise of the March 2013 call and put options, PIL purchased the remaining outstanding shares underlying redeemable noncontrolling interests for an aggregate purchase price of approximately \$192.5 million.

Redeemable noncontrolling interests are measured at fair value, both at the date of acquisition and subsequently at each reporting period. The redeemable noncontrolling interests are reported on the Consolidated Balance Sheets in mezzanine equity in "Redeemable noncontrolling interests."

A reconciliation of redeemable noncontrolling interests for the years ended December 31, 2013 and 2012 is as follows (in thousands):

	2013	2012
Balance, beginning of period	\$ 160,287	\$ 127,045
Net income attributable to noncontrolling interests	135	4,471
Fair value adjustments ⁽¹⁾	42,522	84,693
Purchase of subsidiary shares at fair value ⁽¹⁾	(192,530)	(61,079)
Currency translation adjustments	(10,414)	5,157
Balance, end of period	\$ —	\$ 160,287

- (1) The fair value of the redeemable noncontrolling interests was determined by industry peer comparable analysis and a discounted cash flow valuation model.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below provides the balances for each classification of accumulated other comprehensive income (loss) as of December 31, 2014 and 2013 (in thousands):

	December 31, 2014	December 31, 2013
Foreign currency translation adjustments, net of tax ⁽¹⁾	\$ (102,758)	\$ 84,598
Net unrealized gain (loss) on investment securities, net of tax ⁽²⁾	(157,144)	131
Accumulated other comprehensive income (loss)	<u>\$ (259,902)</u>	<u>\$ 84,729</u>

- (1) Foreign currency translation adjustments, net of tax, includes net losses from fair value adjustments at December 31, 2014 of \$37.8 million after tax (\$57.8 million before tax) and a net losses from fair value adjustments at December 31, 2013 of \$58.7 million after tax (\$98.8 million before tax) associated with derivatives designated as net investment hedges (see Note 5).

Foreign currency translation adjustments, net of tax, includes foreign currency transaction gains at December 31, 2014 of \$48.3 million after tax (\$83.8 million before tax) associated with the Company's 2024 Notes, which are Euro denominated debt, designated as a net investment hedge (see Note 11).

The remaining balance in currency translation adjustments excludes income taxes as a result of the Company's intention to indefinitely reinvest the earnings of its non-U.S. subsidiaries outside of the United States.

- (2) The unrealized loss before tax at December 31, 2014 was \$164.7 million compared to an unrealized gain before tax at December 31, 2013 of \$0.2 million.

15. INCOME TAXES

International pre-tax income was \$2.9 billion, \$2.2 billion and \$1.7 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Domestic pre-tax income was \$98.4 million, \$48.5 million, and \$95.0 million for the years ended December 31, 2014, 2013, and 2012, respectively.

The income tax expense (benefit) for the year ended December 31, 2014 is as follows (in thousands):

	Current	Deferred	Total
International	\$ 496,719	\$ (10,613)	\$ 486,106
U.S. Federal	10,316	47,847	58,163
U.S. State	28,953	(5,527)	23,426
Total	<u>\$ 535,988</u>	<u>\$ 31,707</u>	<u>\$ 567,695</u>

The income tax expense (benefit) for the year ended December 31, 2013 is as follows (in thousands):

	Current	Deferred	Total
International	\$ 396,162	\$ (16,314)	\$ 379,848
U.S. Federal	5,250	11,454	16,704
U.S. State	13,431	(6,244)	7,187
Total	<u>\$ 414,843</u>	<u>\$ (11,104)</u>	<u>\$ 403,739</u>

The income tax expense (benefit) for the year ended December 31, 2012 is as follows (in thousands):

	Current	Deferred	Total
International	\$ 302,352	\$ (13,792)	\$ 288,560
U.S. Federal	3,681	37,956	41,637
U.S. State	12,203	(4,568)	7,635
Total	<u>\$ 318,236</u>	<u>\$ 19,596</u>	<u>\$ 337,832</u>

The Company has significant deferred tax assets, resulting principally from U.S. net operating loss carryforwards ("NOLs"). The amount of NOLs available for the Company's use is limited by Section 382 of the Internal Revenue Code ("IRC Section 382"). IRC Section 382 imposes limitations on the availability of a company's NOLs after a more than 50% ownership change occurs. It was determined that ownership changes, as defined in IRC Section 382 have occurred. The amount of the Company's NOLs incurred prior to each ownership change is limited based on the value of the Company on the respective dates of ownership change.

At December 31, 2014, after considering the impact of IRC Section 382, the Company had approximately \$1.2 billion of available NOL's for U.S. federal income tax purposes, comprised of approximately \$22 million of NOLs generated from operating losses and approximately \$1.2 billion of NOLs generated from equity-related transactions, including equity-based compensation and stock warrants. The NOLs mainly expire from December 31, 2019 to December 31, 2021. The utilization of these NOLs is dependent upon the Company's ability to generate sufficient future taxable income in the United States. The Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of these deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. The Company considers many factors when assessing the likelihood of future realization of the deferred tax assets, including its recent cumulative earnings experience by taxing jurisdiction, expectations of future income, the carryforward periods available for tax reporting purposes, and other relevant factors.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2014 and 2013 are as follows (in thousands):

	2014	2013
Deferred tax assets/(liabilities):		
Net operating loss carryforward — U.S.	\$ 176,786	\$ 263,994
Net operating loss carryforward — International	22,353	21,660
Fixed assets	—	818
Accrued expenses	41,117	22,708
Stock-based compensation and other stock based payments	54,935	40,346
Other	24,456	33,530
Subtotal	<u>319,647</u>	<u>383,056</u>
Discount on convertible notes	(141,193)	(97,550)
Intangible assets and other	(856,807)	(356,669)
Euro denominated debt	(35,441)	—
Fixed assets	(3,409)	—
Less valuation allowance on deferred tax assets	(161,997)	(173,558)
Net deferred tax assets (liabilities) ⁽¹⁾	<u>\$ (879,200)</u>	<u>\$ (244,721)</u>

(1) Includes non-current deferred tax assets of \$8.5 million and \$7.1 million as of December 31, 2014 and 2013, respectively, reported in "Other assets" on the Consolidated Balance Sheets and current deferred tax liabilities of \$1.2 million and \$38 thousand as of December 31, 2014 and 2013, respectively, reported in "Accrued expenses and other current liabilities" on the Consolidated Balance Sheets.

The valuation allowance on deferred tax assets of \$162.0 million at December 31, 2014 includes \$140.4 million related to U.S. federal net operating loss carryforwards derived from equity transactions and \$21.6 million related to international operations. Additionally, since January 1, 2006, the Company has generated additional federal tax benefits of

\$250.0 million related to equity transactions that are not included in the deferred tax asset table above. Pursuant to accounting guidance, these tax benefits related to equity deductions will be recognized by crediting paid in capital, if and when they are realized by reducing the Company's current income tax liability.

It is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. Thus at December 31, 2014, no provision had been made for U.S. taxes on approximately \$7.3 billion of international earnings because such earnings are intended to be indefinitely reinvested outside of the United States. It is not practicable to determine the U.S. federal income tax liability that would be payable if such earnings were not indefinitely reinvested.

At December 31, 2014, the Company has approximately \$673.4 million of U.S. state net operating loss carryforwards that expire mainly between December 31, 2020 and December 31, 2033, \$131.2 million of non-U.S. net operating loss carryforwards, of which \$49.3 million expire between December 31, 2019 and December 31, 2021 and \$3.7 million which expire between December 31, 2028 and December 31, 2030, and \$1.7 million of foreign capital allowance carryforwards that do not expire. At December 31, 2014, the Company also had approximately \$29.6 million of U.S. research credit carryforwards that mainly expire between December 31, 2033 and December 31, 2034 and are also subject to annual limitation.

A significant portion of the Company's taxable earnings are derived from the Netherlands. Under Dutch corporate income tax law, income generated from qualifying innovative activities is taxed at a rate of 5% ("Innovation Box Tax") rather than the Dutch statutory rate of 25%. Booking.com obtained a ruling from the Dutch tax authorities in February 2011 confirming that a portion of its earnings ("qualifying earnings") is eligible for Innovation Box Tax treatment. The ruling from the Dutch tax authorities is valid until December 31, 2017.

The effective income tax rate of the Company is different from the amount computed using the expected U.S. statutory federal rate of 35% as a result of the following items (in thousands):

	2014	2013	2012
Income tax expense at federal statutory rate	\$ 1,046,307	\$ 803,788	\$ 616,654
Adjustment due to:			
Foreign rate differential	(289,692)	(226,894)	(175,932)
Innovation Box Tax benefit	(233,545)	(177,195)	(118,916)
Other	44,625	4,040	16,026
Income tax expense	<u>\$ 567,695</u>	<u>\$ 403,739</u>	<u>\$ 337,832</u>

The Company accounts for uncertain tax positions based on a two step approach of recognition and measurement. The first step involves assessing whether the tax position is more likely than not to be sustained upon examination based upon its technical merits. The second step involves measurement of the amount to recognize. Tax positions that meet the more likely than not threshold are measured at the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate finalization with the taxing authority.

The following is a reconciliation of the total amount of unrecognized tax benefits (in thousands):

	2014	2013	2012
Unrecognized tax benefit — January 1	\$ 22,104	\$ 7,343	\$ 3,192
Gross increases — tax positions in current period	9,305	8,597	4,423
Gross increases — tax positions in prior periods	6,569	3,507	343
Increase acquired in business combination	17,767	7,089	—
Gross decreases — tax positions in prior periods	(2,164)	(495)	(615)
Reduction due to lapse in statute of limitations	(346)	(3,937)	—
Reduction due to settlements during the current period	(879)	—	—
Unrecognized tax benefit — December 31	<u>\$ 52,356</u>	<u>\$ 22,104</u>	<u>\$ 7,343</u>

The unrecognized tax benefits are included in "Other long-term liabilities" on the Consolidated Balance Sheets for the years ended December 31, 2014 and 2013. The Company does not expect further significant changes in the amount of unrecognized tax benefits during the next twelve months.

The Company's Netherlands, U.S. federal and Connecticut, Singapore, and U.K. income tax returns, constituting the returns of the major taxing jurisdictions, are subject to examination by the taxing authorities as prescribed by applicable statute. The statute of limitations remains open for: the Company's Netherlands returns from 2008 and forward; the Company's Singapore returns from 2011 and forward; the Company's U.S. Federal and Connecticut returns from 2011 and forward; and the Company's U.K. returns for the tax years 2008, 2013, and 2014. No income tax waivers have been executed that would extend the period subject to examination beyond the period prescribed by statute in the major taxing jurisdictions in which the company is a taxpayer.

16. COMMITMENTS AND CONTINGENCIES

Competition Reviews

In July 2012, the Office of Fair Trading (the "OFT"), the predecessor competition authority in the United Kingdom to the Competition and Markets Authority ("CMA"), issued a "Statement of Objections" ("SO") to Booking.com, which set out the OFT's preliminary views on why it believed Booking.com and others in the online hotel reservation industry were allegedly in breach of E.U. and U.K. competition law. The SO alleged, among other things, that there were agreements or concerted practices between hotels and Booking.com and between hotels and at least one other OTC that restricted Booking.com's (and the other OTC's) ability to discount hotel room reservations, which the OFT alleged was a form of resale price maintenance. The Company disputes the allegations in the SO.

On January 31, 2014, the OFT announced that it had accepted commitments offered by Booking.com, as well as Expedia and Intercontinental Hotel Group, (the "Commitments") to close the investigation on the basis that they address the OFT's competition concerns. The OFT closed its investigation with no finding of infringement or admission of wrongdoing and no imposition of a fine.

The Commitments provide, among other things, that hotels will continue to be able to set retail prices for hotel room reservations on all OTC websites, such as Booking.com. Under the Commitments, OTCs, such as Booking.com, have the flexibility to discount a hotel's retail price, but only to members of closed groups, a concept that is defined in the Commitments, who have previously made a reservation through the OTC. The discount may be up to Booking.com's commission. In addition, the Commitments provide that Booking.com will not require rate parity from hotels in relation to discounted rates that are provided by other OTCs or hotels to members of their closed groups, provided the discounted rate is not made public. The Commitments apply to bookings by European Economic Area residents at U.K. hotels.

On March 31, 2014, Skyscanner, a meta-search site based in the United Kingdom, filed an appeal in the Competition Appeal Tribunal ("CAT") against the OFT's decision to accept the Commitments. Booking.com intervened in support of the CMA in the CAT. In its decision dated September 26, 2014, the CAT found that the CMA was wrong to reject Skyscanner's arguments about the negative impact of the Commitments on its business and price transparency generally without properly exploring these arguments. The CAT's decision vacates the CMA's Commitments decision and remits the matter to the CMA for reconsideration in accordance with the CAT's ruling. The CMA did not appeal the CAT's decision. It is uncertain what action the CMA will take in response to the CAT's ruling, which could involve re-opening, closing or suspending the investigation.

Investigations have also been opened by the national competition authorities in the Czech Republic, France, Germany, Italy, Austria, Hungary, Sweden, Ireland, Denmark and Switzerland that focus on Booking.com's rate parity clause in its contracts with accommodation providers in those jurisdictions. Competition related inquiries have also been received from the competition authority in China. The Company is in ongoing discussions with the relevant regulatory authorities regarding their concerns. The Company is currently unable to predict the outcome of these investigations or how the Company's business may be affected. Possible outcomes include requiring Booking.com to amend or remove its rate parity clause from its contracts with accommodation providers in those jurisdictions and/or the imposition of fines.

On December 15, 2014, the French, Italian and Swedish national competition authorities, working in close cooperation with the European Commission, announced their intention to seek public feedback on commitments offered by Booking.com in connection with investigations of Booking.com's rate parity provisions in its contractual arrangements with accommodation providers. If the proposed commitments are accepted by the French, Italian and Swedish competition authorities, the investigations in those countries will be closed with no finding of infringement or admission of wrongdoing and no imposition of a fine. Under the terms of the proposed commitments, Booking.com would replace its existing price parity agreements with accommodation providers - sometimes also referred to as "most favored nation" or "MFN" provisions - with "narrow" price parity agreements. Under the "narrow" price parity agreement, an accommodation provider would still be required to offer the

same or better rates on Booking.com as it offered to a consumer directly, but it would no longer be required to offer the same or better rates on Booking.com as it offered to other on-line travel companies. If the commitments are accepted by the French, Italian and Swedish competition authorities after they have been market tested, Booking.com will implement the commitments within six months of their being accepted. The Company is currently unable to predict the outcome of the market test of the proposed commitments offered in France, Italy and Sweden or the impact the proposed commitments in France, Italy and Sweden will have on the on-going investigations in other European countries or how its business may be affected by the proposed commitments if accepted. The Company notes that the German competition authority has required Hotel Reservation Service to remove its rate parity clause from its contracts with hotels, and Hotel Reservation Service's initial appeal was denied. To the extent that regulatory authorities require changes to the Company's business practices or to those currently common to the industry, the Company's business, competitive position and results of operations could be materially and adversely affected. Negative publicity regarding any such investigations could adversely affect the Company's brands and therefore its market share and results of operations.

Lawsuits Alleging Antitrust Violations

On August 20, 2012, one complaint was filed on behalf of a putative class of persons who purchased hotel room reservations from certain hotels (the "Hotel Defendants") through certain OTC defendants, including the Company. The initial complaint, *Turik v. Expedia, Inc.*, Case No. 12-cv-4365, filed in the U.S. District Court for the Northern District of California, alleged that the Hotel Defendants and the OTC defendants violated U.S. federal and state laws by entering into a conspiracy to enforce a minimum resale price maintenance scheme pursuant to which putative class members paid inflated prices for hotel room reservations that they purchased through the OTC defendants. Thirty-one other complaints containing similar allegations were filed in a number of federal jurisdictions across the country. Plaintiffs in these actions sought treble damages and injunctive relief.

The Judicial Panel on Multidistrict Litigation ("JPML") consolidated all of the pending cases under 28 U.S.C. § 1407 before Judge Boyle in the U.S. District Court for the Northern District of Texas. On May 1, 2013, an amended consolidated complaint was filed.

On February 18, 2014, Judge Boyle dismissed the amended consolidated complaint without prejudice. On October 27, 2014 the court denied plaintiffs' motion for leave to file a proposed Second Consolidated Amended Complaint, and on October 28, 2014 the court issued a final judgment dismissing the case with prejudice. The time to appeal the court's October 27, 2014 decision has expired and the matter is closed.

Litigation Related to Travel Transaction Taxes

The Company and certain third-party online travel companies ("OTCs") are currently involved in approximately forty lawsuits, including certified and putative class actions, brought by or against U.S. states, cities and counties over issues involving the payment of travel transaction taxes (e.g., hotel occupancy taxes, excise taxes, sales taxes, etc.). The Company's subsidiaries priceline.com LLC, Lowestfare.com LLC and Travelweb LLC are named in some but not all of these cases. Generally, the complaints allege, among other things, that the OTCs violated each jurisdiction's respective relevant travel transaction tax ordinance with respect to the charge and remittance of amounts to cover taxes under each law. The complaints typically seek compensatory damages, disgorgement, penalties available by law, attorneys' fees and other relief. In addition, approximately seventy-nine municipalities or counties, and at least eleven states, have initiated audit proceedings (including proceedings initiated by more than forty municipalities in California, which have been inactive for several years), issued proposed tax assessments or started inquiries relating to the payment of travel transaction taxes. Additional state and local jurisdictions are likely to assert that the Company is subject to travel transaction taxes and could seek to collect such taxes, retroactively and/or prospectively.

With respect to the principal claims in these matters, the Company believes that the laws at issue do not apply to the services it provides, namely the facilitation of travel reservations, and, therefore, that it does not owe the taxes that are claimed to be owed. Rather, the Company believes that the laws at issue generally impose travel transaction taxes on entities that own, operate or control hotels (or similar businesses) or furnish or provide hotel rooms or similar accommodations or other travel services. In addition, in many of these matters, the taxing jurisdictions have asserted claims for "conversion" - essentially, that the Company has collected a tax and wrongfully "pocketed" those tax dollars - a claim that the Company believes is without basis and has vigorously contested. The taxing jurisdictions that are currently involved in litigation and other proceedings with the Company, and that may be involved in future proceedings, have asserted contrary positions and will likely continue to do so. From time to time, the Company has found it expedient to settle, and may in the future agree to settle, claims pending in these matters without conceding that the claims at issue are meritorious or that the claimed taxes are in fact due to be paid.

In connection with some of these tax audits and assessments, the Company may be required to pay any assessed taxes, which amounts may be substantial, prior to being allowed to contest the assessments and the applicability of the laws in judicial proceedings. This requirement is commonly referred to as "pay to play" or "pay first." For example, the City and County of San Francisco assessed the Company approximately \$3.4 million (an amount that includes interest and penalties) relating to hotel occupancy taxes, which the Company paid in July 2009, and issued a second assessment totaling approximately \$2.7 million, which the Company paid in January 2013. Payment of these amounts, if any, is not an admission that the Company believes it is subject to such taxes. In the San Francisco action, for example, the court ruled in February 2013 that the Company and OTCs do not owe transient accommodations tax to the city and ordered the city to refund the amount paid in July 2009; the Company also is seeking a refund of the amount paid in January 2013. San Francisco has appealed the court's ruling and has not refunded the amount paid in July 2009 pending resolution of the appeal. The matter has been stayed while the appeal in another case with the City of San Diego is pending before the California Supreme Court.

Litigation is subject to uncertainty and there could be adverse developments in these pending or future cases and proceedings. For example, in January 2013, the Tax Appeal Court for the State of Hawaii held that the Company and other OTCs are not liable for the State's transient accommodations tax, but held that the OTCs, including the Company, are liable for the State's general excise tax on the full amount the OTC collects from the customer for a hotel room reservation, without any offset for amounts passed through to the hotel. The Company recorded an accrual for travel transaction taxes (including estimated interest and penalties), with a corresponding charge to cost of revenues, of approximately \$16.5 million in December 2012 and approximately \$18.7 million in the three months ended March 31, 2013, primarily related to this ruling. During the years ended December 31, 2013 and December 31, 2014, the Company paid approximately \$20.6 million and \$2.2 million, respectively, to the State of Hawaii related to this ruling. The Company has filed an appeal now pending before the Hawaii Supreme Court.

Other adverse rulings include a decision in September 2012, in which the Superior Court in the District of Columbia granted summary judgment in favor of the District and against the OTCs ruling that tax is due on the OTCs' margin and service fees, which the Company is appealing. As a result, the Company increased its accrual for travel transaction taxes (including estimated interest), with a corresponding charge to cost of revenues, by approximately \$4.8 million in September 2012 and by approximately \$5.6 million in the three months ended March 31, 2013. Also, in July 2013, the Circuit Court of Cook County, Illinois, ruled that the Company and the other OTCs are liable for tax and other obligations under the Chicago Hotel Accommodations Tax. In July 2014, the Company resolved all claims in this case through settlement and the claims against the Company were dismissed on September 3, 2014. In addition, in October 2009, a jury in a San Antonio class action found that the Company and the other OTCs that are defendants in the lawsuit "control" hotels for purposes of the local hotel occupancy tax ordinances at issue and are, therefore, subject to the requirements of those ordinances. The Company intends to vigorously appeal the trial court's judgment when it becomes final.

An unfavorable outcome or settlement of pending litigation may encourage the commencement of additional litigation, audit proceedings or other regulatory inquiries and also could result in substantial liabilities for past and/or future bookings, including, among other things, interest, penalties, punitive damages and/or attorney fees and costs. There have been, and will continue to be, substantial ongoing costs, which may include "pay first" payments, associated with defending the Company's position in pending and any future cases or proceedings. An adverse outcome in one or more of these unresolved proceedings could have a material adverse effect on the Company's business and could be material to the Company's results of operations or cash flow in any given operating period. However, the Company believes that even if it were to suffer adverse determinations in the near term in more of the pending proceedings than currently anticipated, given results to date it would not have a material impact on the Company's liquidity because of the Company's available cash.

To the extent that any tax authority succeeds in asserting that the Company's services are subject to travel transaction taxes and that the Company has a tax collection responsibility for those taxes, or the Company determines that it has such a responsibility, with respect to future transactions the Company may collect any such additional tax obligation from its customers, which would have the effect of increasing the cost of travel reservations to its customers and, consequently, could make the Company's travel reservation services less competitive (as compared to the services of other OTCs or travel service providers) and reduce the Company's travel reservation transactions; alternatively, the Company could choose to reduce the compensation for its services. Either action could have a material adverse effect on the Company's business and results of operations.

In many of the judicial and other proceedings initiated to date, the taxing jurisdictions seek not only historical taxes that are claimed to be owed on the Company's gross profit, but also, among other things, interest, penalties, punitive damages and/or attorney fees and costs. Therefore, any liability associated with travel transaction tax matters is not constrained to the Company's liability for tax owed on its historical gross profit, but may also include, among other things, penalties, interest and attorneys' fees. To date, the majority of the taxing jurisdictions in which the Company facilitates hotel reservations have not

asserted that these taxes are due and payable. With respect to taxing jurisdictions that have not initiated proceedings to date, it is possible that they will do so in the future or that they will seek to amend their tax statutes and seek to collect taxes from the Company only on a prospective basis.

Accrual for Travel Transaction Taxes

As a result of this litigation and other attempts by jurisdictions to levy similar taxes, the Company has established an accrual (including estimated interest and penalties) for the potential resolution of issues related to travel transaction taxes in the amount of approximately \$52 million at December 31, 2014 compared to approximately \$55 million at December 31, 2013. The Company's legal expenses for these matters are expensed as incurred and are not reflected in the amount accrued. The actual cost may be less or greater, potentially significantly, than the liabilities recorded. An estimate for a reasonably possible loss or range of loss in excess of the amount accrued cannot be reasonably made.

The Company intends to vigorously defend against the claims in all of the proceedings described below.

Statewide Class Actions and Putative Class Actions

Such actions include:

- City of Los Angeles, California v. Hotels.com, Inc., et al. (California Superior Court, Los Angeles County; filed in December 2004); (California Court of Appeal; appeal filed in March 2014);
- City of San Antonio, Texas v. Hotels.com, L.P., et al. (U.S. District Court for the Western District of Texas; filed in May 2006);
- Pine Bluff Advertising and Promotion Commission, Jefferson County, Arkansas, et al. v. Hotels.com, LP, et al. (Circuit Court of Jefferson County, Arkansas; filed in September 2009); (Arkansas Supreme Court; appeal filed in March 2013);
- County of Lawrence, Pennsylvania v. Hotels.com, L.P., et al. (Court of Common Pleas of Lawrence County, Pennsylvania; filed Nov. 2009); (Commonwealth Court of Pennsylvania; appeal filed in November 2010);
- City of Columbia, South Carolina, et al. v. Hotelguides.com, Inc. et al. (Court of Common Pleas, Ninth Judicial Circuit, County of Charleston; filed in July 2013); and
- City of Charleston, et al. v. Hotelguides.com, Inc. et al. (Court of Common Pleas for Charleston County, South Carolina; filed January 2014).

Actions Filed on Behalf of Individual Cities, Counties and States

Such actions include:

- City of San Diego, California v. Hotels.com L.P., et al. (California Superior Court, San Diego County; filed in September 2006) (Superior Court of California, Los Angeles County) (California Court of Appeal; appeal filed in August 2012); (California Supreme Court; petition for review granted in July 2014);
- City of Atlanta, Georgia v. Hotels.com L.P., et al. (Superior Court of Fulton County, Georgia; filed in March 2006); (Court of Appeals of the State of Georgia; appeal filed in January 2007); (Georgia Supreme Court; further appeal filed in December 2007; petition for writs of mandamus and prohibition filed in December 2012; further appeal filed in November 2013 but transferred to Georgia Court of Appeals in July 2014);
- Leon County, et al. v. Expedia, Inc., et al. (Second Judicial Circuit Court for Leon County, Florida; filed November 2009); (Florida First District Court of Appeal; appeal filed in May 2012); (Florida Supreme Court; jurisdiction accepted in September 2013);
- Leon County v. Expedia, Inc. et al. (Second Judicial Circuit Court for Leon County, Florida; filed in December 2009); (Florida First District Court of Appeal; appeal filed in October 2012); (Florida Supreme Court; notice to invoke jurisdiction filed in October 2013);
- Montana Department of Revenue v. Priceline.com, Inc., et al. (First Judicial District Court of Lewis and Clark County, Montana; filed in November 2010); (Montana Supreme Court; appeal filed in May 2014);
- District of Columbia v. Expedia, Inc., et al. (Superior Court of District of Columbia; filed in March 2011); (District of Columbia Court of Appeals; appeal filed in March 2014);
- Volusia County, et al. v. Expedia, Inc., et al. (Circuit Court for Volusia County, Florida; filed in April 2011);
- Town of Breckenridge, Colorado v. Colorado Travel Company, LLC, et al. (District Court for Summit County, Colorado; filed in July 2011);
- County of Nassau v. Expedia, Inc., et al. (Supreme Court of Nassau County, New York; filed in September 2011); (Appellate Division, Second Department; appeal filed in April 2013);

- State of Mississippi v. Priceline.com Inc., et al., (Chancery Court of Hinds County, Mississippi; filed in January 2012);
- Fargo v. Expedia, Inc. et al. (District Court for the County of Cass; filed in February 2013)
- Village of Bedford Park, et al. v. Expedia, Inc. et al. (U.S. District Court for the Northern District of Illinois; filed in July 2013);
- Department of Revenue, Finance and Administration Cabinet, Commonwealth of Kentucky v. Expedia Inc., et al. (Franklin Circuit Court, Kentucky; filed in July 2013);
- State of New Hampshire v. priceline.com Inc., et al. (Merrimack Superior Court; filed in October 2013);
- Puerto Rico Tourism Company v. Priceline.com Incorporated, et al. (U.S. District Court for the District of Puerto Rico; filed in April 2014); and
- City of Phoenix, et al. v. Priceline.com Inc., et al. (Arizona Tax Court; filed in August 2014).

Judicial Actions Relating to Assessments Issued by Individual Cities, Counties and States

The Company may seek judicial review of assessments issued by an individual city or county. Currently pending actions seeking such a review include:

- Priceline.com, Inc., et al. v. Broward County, Florida (Second Judicial Circuit, Leon County, Florida; filed in January 2009); (Florida First District Court of Appeal; filed in February 2013); (Florida Supreme Court; notice to invoke jurisdiction filed in February 2014);
- Priceline.com, Inc. v. Indiana Department of State Revenue (Indiana Tax Court; filed in March 2009);
- Priceline.com, Inc., et al. v. City and County of San Francisco, California, et al. (California Superior Court, County of Los Angeles; filed in June 2009); (California Court of Appeal; appeal filed in December 2013); Priceline.com, Inc. v. City and County of San Francisco, California, et al. (California Superior Court, County of Los Angeles; filed in November 2013);
- Priceline.com, Inc. v. Miami-Dade County, Florida, et al. (Eleventh Judicial Circuit Court for Miami-Dade, County, Florida; filed in December 2009);
- priceline.com Incorporated, et al. v. Osceola County, Florida, et al. (Second Judicial Circuit, Leon County, Florida; filed in January 2011);
- In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of the Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii; filed in March 2011) (Hawaii Supreme Court; appeal transferred in December 2013); In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of the Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii, filed in July 2012) (Hawaii Supreme Court; appeal transferred in December 2013); In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii, filed in June 2013); In the Matter of the Tax Appeal of priceline.com Inc. and In the Matter of Tax Appeal of Travelweb LLC (Tax Appeal Court of the State of Hawaii; filed in January 2014); In the Matter of the Appeal of priceline.com Incorporated (Tax Appeal Court of the State of Hawaii; filed in August 2014);
- Expedia, Inc. et al. v. City of Portland (Circuit Court for Multnomah County, Oregon, filed in February 2012);
- Expedia, Inc., et al. v. City and County of Denver, et al. (District Court for Denver County, Colorado, filed in March 2012); (Colorado Court of Appeal; appeal filed in April 2013); (Colorado Supreme Court; petition for review filed in August 2014); and
- Expedia, Inc., et al. v. Oregon Department of Revenue (Oregon Tax Court; filed in September 2013).

Administrative Proceedings and Other Possible Actions

At various times, the Company has also received inquiries or proposed tax assessments from municipalities and other taxing jurisdictions relating to the Company's charges and remittance of amounts to cover state and local travel transaction taxes. Among others, the City of Paradise Valley, Arizona; fifteen cities (and one county) in Colorado; Arlington, Texas; Lake County, Indiana; and state tax officials from Arkansas, Colorado, Louisiana, Maine, Maryland, Michigan, Minnesota, South Carolina, South Dakota, Texas, Vermont, West Virginia and Wisconsin have begun formal or informal administrative procedures or stated that they may assert claims against the Company relating to allegedly unpaid state or local travel transaction taxes. Between 2008 and 2010, the Company received audit notices from more than forty cities in the state of California. The audit proceedings in those cities have not been active but have not been formally closed. The Company has also been contacted for audit by five counties in the state of Utah.

Patent Infringement

On February 9, 2015, International Business Machines Corporation ("IBM") filed a complaint in the U.S. District Court for the District of Delaware against The Priceline Group Inc. and its subsidiaries KAYAK Software Corporation, OpenTable, Inc. and priceline.com LLC (the "Subject Companies"). In the complaint, IBM alleges that the Subject Companies have infringed and continue to willfully infringe certain IBM patents that IBM claims relate to the presentation of applications and advertising in an interactive service, preserving state information in online transactions and single sign-on processes in a computing environment and seeks unspecified damages (including a request that the amount of compensatory damages be trebled), injunctive relief and costs and reasonable attorneys' fees. The Company believes the claims to be without merit and intends to contest them vigorously.

Other

The Company intends to defend vigorously against the claims in all of the proceedings described in this Note 16. The Company has accrued for certain legal contingencies where it is probable that a loss has been incurred and the amount can be reasonably estimated. Except as disclosed, such amounts accrued are not material to the Company's consolidated balance sheets and provisions recorded have not been material to the Company's consolidated results of operations or cash flows. The Company is unable to estimate a reasonably possible range of loss.

From time to time, the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of third party intellectual property rights. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources, divert management's attention from the Company's business objectives and adversely affect the Company's business, results of operations, financial condition and cash flows.

Contingent Consideration for Business Acquisitions (see Note 20)

Employment Contracts

The Company has employment agreements with certain members of senior management that provide for cash severance payments of up to approximately \$26 million, accelerated vesting of equity instruments, including without limitation, restricted stock, restricted stock units and performance share units upon, among other things, death or termination without "cause" or "good reason," as those terms are defined in the agreements, and a gross-up for the payment of "golden parachute" excise taxes. In addition, certain of the agreements provide for the extension of health and insurance benefits after termination for periods up to three years.

Operating Leases

The Company leases certain facilities and equipment through operating leases. Rental expense for leased office space was approximately \$57.2 million, \$40.0 million and \$30.9 million for the years ended December 31, 2014, 2013 and 2012, respectively. Rental expense for leased facility space was approximately \$15 million, \$13 million and \$11 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The Company's headquarters and the headquarters of the priceline.com business are located in Norwalk, Connecticut, United States of America, where the Company leases approximately 70,000 square feet of office space. The Booking.com business is headquartered in Amsterdam, Netherlands, where the Company leases approximately 202,000 square feet of office space; the KAYAK business is headquartered in Stamford, Connecticut, United States of America, where the Company leases approximately 18,000 square feet of office space; the agoda.com business has significant support operations in Bangkok, Thailand, where the Company leases approximately 118,000 square feet of office space; the OpenTable business is headquartered in San Francisco, California, United States of America, where the Company leases approximately 51,000 square feet of office space; and the rentalcars.com business is headquartered in Manchester, England, where the Company leases approximately 63,000 square feet of office space. The Company leases additional office space to support its operations in various locations around the world, including hosting and data center facilities in the United States, the United Kingdom, Switzerland, the Netherlands and Hong Kong and sales and support facilities in numerous locations.

The Company does not own any real estate as of December 31, 2014. Minimum payments for operating leases for office space, data centers and equipment having initial or remaining non-cancellable terms in excess of one year have been translated into U.S. Dollars at the December 31, 2014 spot exchange rates, as applicable, and are as follows (in thousands):

2015	2016	2017	2018	2019	After 2019	Total
\$79,902	\$73,853	\$59,583	\$50,239	\$42,918	\$130,891	\$437,386

17. BENEFIT PLANS

The Company maintains a defined contribution 401(k) savings plan (the "Plan") covering certain U.S. employees. In connection with acquisitions, effective as of the date of such acquisitions, the Company assumed defined contribution plans covering the U.S. employees of the acquired companies. The Company also maintains certain other defined contribution plans outside of the United States for which it provides contributions for participating employees. The Company's matching contributions during the years ended December 31, 2014, 2013 and 2012 were approximately \$6.2 million, \$5.8 million and \$5.0 million, respectively.

18. GEOGRAPHIC INFORMATION

The Company's international information consists of the results of Booking.com, agoda.com and rentalcars.com and the results of the internationally based websites of KAYAK since May 21, 2013 and OpenTable since July 24, 2014 (in each case regardless of where the consumer resides, where the consumer is physically located while making a reservation or the location of the travel service provider or restaurant). The Company's geographic information is as follows (in thousands):

	United States	The Netherlands	Other	Total Company
2014				
Revenues	\$ 1,798,484	\$ 5,519,207	\$ 1,124,280	\$ 8,441,971
Intangible assets, net	2,183,957	108,650	42,154	2,334,761
Goodwill	2,712,479	224,731	389,264	3,326,474
Other long-lived assets	80,668	97,056	77,915	255,639
2013				
Revenues	\$ 1,769,696	\$ 4,103,393	\$ 920,217	\$ 6,793,306
Intangible assets, net	838,494	123,847	57,644	1,019,985
Goodwill	1,247,686	156,261	363,965	1,767,912
Other long-lived assets	49,750	61,164	64,708	175,622
2012				
Revenues	\$ 1,661,710	\$ 2,675,976	\$ 923,270	\$ 5,260,956
Intangible assets, net	1,337	137,255	69,521	208,113
Goodwill	37,306	149,464	335,902	522,672
Other long-lived assets	76,623	37,035	42,924	156,582

19. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands, except per share data)				
2014				
Total revenues ⁽¹⁾	\$ 1,641,802	\$ 2,123,575	\$ 2,836,497	\$ 1,840,097
Gross profit	1,406,471	1,882,996	2,619,978	1,674,685
Net income	331,218	576,451	1,062,253	451,831
Net income applicable to common stockholders	331,218	576,451	1,062,253	451,831
Net income applicable to common stockholders per basic common share	\$ 6.35	\$ 11.00	\$ 20.27	\$ 8.65
Net income applicable to common stockholders per diluted common share	\$ 6.25	\$ 10.89	\$ 20.03	\$ 8.56

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands, except per share data)				
2013				
Total revenues ⁽¹⁾	\$ 1,302,012	\$ 1,680,238	\$ 2,269,903	\$ 1,541,153
Gross profit	1,009,665	1,383,855	1,989,065	1,333,301
Net income	244,292	437,440	832,989	378,077
Net income applicable to common stockholders	244,271	437,326	832,989	378,077
Net income applicable to common stockholders per basic common share	\$ 4.89	\$ 8.62	\$ 16.22	\$ 7.32
Net income applicable to common stockholders per diluted common share	\$ 4.76	\$ 8.39	\$ 15.72	\$ 7.14

(1) As the Company's retail accommodation business, which recognizes revenue at the completion of the stay, continues to expand, our quarterly results become increasingly impacted by seasonal factors.

20. ACQUISITIONS

Acquisition activity in 2014

OpenTable, Inc.

On July 24, 2014, the Company acquired OpenTable, Inc., a leading online restaurant reservation business, in a cash transaction. The purchase price of OpenTable was approximately \$2.5 billion (approximately \$2.4 billion net of cash acquired) or \$103.00 per share of OpenTable common stock. The Company funded the acquisition from cash on hand in the United States and \$995 million borrowed under the Company's revolving credit facility, which the Company repaid during the third quarter of 2014 (see Note 11 for a description of the credit facility). Also, in connection with this acquisition, the Company assumed unvested employee stock options and restricted stock units with an acquisition fair value of approximately \$95 million (see Note 3).

OpenTable has built a strong brand helping diners secure restaurant reservations online at over 32,000 restaurants across the United States and select non-U.S. markets. OpenTable also helps restaurants manage their reservations and connect directly with their customers. The Company believes that OpenTable has significant global potential and intends to leverage its international experience and capabilities in support of OpenTable's international growth.

The purchase price allocations were completed as of December 31, 2014. The aggregate purchase price was allocated to the assets acquired and liabilities assumed as follows (in millions):

Current assets ⁽¹⁾	\$	203
Identifiable intangible assets ⁽²⁾		1,435
Goodwill ⁽³⁾		1,500
Other long-term assets		38
Total liabilities ⁽⁴⁾		(647)
Total consideration	\$	<u>2,529</u>

(1) Includes cash acquired of \$126 million.

(2) Acquired definite-lived intangibles, with a weighted average life of 18.8 years, consisted of trade names of \$1.1 billion with an estimated useful life of 20 years, supply and distribution agreements of \$290 million with an estimated useful life of 15 years, and technology of \$15 million with estimated useful life of 5 years.

(3) Goodwill is not tax deductible.

(4) Includes deferred tax liabilities of \$543 million.

The Company's consolidated financial statements include the accounts of OpenTable starting on July 24, 2014. OpenTable's revenues and earnings since the acquisition date and pro forma results of operations have not been presented separately as such financial information is not material to the Company's results of operations.

Other

In the second quarter of 2014, the Company acquired certain businesses that provide hotel marketing services. The Company's consolidated financial statements include the accounts of these businesses starting at their respective acquisition dates. The Company paid approximately \$98 million, net of cash acquired, to purchase these businesses. As of December 31, 2014, the Company recognized a liability of approximately \$10.7 million for estimated contingent payments related to these acquisitions. The estimated contingent payments are based upon probability weighted average payments for specific performance factors from the acquisition dates through December 31, 2018. The range of undiscounted outcomes for the estimated contingent payments is approximately \$0 to \$71 million.

The Company incurred \$6.9 million of professional fees for the year ended December 31, 2014 related to these consummated acquisitions. These acquisition-related expenses were included in "General and administrative" expenses on the Consolidated Statements of Operations.

Acquisition activity in 2013

KAYAK Software Corporation

On May 21, 2013, the Company acquired 100% of KAYAK Software Corporation in a stock and cash transaction. The purchase value was \$2.1 billion (\$1.9 billion net of cash acquired). The Company paid \$0.5 billion in cash, from cash on hand in the United States, and \$1.6 billion in shares of its common stock (based upon the market value of the Company's common stock at the merger date) and the fair value of the assumed vested KAYAK stock options. These assumed vested KAYAK stock options are related to pre-combination service. A significant amount of the aggregate purchase price was allocated to definite-lived intangibles and goodwill.

Also in conjunction with the acquisition, the Company assumed unvested KAYAK employee stock options, which relate to post-combination service, with an acquisition date fair value of \$57.4 million (see Note 3).

As a result of the acquisition of KAYAK, the Company expensed approximately \$8.5 million of professional fees for the year ended December 31, 2013. These acquisition-related expenses were included in "General and administrative" expenses on the Consolidated Statements of Operations. In addition, the Company paid approximately \$1.2 million of stock issuance costs for the year ended December 31, 2013, with an offsetting charge to additional paid-in capital.

The Company's consolidated financial statements include the accounts of KAYAK starting on May 21, 2013. KAYAK's revenues and earnings since the acquisition date and pro forma results of operations have not been presented as such financial information is not material to the Company's results of operations.

INDEX TO EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. Some agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

Exhibit Number	Description
2.1(a)	Agreement and Plan of Merger, dated as of November 8, 2012, by and among KAYAK Software Corporation, the Registrant and Produce Merger Sub, Inc.
2.2(b)	Agreement and Plan of Merger, dated as of June 12, 2014, by and among OpenTable, Inc., the Registrant and Rhombus, Inc.
3.1(c)	Restated Certificate of Incorporation of the Registrant.
3.2(d)	Amended and Restated By-Laws of the Registrant.
4.1	Reference is hereby made to Exhibits 3.1 and 3.2.
4.2(e)	Specimen Certificate for Registrant's Common Stock.
4.3(f)	Indenture, dated as of March 10, 2010, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.4(g)	Indenture, dated as of March 12, 2012, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.5(h)	Indenture, dated as of June 4, 2013, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.6(i)	Indenture, dated as of August 20, 2014, between the Registrant and American Stock Transfer & Trust Company, LLC as Trustee.
4.7(j)	Form of Indenture for the 2.375% Senior Notes due 2024, between the Registrant and Deutsche Bank Trust Company Americas as Trustee.
4.8(k)	Form of 2.375% Senior Note due 2024.
4.9(l)	Officers' Certificate, dated September 23, 2014, for the 2.375% Senior Notes due 2024.
10.1(m)+	The Priceline Group Inc. 1999 Omnibus Plan (As Amended and Restated Effective June 6, 2013).
10.2(n)+	Form of Stock Option Grant Agreement under the 1999 Omnibus Plan.
10.3(o)+	Form of Restricted Stock Unit Award Agreement for Employees in the Netherlands under the 1999 Omnibus Plan.
10.4(p)+	Form of Restricted Stock Unit Agreement for awards under the 1999 Omnibus Plan to non-employee directors.
10.5(q)+	2012 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.6(r)+	2013 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.7(s)+	2014 Form of Performance Share Unit Agreement under the 1999 Omnibus Plan.
10.8+	Amended and Restated KAYAK Software Corporation 2012 Equity Incentive Plan.
10.9(t)+	OpenTable, Inc. Amended and Restated 2009 Equity Incentive Award Plan.
10.10(u)+	Buuteeq, Inc. Amended and Restated 2010 Stock Plan.

10.11(v)+	The Priceline Group Inc. Annual Bonus Plan, adopted on February 20, 2007.
10.12(r)+	Form of Non-Competition and Non-Solicitation Agreement.
10.13(w)+	Transition Agreement dated November 7, 2013 by and between the Registrant and Jeffery H. Boyd.
10.14(w)+	Amended and Restated Employment Agreement dated November 7, 2013 by and between the Registrant, Booking.com Holding B.V. and Darren R. Huston.
10.15(w)+	Amended and Restated Non-Competition and Non-Solicitation Agreement dated November 7, 2013 by and between the Registrant and Darren R. Huston.
10.16(x)+	Indemnification Agreement, dated September 12, 2011, by and between the Registrant and Darren R. Huston.
10.17(y)+	Letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.18(z)+	Letter amendment, dated December 16, 2008, to letter agreement, dated October 19, 2005 by and between the Registrant and Daniel J. Finnegan.
10.19(z)+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between the Registrant and Peter J. Millones.
10.20(z)+	Amended and Restated Employment Agreement, dated December 18, 2008, by and between the Registrant and Chris Soder.
10.21(x)	Credit Agreement, dated as of October 28, 2011, among the Registrant, the lenders from time to time party thereto, RBS Citizens, N.A., as Documentation Agent, Bank of America, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.22(h)	Purchase Agreement, dated May 29, 2013, between the Registrant and Goldman, Sachs & Co.
10.23(i)	Purchase Agreement, dated August 14, 2014, between The Priceline Group Inc. and Wells Fargo Securities, LLC and Citigroup Global Markets Inc., as the Initial Purchasers.
10.24(k)	Underwriting Agreement, dated September 16, 2014, among the Registrant, Deutsche Bank AG, London Branch, The Royal Bank of Scotland plc, Wells Fargo Securities, LLC, Citigroup Global Markets Limited and Goldman, Sachs & Co.
12.1	Statement of Ratio of Earnings to Fixed Charges.
21	List of Subsidiaries.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (included in the Signature Page).
31.1	Certification of Darren R. Huston, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Daniel J. Finnegan, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(aa)	Certification of Darren R. Huston, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
32.2(aa)	Certification of Daniel J. Finnegan, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2014 formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

+ Indicates a management contract or compensatory plan or arrangement.

- (a) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 9, 2012 (File No. 0-25581).
- (b) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 13, 2014 (File No. 0-25581).
- (c) Previously filed as an exhibit to the Current Report on Form 8-K filed on July 18, 2014 (file No. 0-25581).
- (d) Previously filed as an exhibit to the Current Report on Form 8-K filed on April 1, 2014 (File No. 0-25581).
- (e) Previously filed as an exhibit to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-69657) filed on March 18, 1999.
- (f) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 10, 2010 (File No. 0-25581).
- (g) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 12, 2012 (File No. 0-25581).
- (h) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 4, 2013 (File No. 0-25581).
- (i) Previously filed as an exhibit to the Current Report on Form 8-K filed on August 20, 2014 (File No. 0-25581).
- (j) Previously filed as an exhibit to the post-effective amendment filed on September 8, 2014 to the Registration Statement on Form S-3 filed on September 2, 2014 (File No. 333-198515).
- (k) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 22, 2014 (File No. 0-25581).
- (l) Previously filed as an exhibit to the Current Report on Form 8-K filed on September 26, 2014 (File No. 0-25581).
- (m) Previously filed as an exhibit to the Current Report on Form 8-K filed on June 6, 2013 (File No. 0-25581).
- (n) Previously filed as an exhibit to the Registration Statement on Form S-8 (File No. 333-122414) filed on January 31, 2005.
- (o) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 8, 2005 (File No. 0-25581).
- (p) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 9, 2011 (File No. 0-25581).
- (q) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 8, 2012 (File No. 0-25581).
- (r) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 4, 2013 (File No. 0-25581).
- (s) Previously filed as an exhibit to the Current Report on Form 8-K filed on March 7, 2014 (File No. 0-25581).
- (t) Previously filed as an exhibit to the Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2014 (File No. 0-25581).
- (u) Previously filed as an exhibit to the Registration Statement on Form S-8 filed on June 13, 2014 (File No. 333-196756).
- (v) Previously filed as an exhibit to the Current Report on Form 8-K filed on February 23, 2007 (File No. 0-25581).
- (w) Previously filed as an exhibit to the Current Report on Form 8-K filed on November 8, 2013 (File No. 0-25581).
- (x) Previously filed as an exhibit to the Quarterly Report on Form 10-Q filed for the quarter ended September 30, 2011 (File No. 0-25581).
- (y) Previously filed as an exhibit to the Current Report on Form 8-K filed on October 21, 2005 (File No. 0-25581).
- (z) Previously filed as an exhibit to the Annual Report on Form 10-K filed for the year ended December 31, 2008 (File No. 0-25581).
- (aa) This document is being furnished in accordance with SEC Release Nos. 33-8212 and 34-47551.

KAYAK SOFTWARE CORPORATION
2012 EQUITY INCENTIVE PLAN
(as assumed by priceline.com Incorporated on May 21, 2013 and as
amended and restated as of February 7, 2014)

1. Purpose

This Plan is intended to encourage ownership of Stock by employees, consultants and directors of the Company and its Affiliates and to provide additional incentive for them to promote the success of the Company's business through the grant of Awards of or pertaining to shares of Stock. If the Company obtains stockholder approval of the Plan, the Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all Awards are required to be Incentive Options. This Plan is hereby amended and restated as of February 7, 2014 to reflect its prior assumption by priceline.com Incorporated (the "Company") pursuant to the terms of the Agreement and Plan of Merger by and among KAYAK Software Corporation, the Company, and Produce Merger Sub, Inc., dated as of November 8, 2012 (the "Merger Agreement"), and to reflect changes to certain terms of the Plan authorized by the Board.

2. Definitions

As used in the Plan, the following terms shall have the respective meanings set out below, unless the context clearly requires otherwise:

2.1. Accelerate, Accelerated, and Acceleration, means: (a) when used with respect to a Stock Right, that as of the time of reference the Stock Right will become exercisable with respect to some or all of the shares of Stock for which it was not then otherwise exercisable by its terms; (b) when used with respect to Restricted Stock or Restricted Stock Units, that the Risk of Forfeiture otherwise applicable to the Restricted Stock or Restricted Stock Units shall expire with respect to some or all of the shares of Restricted Stock or Restricted Stock Units then still otherwise subject to the Risk of Forfeiture; and (c) when used with respect to Performance Share Units, that the applicable Performance Goals or other business objectives shall be deemed to have been met as to some or all of the Performance Share Units.

2.2. Affiliate means an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

2.3. Agreement means an agreement between the Company and the recipient of an Award, or other notice of grant of an Award, setting forth the terms and conditions of the Award.

2.4. Award means any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Performance Share Units, Restricted Stock, Restricted Stock Units, or Stock Grants.

2.5. Beneficial Owner has the meaning set forth in Rule 13d-3 under the Exchange Act.

2.6. Board means the Company's Board of Directors.

2.7. Cause means (0) for Awards granted prior to May 21, 2013, with respect to a Participant, any one or more of the following: (i) failure or refusal to perform the Participant's reasonably assigned duties to the Company or a Subsidiary; (ii) material breach of any employment agreement, any consulting or services agreement, any non-disclosure or non-competition agreement or any other agreement between the Participant and the Company (or a Subsidiary) relating to the Participant's employment or other association with the Company and its Affiliates; (iii) embezzlement, misappropriation of assets or property (tangible or intangible) of the Company; (iv) gross negligence, misconduct, neglect of duties, theft, dishonesty or fraud with respect to the Company or a Subsidiary, or breach of fiduciary duty to the Company or a Subsidiary; or (v) the indictment or conviction of a felony, or any crime involving moral turpitude, including a plea of guilty or nolo contendere. Notwithstanding the foregoing, if the Participant and the Company or an Affiliate have entered into an employment, consulting or services agreement that defines the term "Cause" (or a similar term), such definition shall govern for purposes of determining whether the Participant has been terminated for Cause for purposes of the Plan. The determination of Cause shall be made by the Committee, in its sole discretion; and

(a) for Awards granted on or after May 21, 2013, (i) the willful and continued failure by the Participant substantially to perform his or her duties and obligations to the Company or a Subsidiary (other than any such failure resulting from his or her incapacity due to physical or mental illness); (ii) the willful engaging by the Participant in misconduct which is materially injurious to the Company or a Subsidiary; (iii) the commission by the Participant of a felony; or (iv) the commission by the Participant of a crime against the Company or a Subsidiary which is materially injurious to the Company. For purposes of this Section 2.7(b), no act, or failure to act, on a Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant in bad faith and without reasonable belief that his or her action or omission was in the best interest of the Company or a Subsidiary. Determination of Cause shall be made by the Committee in its sole discretion.

2.8. Change in Control means the occurrence of any of the following with respect to Awards granted on or after May 21, 2013:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); *provided, however*, that the event described in this Section 2.8.(a) shall not be deemed to be a Change in Control if such event results from the acquisition of Company Voting Securities pursuant to a Non-Qualifying Transaction (as defined in Section 2.8.(c));

(b) individuals who, on the Grant Date, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board; *provided, however*, that any person becoming a director subsequent to the Grant Date, whose election or nomination for election was approved (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) by a vote of at least two-thirds of the directors who were, as of the date of such

approval, Incumbent Directors, shall be an Incumbent Director; provided, further, that no individual initially appointed, elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(c) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving (i) the Company or (ii) any of its wholly owned subsidiaries pursuant to which, in the case of this clause (ii), Company Voting Securities are issued or issuable (any event described in the immediately preceding clause (i) or (ii), a “Reorganization”) or the sale or other disposition of all or substantially all of the assets of the Company to an entity that is not an Affiliate of the Company (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (x) the Company (or, if the Company ceases to exist, the entity resulting from such Reorganization), or, in the case of a Sale, the entity which has acquired all or substantially all of the assets of the Company (in either case, the “Surviving Entity”), or (y) if applicable, the ultimate parent entity that directly or indirectly has Beneficial Ownership of more than 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the “Parent Entity”), is represented by Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), (B) no Person is or becomes the Beneficial Owner, directly or indirectly, of 35% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the outstanding voting securities of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and (C) at least a majority of the members of the board of directors (or similar officials in the case of an entity other than a corporation) of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) following the consummation of the Reorganization or Sale were, at the time of the approval by the Board of the execution of the initial agreement providing for such Reorganization or Sale, Incumbent Directors (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above being deemed to be a “Non-Qualifying Transaction”); or

(d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, if any Person becomes the Beneficial Owner, directly or indirectly, of 35% or more of the combined voting power of Company Voting Securities solely as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding, such increased amount shall be deemed not to result in a Change in Control; *provided, however*, that if such Person subsequently becomes the Beneficial Owner, directly or indirectly, of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities Beneficially Owned by such Person to a percentage equal to or greater than 35, a Change in Control of the Company shall then be deemed to occur.

2.9. Change of Control means the occurrence of any of the following with respect to Awards granted prior to May 21, 2013:

(a) a Transaction, unless securities possessing more than 50% of the total combined voting power of the survivor's or acquiror's outstanding securities (or the securities of any parent thereof) are held by a person or persons who held securities possessing more than 50% of the total combined voting power of the Company's outstanding securities immediately prior to that transaction, or

(b) any person or group of persons (within the meaning of Section 13(d)(3) of the Exchange Act) directly or indirectly acquires, including but not limited to by means of a merger or consolidation, beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities, unless acquired pursuant to a tender or exchange offer made directly to the Company's stockholders that the Board recommends such stockholders accept, other than (i) the Company or an Affiliate, (ii) an employee benefit plan of the Company or any of its Affiliates, (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(c) over a period of twenty-four (24) consecutive months or less there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals who either (i) have been Board members continuously since the beginning of that period, or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in the preceding clause (i) who were still in office at the time that election or nomination was approved by the Board; or

(d) a majority of the Board votes in favor of a decision that a Change of Control has occurred.

Notwithstanding the foregoing, no Transaction or other event described in (a), (b), (c) or (d) above shall constitute a "Change of Control" for purposes of any Award which is subject to Section 409A of the Code and under which a "Change of Control" is a payment event, unless either such Transaction or event is also a change of control event within the meaning of Treas. Reg. § 1.409A-3(i)(5) or the Committee determines such a change of control event is not required to assure the Award's continued compliance with Section 409A of the Code.

2.10. Class A Common Stock means the Class A Common Stock, par value \$0.001 per share, of KAYAK Software Corporation prior to KAYAK Software Corporation's merger with the Company.

2.11. Class B Common Stock means the Class B Common Stock, par value \$0.001 per share, of KAYAK Software Corporation prior to KAYAK Software Corporation's merger with the Company.

2.12. Code means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.13. Committee means the Compensation Committee of the Board, which in general is responsible for the administration of the Plan, as provided in Section 5 of this Plan. For any period during which no such committee is in existence “Committee” shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.14. Company means priceline.com Incorporated, a corporation organized under the laws of Delaware, or any assign or successor thereto as provided in Section 21 hereof.

2.15. Effective Date means July 25, 2012, which is the date on which KAYAK Software Corporation first sold shares of its Class A Common Stock to the underwriters pursuant to KAYAK Software Corporation’s initial public offering.

2.16. Exchange Act means the U.S. Securities Exchange Act of 1934, as amended and in effect from time to time.

2.17. Fair Market Value of a share of Stock as of a particular date shall mean the closing sales price per share of Stock on the national securities exchange on which the Stock is principally traded, for the last preceding date on which there was a sale of such Stock on such exchange.

2.18. Fiscal Year means each fiscal year of the Company, as established from time to time by the Board.

2.19. Good Reason means, with respect to Awards granted prior to May 21, 2013, in connection with a Participant’s termination of his or her employment or other association with the Company and its Affiliates, such termination occurring within thirty (30) days after any of the following events: (i) mutual written agreement by a Participant and the Board that Good Reason exists; (ii) a material violation by the Company of its employment, consulting or services agreement with the Participant that continues uncured for a period of thirty (30) days after notice thereof by the Participant; (iii) if such Participant is an executive officer of the Company, demotion of the Participant, without the Participant’s prior consent, to a position that does not include significant managerial responsibilities; (iv) reduction in the Participant’s base salary, other than in connection with, and substantially proportionate to, a general salary reduction program that applies to the Company’s similar class of officers or employees; or (v) a relocation of the Company that requires the Participant to commute to an office that is more than sixty (60) miles away from the Participant’s then current place of employment. Notwithstanding the foregoing, if the Participant and the Company or an Affiliate have entered into an employment, consulting or services agreement that defines the term “Good Reason” (or a similar term), such definition shall govern for purposes of determining whether the Participant has been terminated for Good Reason for purposes of the Plan. The determination of Good Reason shall be made by the Committee, in its sole discretion.

2.20. Grant Date means (a) for Options granted prior to May 21, 2013, the date as of which an Option is granted, as determined under Section 7.1(a), and (b) for Awards granted on or after May 21, 2013, the date on which an Award is granted.

2.21. Incentive Option means an Option which by its terms is to be treated as an “incentive stock option” within the meaning of Section 422 of the Code.

2.22. Initial Award means, with respect to any Participant, an Award made prior to May 21, 2013 under the Plan to such Participant if, and only if, prior to the grant of such Award such Participant had not previously been granted (i) an Award under this Plan, (ii) an “Award” under KAYAK Software Corporation’s 2005 Equity Incentive Plan (as the same has been in effect at any time, including as amended, and as amended and restated, from time to time) and/or (iii) an “Award” under KAYAK Software Corporation’s 2004 Stock Incentive Plan (as the same has been in effect at any time, including as amended from time to time).

2.23. Market Value means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of Stock as of any date is the closing price for the Stock as reported on the NASDAQ Global Select Market (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported.

2.24. Nonstatutory Option means any Option that is not an Incentive Option.

2.25. Option means an option to purchase shares of Stock.

2.26. Optionee means an eligible individual to whom an Option shall have been granted under the Plan.

2.27. Participant means any holder of an outstanding Award under the Plan.

2.28. Performance Criteria and Performance Goals have the meanings given such terms in Section 7.7(f).

2.29. Performance Period means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals or other business objectives will be measured for purposes of determining a Participant’s right to, and the payment of, a Performance Share Unit.

2.30. Performance Share Unit means a right granted to a Participant under Section 7.5, to receive cash, Stock or other Awards, the payment of which is contingent on achieving Performance Goals or other business objectives established by the Committee.

2.31. Person has the meaning set forth in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (a) the Company or any Subsidiary, (b) a trustee or other fiduciary holding securities under an employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (c) an underwriter

temporarily holding securities pursuant to an offering of such securities, (d) a corporation or other entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of shares of Stock, or (e) the Participant or any group of persons including the Participant, or any entity controlled by the Participant or any group of persons including the Participant; provided the Participant is an executive officer, director or more than 10% owner of Stock.

2.32. Plan means this 2012 Equity Incentive Plan, as adopted by the Company and as amended from time to time, and including any attachments or addenda hereto.

2.33. Qualified Performance-Based Awards means Awards to persons who are or become covered employees within the meaning of Section 162(m) of the Code and which are intended to or at grant would qualify as “performance-based compensation” under Section 162(m) of the Code.

2.34. Restricted Stock means a grant or sale of shares of Stock to a Participant subject to a Risk of Forfeiture.

2.35. Restricted Stock Units means rights to receive shares of Stock at the close of a Restriction Period, subject to a Risk of Forfeiture.

2.36. Restriction Period means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock or Restricted Stock Units are subject to a Risk of Forfeiture described in the applicable Agreement.

2.37. Risk of Forfeiture means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right of the Company to reacquire shares of Restricted Stock at less than its then Market Value or Fair Market Value, whichever applies, arising because of the occurrence or non-occurrence of specified events or conditions.

2.38. Stock means shares of the common stock, par value \$0.008 per share, of the Company.

2.39. Stock Appreciation Right means a right to receive any excess in the Market Value or Fair Market Value, whichever applies, of shares of Stock (except as otherwise provided in Section 7.2(c)) over a specified exercise price.

2.40. Stock Grant means the grant of shares of Stock not subject to restrictions or other forfeiture conditions.

2.41. Stock Right means an Award in the form of an Option or a Stock Appreciation Right.

2.42. Stockholders' Agreement means any agreement by and among the holders of at least a majority of the outstanding voting securities of the Company and setting forth, among other provisions, restrictions upon the transfer of shares of Stock or on the exercise of rights appurtenant thereto (including but not limited to, voting rights).

2.43. Subsidiary means any corporation, company or other entity in an unbroken chain of corporations (or other entities) beginning with the Company if, at the time of granting of an Award, each of the corporations or other entities (other than the last corporation or other entity in the unbroken chain) owns stock (or other ownership interests) possessing 50% or more of the total combined voting power of all classes of stock (or other ownership interests) in one of the other corporations (or other entities) in the chain.

2.44. Ten Percent Owner means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code). Whether a person is a Ten Percent Owner shall be determined with respect to an Option based on the facts existing immediately prior to the Grant Date of the Option.

2.45. Transaction means (a) any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (b) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (c) any sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions, or (d) any liquidation or dissolution of the Company.

3. Term of the Plan

Unless the Plan shall have been earlier terminated by the Board, Awards may be granted under this Plan at any time in the period commencing on the date of approval of the Plan by the Board of Directors of KAYAK Software Corporation and ending immediately prior to the tenth anniversary of the Effective Date. Awards granted pursuant to the Plan within that period shall not expire solely by reason of the termination of the Plan.

4. Stock Subject to the Plan

4.1. Stock Subject to the Plan. At no time shall the number of shares of Stock issued pursuant to or subject to Awards (including Incentive Options granted prior to May 21, 2013) granted under the Plan exceed 61,972 shares of Stock (including shares of Class A Common Stock and Class B Common Stock issued prior to May 21, 2013 as adjusted by the conversion ratio set forth in the Merger Agreement); *provided, however*, that in no event (other than as contemplated by the immediately following proviso) shall the maximum aggregate number of shares of Stock exceed 61,972; and *provided, further*, that such maximum number of shares of Stock shall be subject to the other provisions of this Section 4 and to the provisions of Section 8 of the Plan.

4.2. Lapsed Awards. For purposes of applying the foregoing limitation, settlement of any Award shall not count against the foregoing limitations except to the extent settled in the form of Stock and, without limiting the generality of the foregoing:

(a) if any Option or Stock-settled Stock Appreciation Right expires, terminates, or is cancelled for any reason without having been exercised in full, or if any other Award is forfeited by the recipient or repurchased at less than its Market Value as a means of effecting a forfeiture, the shares of Stock not purchased by the Optionee or which are forfeited by the recipient or repurchased shall again be available for Awards to be granted under the Plan;

(b) if any Option is exercised by delivering previously owned shares of Stock in payment of the exercise price therefor, the number of shares delivered shall be considered to have been issued pursuant to an Award granted under the Plan; and

(c) any shares of Stock either tendered or withheld in satisfaction of tax withholding obligations of the Company or an Affiliate shall not again be available for issuance under the Plan.

None of the foregoing provisions or the adjustment provisions of Section 8 shall apply in determining the maximum number of shares of Stock issued pursuant to or subject to outstanding Incentive Options unless consistent with the provisions of Section 422 of the Code, however. Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

5. Administration

The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder; and *provided further, however*, that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees who are not officers, and to consultants, in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee, consultant or director to receive the Award and the form of Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, consultants, and directors, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

6. Authorization of Grants

6.1. Eligibility. The Committee may grant from time to time and at any time prior to the termination of the Plan one or more Awards, either alone or in combination with any other Awards, to (a) any employee of KAYAK Software Corporation or one of its subsidiaries as of May 21, 2013, or (b) an employee of the Company or any of its Affiliates who is hired by the Company or such Affiliate on or after May 21, 2013; provided that prior to May 21, 2013, Awards could be granted to consultants of KAYAK Software Corporation or any of its subsidiaries or to any nonemployee member of the Board of Directors of KAYAK Software Corporation or any member of any board of directors (or similar governing authority) of any Subsidiary of KAYAK Software Corporation. However, if the Company obtains stockholder approval of the Plan and subject to the previous sentence, only employees of the Company, and of any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code, shall be eligible for the grant of an Incentive Option.

6.2. General Terms of Awards. Each grant of an Award shall be subject to all applicable terms and conditions of the Plan (including, but not limited to, any specific terms and conditions applicable to that type of Award set out in the following Section), and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant shall have complied with the applicable terms and conditions of such Award (including if applicable delivering a fully executed copy of any agreement evidencing an Award to the Company).

6.3. Effect of Termination of Employment, Etc. Unless the Committee shall provide otherwise with respect to any Award, if the Participant's employment or other association with the Company and its Affiliates ends for any reason, including because of an Affiliate ceasing to be an Affiliate, (a) any outstanding Stock Right of the Participant shall cease to be exercisable in any respect not later than 90 days following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (b) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Agreement. Cessation of the performance of services in one capacity, for example, as an employee, shall not result in termination of an Award while the Participant continues to perform services in another capacity, for example as a director. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, *provided* that it does not exceed the longer of ninety (90) days or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract. To the extent consistent with applicable law, the Committee may provide that Awards continue to vest for some or all of the period of any such leave, or that their vesting shall be tolled during any such leave and only recommence upon the Participant's return from leave, if ever.

6.4. Non-Transferability of Awards. Except as otherwise provided in this Section 6.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's rights in any Award may be exercised during the life of the

Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; *provided, however*, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" means any child, stepchild, grandchild, parent, grandparent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons have more than fifty (50) percent of the beneficial interests, a foundation in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests.

6.5. Code Limits on Grants of Qualified Performance-Based Awards. In no event shall the number of shares of Stock covered or referenced by either Options or Stock Appreciation Rights, or other Awards which are granted as Qualified Performance-Based Awards, to any one person in any one calendar year exceed 61,972 shares of Stock. These limitations shall not apply prior to the date required to apply under the regulations of the U.S. Department of Treasury promulgated under Section 162(m) of the Code, however. Solely for purposes of applying the limitations of this Section 6.5, if in effect, any shares of Stock subject to Options or Stock Appreciation Rights which are canceled (or deemed canceled, as a result of repricing described in applicable regulations of the U.S. Department of Treasury promulgated under Section 162(m) of the Code) shall nevertheless continued to be counted even after such cancellation (or deemed cancellation).

7. **Specific Terms of Awards**

7.1. Options.

(a) Date of Grant. The granting of an Option shall take place at the time specified in the Agreement. Only if expressly so provided in the applicable Agreement shall the Grant Date be the date on which the Agreement shall have been duly executed and delivered by the Company and the Optionee.

(b) Exercise Price. The price at which shares of Stock may be acquired under each Incentive Option shall be not less than 100% of the Market Value of Stock on the Grant Date, or not less than 110% of the Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner. The price at which shares of Stock may be acquired under each Nonstatutory Option shall not be so limited solely by reason of this Section.

(c) Option Period. No Incentive Option may be exercised on or after the tenth anniversary of the Grant Date, or on or after the fifth anniversary of the Grant Date if the Optionee is a Ten Percent Owner. The Option period under each Nonstatutory Option shall not be so limited solely by reason of this Section.

(d) Exercisability. An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine.

In the case of an Option not otherwise immediately exercisable in full, the Committee may Accelerate such Option in whole or in part at any time; *provided, however*, that in the case of an Incentive Option, any such Acceleration of the Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code or the Optionee consents to the Acceleration.

(e) Method of Exercise. An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 18, specifying the number of shares of Stock with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the exercise price of the shares of Stock to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company,

(i) by delivery to the Company of shares of Stock having a Market Value equal to the exercise price of the shares to be purchased, or

(ii) by surrender of the Option as to all or part of the shares of Stock for which the Option is then exercisable in exchange for shares of Stock having an aggregate Market Value equal to the difference between (1) the aggregate Market Value of the surrendered portion of the Option, and (2) the aggregate exercise price under the Option for the surrendered portion of the Option, or

(iii) unless prohibited by applicable law, by delivery to the Company of the Optionee's executed promissory note in the principal amount equal to the exercise price of the shares of Stock to be purchased and otherwise in such form as the Committee shall have approved, or

(iv) by delivery of any other lawful means of consideration which the Committee may approve.

If the Stock is traded on an established market, payment of any exercise price may also be made through and under the terms and conditions of any formal cashless exercise program authorized by the Company entailing the sale of the Stock subject to an Option in a brokered transaction (other than to the Company). Receipt by the Company of such notice and payment in any authorized or combination of authorized means shall constitute the exercise of the Option. Within thirty (30) days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent a certificate or certificates for the number of shares then being purchased or the shares shall be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such shares. Such shares of Stock shall be fully paid and nonassessable.

(f) Limit on Incentive Option Characterization. An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes exercisable in a calendar year do not have an aggregate Market Value (as of the date of the grant of the Option) in excess of the "current limit". The current limit for any

Optionee for any calendar year shall be \$100,000 *minus* the aggregate Market Value at the date of grant of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates. Any shares of Stock which would cause the foregoing limit to be violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.

(g) Notification of Disposition. Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of the shares of Stock issued upon such exercise prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and, if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

7.2. Stock Appreciation Rights.

(b) Tandem or Stand-Alone. Stock Appreciation Rights may be granted in tandem with an Option (at or, in the case of a Nonstatutory Option, after, the award of the Option), or alone and unrelated to an Option. Stock Appreciation Rights in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem Stock Appreciation Rights are exercised.

(c) Exercise Price. Stock Appreciation Rights shall have an exercise price of not less than fifty percent (50%) of the Market Value of the Stock on the date of award, or in the case of Stock Appreciation Rights in tandem with Options, the exercise price of the related Option.

(d) Other Terms. Except as the Committee may deem inappropriate or inapplicable in the circumstances, Stock Appreciation Rights shall be subject to terms and conditions substantially similar to those applicable to a Nonstatutory Option. In addition, a Stock Appreciation Right related to an Option which can only be exercised during limited periods following a Change of Control may entitle the Participant to receive an amount based upon the highest price paid or offered for Stock in any transaction relating to the Change of Control or paid during the thirty (30) day period immediately preceding the occurrence of the Change of Control in any transaction reported in the stock market in which the Stock is normally traded.

7.3. Restricted Stock.

(e) Purchase Price. Shares of Restricted Stock shall be issued under the Plan for such consideration, in cash, other property or services, or any combination thereof, as is determined by the Committee.

(f) Issuance of Certificates. Each Participant receiving a Restricted Stock Award, subject to subsection (c) below, shall be issued a stock certificate in respect of such shares

of Restricted Stock or the shares shall be held at the Company's transfer agent in book entry form. If certificates are issued, such certificate shall be registered in the name of such Participant, and, if applicable, shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award substantially in the following form:

The shares evidenced by this certificate are subject to the terms and conditions of the KAYAK Software Corporation 2012 Equity Incentive Plan, as amended and restated and an Agreement entered into by the registered owner and KAYAK Software Corporation or priceline.com Incorporated, as applicable, copies of which will be furnished by KAYAK Software Corporation or priceline.com Incorporated, as applicable, to the holder of the shares evidenced by this certificate upon written request and without charge.

(g) Escrow of Shares. The Committee may require that the stock certificates evidencing shares of Restricted Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

(h) Restrictions and Restriction Period. During the Restriction Period applicable to shares of Restricted Stock, such shares shall be subject to limitations on transferability and a Risk of Forfeiture arising on the basis of such conditions related to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(i) Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award. Except as otherwise provided in the Plan or the applicable Agreement, at all times prior to lapse of any Risk of Forfeiture applicable to, or forfeiture of, an Award of Restricted Stock, the Participant shall have all of the rights of a stockholder of the Company, including the right to vote, and the right to receive any dividends with respect to, the shares of Restricted Stock (but any dividends or other distributions payable in shares of Stock or other securities of the Company shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the shares of Restricted Stock in respect of which such shares of Stock or other securities are paid). The Committee, as determined at the time of Award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent shares of Stock are available under Section 4.

(j) Lapse of Restrictions. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, the certificates for such shares shall be delivered to the Participant promptly if not theretofore so delivered or the shares shall be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such shares.

7.4. Restricted Stock Units.

(e) Character. Each Restricted Stock Unit shall entitle the recipient to one or more shares of Stock at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(f) Form and Timing of Payment. Payment of earned Restricted Stock Units shall be made in a single lump sum following the close of the applicable Restriction Period in accordance with applicable law. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings.

7.5. Performance Share Units.

(a) Character. Each Performance Share Unit shall entitle the recipient to the value of a specified number of shares of Stock, over the initial value for such number of shares, if any, established by the Committee at the time of grant, at the close of a specified Performance Period to the extent specified business objectives, including, but not limited to, Performance Goals, shall have been achieved.

(b) Earning of Performance Share Units. The Committee shall set Performance Goals or other business objectives in its discretion which, depending on the extent to which they are met within the applicable Performance Period, will determine the number and value of Performance Share Units that will be paid out to the Participant. After the applicable Performance Period has ended, the holder of Performance Share Units shall be entitled to receive payout on the number and value of Performance Share Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Goals or other business objectives have been achieved.

(c) Form and Timing of Payment. Payment of earned Performance Share Units shall be made in a single lump sum following the close of the applicable Performance Period in accordance with applicable law. At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Stock which have been earned in connection with grants of Performance Share Units which have been earned, but not yet distributed to Participants. The Committee may permit or, if it so provides at grant require, a Participant to defer such Participant's receipt of the payment of cash or the delivery of Stock that would otherwise be due to such Participant by virtue of the satisfaction of any requirements or goals with respect to Performance Share Units. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals.

7.6. Stock Grants. Stock Grants shall be awarded solely in recognition of significant prior or expected contributions to the success of the Company or its Affiliates, as an inducement to employment, in lieu of compensation otherwise already due and in such other limited circumstances as the Committee deems appropriate. Stock Grants shall be made without forfeiture conditions of any kind.

7.7. Qualified Performance-Based Awards.

(a) Purpose. The purpose of this Section 7.7 is to provide the Committee the ability to qualify Awards as “performance-based compensation” under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 7.7 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 7.7 and the requirements of Section 162(m) of the Code applicable to “performance-based compensation.”

(b) Authority. All grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by the Committee. If not all of the members thereof qualify as “outside directors” within the meaning of Section 162(m) of the Code, however, all grants of Awards intended to qualify as Qualified Performance-Based Awards and the determination of the terms applicable thereto shall be made by a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any reference in this Section 7.7 to the Committee shall mean any such subcommittee if required under the preceding sentence, and any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.

(c) Discretion of Committee with Respect to Qualified Performance-Based Awards. Any form of Award permitted under the Plan, other than a Stock Grant, may be granted as a Qualified Performance-Based Award. Stock Rights may be granted as Qualified Performance-Based Awards in accordance with Section 7.1 or Section 7.2, as appropriate, except that the exercise price of any Option or Stock Appreciation Right intended to qualify as a Qualified Performance-Based Award shall in no event be less than the Market Value or the Fair Market Value, as applicable, of the Stock on the date of grant, and may become exercisable based on continued service, on satisfaction of Performance Goals, or on a combination thereof. Each other Award intended to qualify as a Qualified Performance-Based Award, such as Restricted Stock, Restricted Stock Units, or Performance Share Units, shall be subject to satisfaction of one or more Performance Goals except as otherwise provided in this Section 7.7. The Committee will have full discretion to select the length of any applicable Restriction Period or Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, a Subsidiary of the Company or any division or business unit or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable Performance Period

(or at such other date as may be required or permitted for “performance-based compensation” under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined for purposes of Section 162(m) of the Code) at the time established.

(d) Payment of Qualified Performance-Based Awards. A Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee, *provided*, that a Qualified Performance-Based Award may be deemed earned as a result of death, becoming disabled, or in connection with a Change of Control if otherwise provided in the Plan or the applicable Agreement even if the Award would not constitute “performance-based compensation” under Section 162(m) of the Code following the occurrence of such an event. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion it deems such reduction or elimination is appropriate.

(e) Limitation on Adjustments for Certain Events. No adjustment of any Qualified Performance-Based Award pursuant to Section 8 shall be made except on such basis, if any, as will not cause such Award to provide other than “performance-based compensation” within the meaning of Section 162(m) of the Code.

(f) Definitions. For purposes of the Plan,

(i) Performance Criteria means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses and (xxv) customer service.

(ii) Performance Goals means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon one or more of the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the

Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant, including whether or to what extent there shall not be taken into account any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Standard Codification Section 225-20, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

7.8. Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements to, or amendments, restatements, or alternative versions of the Plan for the purpose of granting and administering any such modified Award. No such modification, supplement, amendment, restatement or alternative version may increase the share limit of Section 4.

8. Adjustment Provisions

8.1. Adjustment for Corporate Actions. If subsequent to the Effective Date the outstanding shares of Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to shares of Stock, as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock, an appropriate and proportionate adjustment will be made in (a) the maximum numbers and kinds of shares provided in Section 4, (b) the numbers and kinds of shares or other securities subject to the then outstanding Awards, (c) the exercise price for each share or other unit of any other securities subject to then outstanding Stock Rights (without change in the aggregate exercise price as to which such Rights remain exercisable), and (d) the repurchase

price of each share of Restricted Stock then subject to a Risk of Forfeiture in the form of a Company repurchase right.

8.2. Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of any corporate action not specifically covered by the preceding Section, including, but not limited to, an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee also may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

8.3. Related Matters. Any adjustment in Awards made pursuant to Section 8.1 or 8.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms, including of Stock Right exercise prices, rates of vesting or exercisability, Risks of Forfeiture, applicable repurchase prices for Restricted Stock, and Performance Goals and other business objectives which the Committee may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 8. The Committee, in its discretion, may determine that no fraction of a share of Stock shall be purchasable or deliverable upon exercise, and in that event if any adjustment hereunder of the number of shares of Stock covered by an Award would cause such number to include a fraction of a share of Stock, such number of shares of Stock shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price per share pursuant to Sections 8.1 or 8.2 shall result in an exercise price which is less than the par value of the Stock.

8.4. Transactions.

(d) Treatment of Stock Rights. In a Transaction, the Committee may take any one or more of the following actions as to all or any (or any portion of) outstanding Stock Rights.

(i) Provide that such Stock Rights shall be assumed, or substantially equivalent rights shall be provided in substitution therefore, by the acquiring or succeeding entity (or an affiliate thereof).

(ii) Upon written notice to the holders, provide that the holders' unexercised Stock Rights will terminate immediately prior to the consummation of such Transaction unless, in the case of Stock Rights then exercisable, such Rights are exercised within a specified period following the date of such notice.

(iii) Provide that outstanding Stock Rights shall become exercisable in whole or in part prior to or upon the Transaction.

(iv) Provide for cash payments, net of applicable tax withholdings, to be made to holders equal to the excess, if any, of (A) the acquisition price times the number of shares of Stock subject to the Stock Right (to the extent the exercise price does not exceed the acquisition price) over (B) the aggregate exercise price for all such shares of Stock subject to the Stock Right, in exchange for the termination of such Stock Right; provided, that if the acquisition price does not exceed the exercise price of any such Stock Right, the Committee may cancel that Stock Right without the payment of any consideration therefore prior to or upon the Transaction. For this purpose, “acquisition price” means the amount of cash, and market value of any other consideration, received in payment for a share of Stock surrendered in a Transaction.

(v) Provide that, in connection with a liquidation or dissolution of the Company, Stock Rights shall convert into the right to receive liquidation proceeds net of the exercise price thereof and any applicable tax withholdings.

(vi) Any combination of the foregoing.

For purposes of paragraph (a) above, a Stock Right shall be considered assumed, or a substantially equivalent right shall be considered to have been provided in substitution therefor, if following consummation of the Transaction the Stock Right confers the right to purchase or receive the value (after the applicable exercise price) of the consideration received as a result of the Transaction by holders of Stock for each share of Stock held immediately prior to the consummation of the Transaction for each share of Stock subject to the Right immediately prior to the consummation of the Transaction; *provided, however*, that if holders were offered a choice of consideration, the relevant consideration shall be the type of consideration chosen by the holders of a majority of the outstanding shares of Stock; *and provided, further, however*, that if the consideration received as a result of the Transaction is not solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof), the Committee may provide for the consideration to be received upon the exercise of the Stock Right to consist of or be based on solely common stock (or its equivalent) of the acquiring or succeeding entity (or an affiliate thereof) equivalent in value to the per share consideration received by holders of outstanding shares of Stock as a result of the Transaction. In all cases, including in determining any acquisition price under paragraph (4) above, the consideration received in any Transaction need not take into account any contingent consideration except on such basis as the Committee may determine.

(e) Treatment of Other Awards. As to outstanding Awards other than Stock Rights, upon the occurrence of a Transaction other than a liquidation or dissolution of the Company which is not part of another form of Transaction, the repurchase and other rights of the Company under each such Award shall inure to the benefit of the Company’s successor and shall, unless the Committee determines otherwise, apply to the cash, securities or other property which the Stock was converted into or exchanged for pursuant to such Transaction in the same manner and to the same extent as they applied to the Award. With respect to Awards that were granted prior to May

21, 2013, upon the occurrence of a Transaction involving a liquidation or dissolution of the Company which is not part of another form of Transaction, except to the extent specifically provided to the contrary in the instrument evidencing any such Award or any other agreement between a Participant and the Company, all Risks of Forfeiture and Performance Goals or other business objectives, where otherwise applicable to any such Awards, shall automatically be deemed terminated or satisfied, as applicable.

(f) Related Matters. In taking any of the actions permitted under this Section 8.4, the Committee shall not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, identically. Any determinations required to carry out the foregoing provisions of this Section 8.4, including, but not limited to, the market value of other consideration received by holders of Stock in a Transaction and whether substantially equivalent Rights have been substituted, shall be made by the Committee acting in its sole discretion. In connection with any action or actions taken by the Committee in respect of Awards and in connection with a Transaction, the Committee may require such acknowledgements of satisfaction and releases from Participants as it may determine.

(g) Effect of a Transaction which is a Change of Control. By definition, a Transaction may or may not constitute a Change of Control. That a Transaction is also a Change of Control shall not by itself limit the Committee's discretion under this Section 8, but any Acceleration or other vesting of outstanding Awards granted prior to May 21, 2013 required under Section 9 shall apply prior to determining the action or actions available to the Committee in the Transaction under this Section 8 in respect of each outstanding Award granted prior to May 21, 2013.

9. Change of Control/Change in Control

(k) Except as otherwise provided below or in any applicable Agreement, with respect to Awards granted prior to May 21, 2013, upon the occurrence of a Change of Control:

(i) the following provisions of this Section 9(a)(i) shall apply solely to Awards that are Initial Awards:

(A) such Stock Rights not already exercisable in full shall Accelerate with respect to fifty percent (50%) of the shares for which such Stock Rights are not then exercisable;

(B) any Risk of Forfeiture applicable to such Restricted Stock and Restricted Stock Units which is not based on achievement of Performance Goals or other business objectives shall lapse with respect to fifty percent (50%) of such Restricted Stock and Restricted Stock Units still subject to such Risk of Forfeiture immediately prior to the Change of Control;

(C) all such outstanding Awards of Restricted Stock and Restricted Stock Units conditioned on the achievement of Performance Goals or other business objectives and the target payout opportunities attainable under outstanding

Performance Share Units shall be deemed to have been satisfied as of the effective date of the Change of Control as to fifty percent (50%) of the shares as to which the relevant Performance Goals or other business objectives had not been achieved prior to the Change of Control and as to which the applicable Restriction Period or Performance Period had not then elapsed. All such Awards of Performance Share Units and Restricted Stock Units shall be paid to the extent earned to Participants in accordance with their terms within thirty (30) days following the effective date of the Change of Control; and

(ii) the following provisions of this Section 9(a)(ii) shall apply to every Award (whether or not such Award is an Initial Award) granted prior to May 21, 2013: with respect to any Participant, the Awards held by such Participant shall Accelerate in full (A) upon such Participant's employment or other association with the Company and its Affiliates being terminated by the Company without Cause or by such Participant for Good Reason, in either case within one year after the date such Change of Control is determined to have occurred, or (B) upon the date such Change in Control is determined to have occurred if such Participant's employment or other association with the Company and its Affiliates is terminated by the Company without Cause or by such Participant for Good Reason, in either case, within sixty (60) days prior to the date on which such Change of Control is determined to have occurred and the Committee determines, in its sole discretion, that such termination or circumstance giving rise to such Good Reason was at the request of a third party that took actions to effect the Change of Control or otherwise arose in connection with or anticipation of such Change of Control.

None of the foregoing shall apply, however, (x) in the case of any Award pursuant to an Agreement requiring other or additional terms upon a Change of Control (or similar event), (y) to any Award granted on or after May 21, 2013, or (z) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges. Nor shall the foregoing apply in the case of a Qualified Performance-Based Award except to the extent the foregoing would not interfere with the qualification of the Award under 162(m) of the Code at any time prior to a Change of Control (so that, for example, if a Change of Control occurs but does not constitute a change of control within the meaning of Section 162(m) of the Code, there shall be no Acceleration of any Qualified Performance-Based Award pursuant to this Section 9, but if the Change of Control does constitute a change of control within the meaning of Section 162(m) of the Code, then the Award shall Accelerate to the extent provided above regardless of whether it thereafter ceases to qualify as a Qualified Performance-Based Award).

(l) Notwithstanding anything in the Plan to the contrary, with respect to Awards granted on or after May 21, 2013, upon the occurrence of a Change in Control, no Acceleration of exercisability, vesting or lapsing shall occur on a Change in Control except to the extent, if any, provided in the specific Agreement or as otherwise determined by the Committee or the Board. Notwithstanding anything in the Plan to the contrary, upon the occurrence of a Change in Control, the Company or other person effecting the Change in Control, in his, her, or its discretion, deliver to the holder of an Award granted on or after May 21, 2013 the same kind of consideration that is

delivered to the stockholders of the Company as a result of such Change in Control, or, in the case of Options granted on or after May 21, 2013, the Board may cancel all outstanding Options in exchange for consideration in cash or in kind which consideration in both cases shall be equal in value to the higher of (i) the Fair Market Value of those shares of Stock or other securities the holder of such Option would have received had the Option been exercised and no disposition of the shares acquired upon such exercise been made prior to such sale, conveyance or Change in Control, less the exercise price therefor, and (ii) the Fair Market Value of those shares of Stock or other securities the holder of the Option would have received had the Option been exercised and no disposition of the shares acquired upon such exercise been made immediately following such sale, conveyance or Change in Control, less the exercise price therefor. Upon liquidation or dissolution of the Company, all Options and other Awards granted on or after May 21, 2013 under this Plan shall terminate, but each holder of an Option shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her Option to the extent then exercisable.

10. Settlement of Awards

10.1. In General. Awards of Restricted Stock shall be settled in accordance with their terms. All other Awards may be settled in cash or Stock, or a combination thereof, as determined by the Committee at or after grant and subject to any contrary Agreement. The Committee may not require settlement of any Award in Stock pursuant to the immediately preceding sentence to the extent issuance of such Stock would be prohibited or unreasonably delayed by reason of any other provision of the Plan.

10.2. Violation of Law. Notwithstanding any other provision of the Plan or the relevant Agreement, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Stock covered by an Award may constitute a violation of law, then the Company may delay such issuance and the delivery of a certificate for such shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(h) the shares of Stock are at the time of the issue of such shares effectively registered under the Securities Act of 1933, as amended; or

(i) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws. The Company shall make all reasonable efforts to bring about the occurrence of said events.

10.3. Investment Representations. The Company shall be under no obligation to issue any shares of Stock covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act of 1933, as amended, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for

purposes of confirming that the issuance of such shares will be exempt from the registration requirements of that Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations, including, but not limited to, that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

10.4. Tax Withholding. Whenever shares of Stock are issued or to be issued pursuant to Awards granted under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local, foreign or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any certificate or certificates for such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the recipient of an Award. However, in such cases Participants may elect, subject to the approval of the Committee, acting in its sole discretion, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold shares of Stock to satisfy their tax obligations. Participants may only elect to have shares of Stock withheld having a Market Value (or Fair Market Value, whichever applies) on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate.

10.5. Company Charter and By-Laws; Other Company Policies. This Plan and all Awards granted hereunder are subject to the certificate of incorporation and by-laws of the Company, as they may be amended from time to time, and all other Company policies duly adopted by the Board, the Committee or any other committee of the Board as in effect from time to time regarding the acquisition, ownership or sale of Stock by employees and other service providers, including, without limitation, policies intended to limit the potential for insider trading and to avoid or recover compensation payable or paid on the basis of inaccurate financial results or statements, employee conduct, and other similar events.

11. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

12. Limitation of Rights in Stock; No Special Service Rights

A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock subject to an Award, unless and until (a) a certificate shall have been issued therefor and delivered to the Participant or his agent or (b) the shares are recorded by the transfer agent in book entry form. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter

imposed by the certificate of incorporation and the by-laws of the Company. Nothing contained in the Plan or in any Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or certificate of incorporation or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

13. Unfunded Status of Plan

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Stock Rights and other Awards hereunder, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

14. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor any action taken in connection with the adoption or operation of the Plan shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

15. Guarantee of Tax Consequences

Neither the Company nor any Affiliate, nor any director, officer, agent, representative or employee of either, guarantees to the Participant or any other person any particular tax consequences as a result of the grant of, exercise of rights under, or payment in respect of an Award, including, but not limited to, that an Option granted as an Incentive Option has or will qualify as an "incentive stock option" within the meaning of Section 422 of the Code or that the provisions and penalties of Section 409A of the Code, pertaining to non-qualified plans of deferred compensation, will or will not apply.

16. Termination and Amendment of the Plan

16.1. Termination or Amendment of the Plan. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval if applicable, the Board may at any time terminate the Plan or make such modifications of the Plan as it shall

deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment.

16.2. Termination or Amendment of Outstanding Awards; Assumptions. Subject to the limitations contained in Section 16.3 below, including specifically the requirement of stockholder approval if applicable, the Committee may at any time:

(a) amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan;

(b) accept the cancellation of outstanding Awards or of outstanding stock options or other equity-based compensation awards granted by another issuer in return for the grant of new Awards for the same or a different number of shares of Stock and on the same or different terms and conditions (including but not limited to the exercise price of any Option); and

(c) (i) offer to buy out for a payment in cash or cash equivalents, or in exchange for another Award, any Award previously granted or (ii) authorize the recipient of an Award to elect to cash out an Award previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

16.3. Limitations on Amendments, Etc.

Without the approval of the Company's stockholders, no amendment or modification of the Plan by the Board may (a) increase the number of shares of Stock which may be issued under the Plan, (b) change the description of the persons eligible for Awards, or (iii) effect any other change for which stockholder approval is required by law or the rules of any relevant stock exchange. Furthermore, except in connection with a corporate transaction involving the Company, the terms of outstanding Stock Rights may not be amended to reduce their exercise price, nor may outstanding Stock Rights be cancelled in exchange for cash, Stock Rights with exercise prices that are less than the exercise prices of the original Stock Rights, or other Awards, without stockholder approval.

No amendment or modification of the Plan by the Board, or of an outstanding Award by the Committee, shall impair the rights of the recipient of any Award outstanding on the date of such amendment or modification or such Award, as the case may be, without the Participant's consent; *provided, however*, that no such consent shall be required if (i) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, including without limitation the provisions of Section 409A of the Code, or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard, or (ii) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration is not reasonably likely to significantly diminish the benefits provided under the Award, or that any such diminution has been adequately compensated.

17. Clawback Policy

Any Agreement may provide for an Award to be subject to any clawback policy of the Company that may be in effect from time to time or is required under any applicable law or rules and regulations of the national securities exchange or national securities association on which shares of Stock may be traded.

18. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (a) if to the recipient of an Award, at his or her residence address last filed with the Company and (b) if to the Company, at its principal place of business, addressed to the attention of its Treasurer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

19. Administrative Provisions

Nothing contained in the Plan shall require the issuance or delivery of certificates for any period during which the Company has elected to maintain or caused to be maintained the evidence of ownership of its shares of Stock, either generally or in the case of Stock acquired pursuant to Awards, by book entry, and all references herein to such actions or to certificates shall be interpreted accordingly in light of the systems maintained for that purpose. Furthermore, any reference herein to actions to be taken or notices (including of grants of Awards) to be provided in writing or pursuant to specific procedures may be satisfied by means of and pursuant to any electronic or automated voice response systems the Company may elect to establish for such purposes, either by itself or through the services of a third party, for the period such systems are in effect.

20. Governing Law

It is intended that all Awards shall be granted and maintained on a basis which ensures they are exempt from, or otherwise compliant with, the requirements of Section 409A of the Code and the Plan shall be governed, interpreted and enforced consistent with such intent. Neither the Committee nor the Company, nor any of its Affiliates or its or their officers, employees, agents, or representatives, shall have any liability or responsibility for any adverse federal, state or local tax consequences and penalty taxes which may result in the grant or settlement of any Award on a basis contrary to the provisions of Section 409A of the Code or comparable provisions of any applicable state or local income tax laws. The Plan and all Agreements and actions taken thereunder otherwise shall be governed, interpreted and enforced in accordance with the laws of the State of Delaware, without regard to the conflict of laws principles thereof.

21. Successors and Assigns.

All obligations of the Company under the Plan and with respect to Awards will be binding on any assign or successor to the Company, whether the existence of the successor is the result of a direct or indirect purchase, merger, consolidation, or other event, or a sale or disposition of all or substantially all of the business and/or assets of the Company, and references to the “Company” in the Plan and in any Agreement will be deemed to refer to such assigns or successors.

The Priceline Group Inc.
Ratio of Earnings to Fixed Charges
(In thousands)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Earnings Computation:					
Earnings before income taxes	\$ 2,989,448	\$ 2,296,537	\$ 1,761,869	\$ 1,367,794	\$ 746,283
Less:					
Net income attributable to noncontrolling interests, before tax	—	(175)	(5,922)	(3,756)	(834)
Add:					
Fixed charges	112,399	100,798	75,964	40,189	34,975
Total earnings as adjusted	<u>\$ 3,101,847</u>	<u>\$ 2,397,160</u>	<u>\$ 1,831,911</u>	<u>\$ 1,404,227</u>	<u>\$ 780,424</u>
Fixed Charges Computation					
Interest Expense	\$ 88,353	\$ 83,289	\$ 62,064	\$ 31,721	\$ 29,944
Assumed interest element included in rent expense	24,046	17,509	13,900	8,468	5,031
Total fixed charges	<u>\$ 112,399</u>	<u>\$ 100,798</u>	<u>\$ 75,964</u>	<u>\$ 40,189</u>	<u>\$ 34,975</u>
Ratio of earnings to fixed charges	27.6	23.8	24.1	34.9	22.3

**LIST OF SUBSIDIARIES
AS OF DECEMBER 31, 2014***

Name	Jurisdiction of Incorporation	Percent Ownership
Agoda Company Pte. Ltd.	Singapore	100%
Booking.com B.V.	The Netherlands	100%
Booking.com Holding B.V.	The Netherlands	100%
KAYAK Software Corporation	Delaware	100%
OpenTable, Inc.	Delaware	100%
Priceline.com Bookings Acquisition Company Limited	United Kingdom	100%
Priceline.com Europe Holdco, Inc.	Delaware	100%
Priceline.com Holdco U.K. Limited	United Kingdom	100%
priceline.com International Ltd.	United Kingdom	100%
priceline.com LLC	Delaware	100%
priceline.com Mauritius Company Limited	Mauritius	100%
Priceline Group Treasury Company B.V.	The Netherlands	100%
TravelJigsaw Holdings Limited	United Kingdom	100%
TravelJigsaw Limited	United Kingdom	100%

* Subsidiaries which, when considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2014, have been excluded.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements Nos. 333-198515 on Form S-3 and 333-196756, 333-197639, 333-151413, 333-122414, 333-65034, 333-55578, 333-83233, 333-188733 and 333-189145 on Form S-8 of our reports dated February 18, 2015, relating to the consolidated financial statements of The Priceline Group Inc. (formerly known as priceline.com Incorporated) and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2014.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut
February 18, 2015

CERTIFICATIONS

I, Darren R. Huston, certify that:

1. I have reviewed the Annual Report on Form 10-K of The Priceline Group Inc. (the “Registrant”) for the year ended December 31, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the Registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: February 19, 2015

/s/ Darren R. Huston

Name: Darren R. Huston

Title: President and Chief Executive Officer

CERTIFICATIONS

I, Daniel J. Finnegan, certify that:

1. I have reviewed the Annual Report on Form 10-K of The Priceline Group Inc. (the "Registrant") for the year ended December 31, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: February 19, 2015

/s/ Daniel J. Finnegan

Name: Daniel J. Finnegan
Title: Chief Financial Officer and Chief
Accounting Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of The Priceline Group Inc., a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Annual Report on Form 10-K for the 12 months ended December 31, 2014 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 19, 2015

/s/ Darren R. Huston

Name: Darren R. Huston

Title: President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of The Priceline Group Inc., a Delaware corporation (the "Company"), hereby certifies that, to his knowledge:

The Annual Report on Form 10-K for the 12 months ended December 31, 2014 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 19, 2015

/s/ Daniel J. Finnegan

Name: Daniel J. Finnegan

Title: Chief Financial Officer and Chief Accounting Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

